PRELIMINARY RESULTS 2008

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JOHANNESBURG & LONDON

OLD MUTUAL

Julian Roberts

Slide: Agenda

Good morning everyone. Sorry for the slight delay in the start. With me here in London is Philip Broadley, our Group Finance Director. Philip will be familiar to many of you. But of course he makes his first appearance today presenting Old Mutual results. I am delighted to have someone of Philip's calibre on board taking the lead in our finance, risk and capital management activities. In Johannesburg, I hope, Paul Hanratty is hosting. Can you hear us Paul?

Paul Hanratty

Yes, good morning, Julian. We hear you perfectly.

Julian Roberts

OK, so welcome to everybody who is in Johannesburg. And last but not least welcome to those of you who are joining us on the telephones or on the webcast.

This morning I will start off with an overview of our performance in 2008 before handing over to Philip who will concentrate primarily on a number of areas that we believe will be of interest to you.

But let me start with a few words first. Tough markets mean that tough decisions have to be made. I told you in November that I was intending to take a fresh and objective look at all parts of the Group. That review is now complete and I have started on a road to streamline and improve the business. This is difficult in this environment. But I am determined that we will end up with a Group that is less complex, more focused and more valuable to shareholders. I will say more in my final section.

Slide: Business Review

2008 was an extraordinary year. It was tough for most companies, particularly those in financial services. Old Mutual was not immune to the market turmoil and the uncertain and increasingly difficult economic environment.

On top of all that 2008 was especially tough for us because the economic environment exposed weaknesses in our US Life business. Frankly, poor decisions were made and insufficient oversight was given. That has cost us both financially and in terms of the time and management attention we have had to put into fixing the problems. But we have learned important lessons. And I am pleased to report that we have made excellent progress under Chris Chapman's stewardship in containing these risks. Oversight and governance have been strengthened substantially.

When judging our performance in 2008 it is easy to let the US Life dominate our thinking. And I certainly don't want to minimise the significance of the issues there. But I would ask you not to let them obscure the strong performance of our underlying businesses.

So let me talk about some of the financial highlights of the year.

Slide: Group financial headlines

The first point I want to make is that the Group's capital and liquidity position remains strong. At the end of December our FGD surplus was in excess of £700m which adequately supports our capital light business mix. In addition, individual businesses are well capitalised, and in South Africa, exceptionally so. We have available cash and facilities of over £600m. We can withstand a considerable amount of stress testing. Philip will talk more about the capital and

the FGD position later in the presentation.

Net client cash flows were positive across most parts of the Group, though were slightly negative overall, as a result of the suspension of securities lending by one of our US affiliates, which we told you about in November.

Funds under management were down by just 5%. We received some benefit from sterling weakness. But even in local currencies funds were down by far less than the equity market falls. Testament again to our long track record of investment performance.

Clearly the problems at US Life impacted our reported profits. However, it is worth noting, if we were to exclude US Life from both 2007 and 2008 results, eps would have grown by over 10%, showing the robustness of the rest of the Group.

So let me talk in a bit more detail about business unit performance.

Slide: Europe

Firstly Europe. We are pleased that net client cash flows remained strongly positive and our adjusting operating profit was broadly unchanged.

In the UK, sales were down due to a reduction in single premium products, largely as a result of the CGT changes. As you know, we don't write with profits and bulk annuity business, the two main areas where the UK market saw sales growth last year. We believe that with profits business in the UK is insufficiently transparent and does not serve the UK saver well.

We believe the future is in our open-architecture platform model. It is transparent where savers know exactly why and in what they are invested. It is a model in which we have strength, and I believe some considerable competitive advantage.

Let me give you an example. A recent survey commissioned by Skandia, showed that in the UK 46% of IFAs are already writing more than half of their total business on platforms. And this is growing rapidly, with 54% believing they will get to that position within 12 months.

We believe we are well placed in a market in which the long term saving trends are positive. We will talk more about this during the investor day we have planned for in May, when Bob Head and Nick Poyntz-Wright in the UK management team will not only talk about the business, but will also give you a demonstration of the platform technology.

In Nordic we have done what we set out to do in terms of turning performance around. Sales and market share have recovered and are on positive trends. Cost reductions have been implemented and the value of new business has improved. Margins are still targeted to reach high teens.

Performance in ELAM though was disappointing. Sales were impacted by negative investor sentiment towards equities, while recurring premiums held up well. However, profit was heavily affected by the drop in funds under management and a revision of policy holder regulations in Germany which took €20m off our profit. We need to achieve scale benefits in ELAM and there from January this year we have begun to re-organise the operations into two main divisions in continental Europe, based around our principal customer segments in pursuit of scale and operating efficiency.

Slide: Africa

Africa, as always, has made a substantial contribution to the Group result. At a time of global crisis with equity markets falling and banks needing bailouts in both the UK and the US, it is clear that South Africa has a strong financial system in which we are a key participant. The results are plain to see.

Nedbank announced its results last week and has done well in difficult circumstances. Overall performance was good. And with its Tier 1 capital ratio of 9.6% is well above that of UK and US banks. The business remains an important contributor to the Group and is well set to withstand the effects of a slowdown in the South African market.

Mutual & Federal produced a solid underwriting result. And although there is clearly more work to be done, the fourth quarter showed improved performance.

OMSA had a very good year. Both life and unit trust sales were up significantly on the prior year. And overall IFRS adjusted profit was up by 14%. Net client cash flows remain negative for the year as a whole, but were improved on 2007, and were positive in the fourth quarter. Given the economic and market conditions that prevailed I think this is encouraging.

Despite the disruption in the financial markets the majority of our South African boutiques delivered a better investment performance than they had done in the previous year, another encouraging result.

Although the South African economy has slowed, National Treasury has published a GDP growth forecast for 2009 of 1.2%, still positive and well above the forecasts for either the UK or the US. South Africa has a strong banking system. There is a growing middle class creating an expanding market for the right financial products. And in times of uncertainty customers look to companies that have a solid track record and provide the products they want. We are well positioned with high ROE businesses and South Africa remains an attractive place for us.

Slide: North America

Philip will take us through the US Life position in some detail. So I won't dwell on that business. But would just say that we have taken firm action. We have reduced the products we are writing and have cut expenses by closing the office in Atlanta and concentrating our activities on Baltimore. Our aim is to re-focus on fewer products and products that give us good ROE.

On Asset Management net client cash flows remain strong at £1.5bn positive, if we exclude that impact of suspending securities lending. This is a good result given the difficult market conditions, and the overall net outflows experienced across the industry. Overall long term investment performance was good and our diversified asset mix helped to lessen the impact of market volatility.

Although profits were down on 2007 this was primarily a market effect with performance fees and management fees both reduced. We have taken action to reduce costs to offset the impact on margins of the lower fee income. This will remain a priority in 2009 in addition to continued improvements to product development and distribution.

Market volatility creates opportunities for quality managers to provide outperformance for customers. And our US Asset Management boutiques are well positioned for a market recovery, whilst recognising that in the short term earnings growth will be restricted.

Slide: Actions taken in 2008

So let me turn back to the Group as a whole. In 2008 we recognised our internal weaknesses and have taken action to address them.

In the second half of the year we concentrated our efforts on de-risking our business, particularly in the US, and creating a sounder footing for the future. We have improved controls, and each business has been allocated clear risk appetites within which they must trade.

In Bermuda, as Philip will go through, we have improved fund mapping and currency hedging which has reduced risk considerably.

Overall we have strengthened our risk and governance processes and made this a key element of every senior executive's performance remuneration.

We have also remained very clear about the need to keep a constant and prudent eye on our capital and liquidity. Philip is going to talk more about these, and this is a good point at which to hand over to him.

Philip Broadley

Slide: Financial Review

Thank you very much, Julian. Good morning everyone. It's a pleasure to be here in London presenting my first set of results for Old Mutual. And it's good to see a number of very familiar faces in the room here.

Slide: Agenda

There are four parts to my presentation this morning. In a moment I will take you through the Group Profit & Loss result. I won't go through each of the businesses in great detail this morning. That detail is shown separately in the appendix slides and of course is in the Results Announcement. Instead I would like to talk about some of the key areas that I think have been on your minds in recent months.

So in the second part of my presentation I will talk about the US Life business, separating this into the US Life onshore and offshore Bermudan business. I will focus on the actions we have taken since November and the effect that those actions are having.

In the third section I will go on to talk about MCEV. But please remember at 1.30 today, London time, Andrew Birrell, sitting in the front row here, and I will be hosting a separate call on MCEV. And this will give you more detail about our approach and results and provide you with an opportunity to ask your specific questions on MCEV.

Finally this morning I will go on to talk about capital and liquidity, going into some detail on our FGD position and how we view our sensitivities.

So first, let's take a look at profit.

Slide: Adjusted operating profit

In this chart we are showing the make up of the Group's adjusted operating profit on a regional basis. Note that on this slide the figures are shown net of minorities and before tax.

Overall you can see that in the year, as Julian has already highlighted, profit in Europe was broadly level. The UK and offshore profit was virtually unchanged, while Nordic was strongly positive due to higher sales, excellent cost controls and SkandiaBanken benefiting from an improved interest margin. ELAM remains a small contributor, but was down on 2007, largely due to lower fees associated with reduced levels of funds under management.

As anticipated the US moved from profit into loss as a result of additional charges in US Life. After all charges the onshore Life business made a loss of £230m and Bermuda a loss of £137m. US Asset Management remained in profit, but at just under £100m was considerably down on 2007 due to lower management and performance fees.

Julian has already referred to the strong contribution that Africa has made to the overall Group result and I would now like to look at that in a little more detail.

While overall on a sterling basis Africa was down on 2007, in local currency terms overall AOP net of minorities was up 4%.

OMSA contributed 55% of that total and it was up 14% on the previous year. Here we benefited from lower costs. The lower Old Mutual share price affecting incentive costs, the long term investment rate and a number of non-recurring items which are set out in the statement. These were partially offset by the impact of market falls and lower capital charges from lower asset values.

Nedbank was of course the other main contributor to profits in the region, comprising 37% of Africa's contribution to the Group. As detailed in Nedbank's own results statement published last week profit was down only slightly on the previous year, even including the R4.8bn impairment charge for the year. The bank has responded to the turmoil in global financial markets by adopting a more conservative approach across its organisation while also continuing to invest for the future.

Slide: Group P&L analysis

In total our combined businesses contributed £1.2bn of adjusted operating profit despite the losses in US Life that I have described.

Other shareholders income and expense at £31m primarily comprises head office costs which have fallen on 2007.

Financing costs of £140m were up 18%. And this is mainly due to foreign exchange, as the sterling cost of non-sterling denominated debt payments has risen.

You will see clearly that our tax rate for the year has reduced substantially. It has fallen from 26% last year to 9% this. This is clearly an atypical result and I will explain why it has arisen. Factors that have driven the rate down include reduced tax rates and more of the profits coming from lower tax jurisdictions. Tax exempt dividend income now represents a greater proportion of the AOP, there are foreign exchange gains which aren't taxable, as well as a release of tax provisions and the utilisation of previously unrecognised deferred tax assets. These benefits were partially offset by higher STC charges in South Africa and by the non-recognition of deferred tax assets arising in US Life.

For 2009 and further beyond I would expect the tax rate to return towards 2007 levels.

The Long Term Investment Return has risen in 2008. This reflects our methodology. And it is detailed on a slide in your packs. Lower expected investment returns and a change in the underlying assets will have an effect on the LTIR going forward. And we expect it to reduce in 2009.

Finally on this slide, earnings per share for the year were 12.2p.

Slide: AOP: high level adjustments

The slide shows the principal one-off items in the result and how they have been dealt with above and below the line. And I will talk more about the US adjustments in a moment.

Below the AOP line there have been some significant one-offs, including the change in market value of our debt, short-term fluctuations in investment returns and the impact of volatility on US hedging.

Slide: US Life onshore – bond porfolio

Now let's look at more detail at our US Life business. And first of all I would like to talk about the credit portfolio of the onshore business, and the information here is summarised from that which will be published in the Blue Book.

From the table you can see that 97% of our investment portfolio is held in cash, government backed or investment grade securities of BBB and higher. Concentration risk is relatively low as the top ten holdings account for just 5.5% of the portfolio.

The portfolio is we consider well matched. Assets have an average duration of six years, against an average duration of 5.9 years for the liabilities. In addition we have repositioned the portfolio over the course of the year to hold twice as much cash at the end of the year as we did at the beginning. A strongly defensive position against further market shocks. 81% of the bond portfolio is split across seven sectors.

We are in a very similar position to our peer Group in that the market value of our securities is currently below their book value at around 81%. On an IFRS basis our unrealised loss position for both onshore and offshore businesses at the end of the year was £1.8bn. But the combination of the duration and our cash holdings mean that we have the ability as well as the intention to hold these securities to maturity.

Slide: US Life - impairments

Credit markets remained under stress at the end of 2008. And we reviewed our asset portfolio, security by security, and impaired a total of £414m for the combined businesses. £128m of this impairment charge was incurred in the fourth quarter, a lower amount than the £195m which you will remember we said had been impaired in quarter three. And we had actual defaults of £85m representing about 1.3% of the portfolio. As part of their extensive year-end work in this area, our external auditors have re-tested our valuations, and did not propose any adjustments to the carrying value of individual securities.

Turning now to DAC. Just to remind you that in deferring acquisition costs on our long term business we recognise them over the life of the contract rather than up front at the time of sale. The costs are deferred on the Balance Sheet as an asset and amortised as the profit emerges over the contract life. Reviewing our position at the 31st December we have estimated that the gross profit we will earn from the current in-force book will be lower. And this is principally due to investment returns going forward being below the previously assumed rate.

We have therefore accelerated £159m of DAC amortisation in US Life. Of this £67m relates to the onshore business where we have modified expected lapse rates for both deferred and indexed annuities. And this is a reflection of an expectation of higher surrenders when these contracts come out of the surrender charge period in due course.

A further £92m of DAC unlocking relates to Bermuda, and results from revised hedge costs and earned rate assumptions. And we have also written off the remaining purchased goodwill of the onshore business during the year.

Slide: US Life - onshore

Looking now further at the onshore business specifically, we have injected capital of £56m in 2008, and deferred the £155m in the early part of 2009 into this business in order to preserve the RBC ratio at above 300%. And it ends the year at 305%, about 10% ahead of where it was 12 months ago.

Adjusted operating losses for the onshore business were £230m for the year. This mainly reflects £235m of additional mortality reserves related to the sub-standard lives within the single premium indexed annuity block of business. In 2007 we adjusted mortality assumptions in respect of large cases. But due to the US accounting standards that we use for IFRS we were only able to recognise the impairment charge of £99m in EV and not in IFRS, since the book of business was still open. Since we stopped selling the life contingent products during the year we now treat the life in-force block as discontinued and in consequence we recognised a charge of £235m in IFRS and £151m in EV. On average the SPIA annuitants have reached an attained age of 82 years. And the adjustment to mortality increases their life expectancy or our expectation of their remaining life expectancy by a further three years to 93

years of age.

Net of the SPIA adjustment but taking account of all other adjustments the US Life onshore business would have made a small profit for the year.

We have continued to build on the initiatives we outlined to you in November including the appointment of a new management team, the elimination of marginal and unprofitable product lines, such as SPIA, lowering new business capital strain, reducing sales volumes and reducing operating expenses including headcount. For example, by closing the onshore VA distribution centre in Atlanta.

We will continue to focus on the successful implementation of the transformation strategy for this business outlined last year under Chris Chapman's leadership. Our aim is to create a more narrowly focused business which runs efficiently and delivers an appropriate return on equity.

Now moving on to Bermuda.

Slide: Bermuda

As we told you in November the extreme market volatility and strengthening of the US dollar caused substantial increases in the costs associated with the guarantees provided on the universal investment plan product.

We have already told you about a number of the actions we took during 2008 to limit our exposure on these guarantees and to de-risk the Bermuda book. As a reminder these are included withdrawing products introducing currency hedging, improving fund mapping to reduce basis risk and launching the accelerated universal guarantee option offer.

The total charges as a result of the guarantees, was £274m in the year. But we are pleased to report that the fourth quarter increase was on £18m and so far this year we have made some small gains. And this implies that our fund mapping is working as it should and provides some evidence that our management action and the hedging programme we put in place are working effectively.

The improved fund mapping has enabled the business in Bermuda to have a much clearer understanding of its exposures in terms of the guarantees it has offered.

Slide: Bermuda – hedge performance (1)

Let me illustrate this by the chart that you see now. This shows a series of dots representing the individual trading days of 2008. And on it we are plotting the daily movement in assets along the x axis against the daily movement in liabilities on the y axis. The closer the dots are to the line the more effective the hedge, i.e. the extent to which assets move in line with liabilities.

Slide: Bermuda – hedge performance (2)

And here we are showing you the same plot but just for the fourth quarter only. And you see there is a much better correlation, and that many of the extreme outliers have disappeared. So whilst we achieved 77.8% correlation for the full year, we achieved nearly 92% for the fourth quarter alone. And while some basis risk remains, this illustrates a significant improvement in hedge effectiveness. And in 2009 so far we have managed to improve this effectiveness further.

In summary the charges we have taken in relation to Bermuda include a charge to IFRS AOP of £68m pre-tax, reflecting hedge ineffectiveness. And in line with standard industry practice there is a below the line charge of £206m pre-tax to reflect market volatility.

There is a summary slide in the appendix to your pack which provides full details of the IFRS and EV accounting for the strengthening of the guarantee reserve.

Moving on now to the adoption of MCEV, market consistent embedded value.

Slide: MCEV: high level Group impact (1)

As we have announced previously Old Mutual has adopted MCEV early, and our 2008 Report and Accounts have been produced on this basis. And we have also published today a re-statement of our 2007 full year results on the MCEV basis.

One of the key issues under MCEV is for spread based business, the recognition of any liquidity or credit risk premiums in excess of swap rates is not permitted until the year in which those spreads are realised. As a result the timing of the recognition of profits is different under MCEV compared to EEV. Under EEV one would capitalise risk premiums, but under MCEV these profits emerge more slowly over the life of the product. And so, as we previously discussed, we have incurred a reduction in the EV for our US onshore business under MCEV due to the high proportion of spread based business written there.

In respect of business backed by equities, EEV capitalises an equity risk premium, whereas MCEV does not. But this is offset by the effect of using a lower discount rate under MCEV than under EEV. And so for our European and African businesses there are relatively minor impacts when moving between the two approaches for the covered business.

Overall at the 31st December 2007 our EEV valuation was 173.3p per share.

Slide: MCEV: high level Group impact (2)

And allowing for the various restatements to MCEV the valuation dropped by just 7p to 166.3p per share.

Slide: MCEV results

If we now look at the 2008 and 2007 comparatives on an MCEV basis, and I will highlight just the key items, as I say, we will have more time to go through the detail this afternoon, I would like to bring to your attention an adjustment of 300 bps that we have made to the risk free rate for 2008, which we have made in respect of the US Life onshore business only. This adjustment was determined with reference to a number of data sources and publications and reflects an estimate of the liquidity premium inherent in our corporate bond portfolio at the end of the year. As I say we will talk more about that in our presentation this afternoon.

The Group adjusted EV per share reduces to 117.6p for 2008 and the EV eps reduced from 17p to 11p. And let me break down that movement in MCEV per share.

Slide: MCEV per share

The positive net impact of profit flows and the marking of our debt to market was offset by negatives arising from adverse currency on non-sterling debt, economic variances due to market movements, which occurred primarily in the US Life business, the reduction in the share price of Nedbank and M&F over the period and the dividend payments made to shareholders in May and November.

Now turning to the final part of my presentation this morning, and looking at capital, cash and related sensitivities.

Slide: Analysis of regulatory capital surplus at 31 December 2008

At the 31st December we had a total of £10.1bn of capital sitting on our Balance Sheet. This included £6bn of economic value related to items such as goodwill and other intangibles, together £4.5bn, and inadmissible DAC of £1.5bn. Netting these items off against our total capital is our regulatory capital resource as at the 31st December of £4.1bn.

Our capital resource requirement was £3.4bn, giving us a pro-forma FGD surplus in excess of £0.7bn.

But clearly on top of that we do have £6bn of economic value on the Balance Sheet.

So when we determine our position under economic capital a part of this £6bn is allowable when determining our available financial resources, which we subject to a variety of economic capital stress scenarios in order to determine the resilience of our economic Balance Sheet and the resulting residual surplus. The Group retains an adequate economic capital surplus under these conditions. And the £6bn of economic value should be allowed for when considering the Group's resilience.

Slide: Movement of regulatory capital surplus 2008 (£bn)

But if we look now at more detail in the movements of our regulatory capital surplus over 2008 you can see the effect that US Life losses on a statutory basis have had on our surplus. Foreign exchange has also impacted negatively overall this year, as has the implementation of Basel II at Nedbank.

Slide: FGD

Our FGD surplus ended the year in excess of £700m in line with the range that we use as a guideline to ensure that we have sufficient capital throughout the cycle. Our requirement is to maintain a positive surplus at all times. And we comfortably exceed that.

Our current level of capital is struck after recognising the impairments in our US Life business that I have already described. The FGD surplus at the end of 2008 was supported by the capital management and risk mitigation strategies that we implemented in respect of shareholder funds during the year, particularly in respect of OMSA, where we liquidated certain large equity positions such as Assore at very good levels retaining the proceeds in cash. And we further hedged the majority of the balance of the shareholder equities.

The factors which have most affected on our surplus are:

- dollar and rand exchange rates against sterling,
- movements in the JSE all-share index,
- and the level of defaults impairments and realised losses in our US Life corporate bond portfolio.

I will leave aside the last point for a moment which I will come back to. You can see on this chart that for the first three of these factors, although the sensitivities are not linear they are relatively small given the size of the surplus. And you will also see that our sensitivity to the Dollar has reduced considerably from that which we have shown you before as a result of hedging activity that we are now undertaking.

Slide: Bond portfolio defaults

But lets look further at US default rates. This is the single real sensitivity that our FGD surplus has to cover. For example, none of our businesses has significant exposure to UK corporate debt.

At year end exchange rates our FGD surplus was equivalent to $1.1bn. Sufficient to enable

us to withstand a level of defaults and realised losses of around 9% of the onshore corporate bond portfolio.

And if we look at corporate bond default rates using data from Moodys the highest level experienced during a global recession during the 1930s was around 1.6% for investment grades and 15% for sub-investment grade.

So if we were to assume that worst case experience for investment grade and take a level much worse than the historic high for sub-investment grade to reflect the differences that exist in markets today to then, say 25%, and if we make a realistic assumption of around 20% recoverability, this would suggest a potential $325m of defaults on our portfolio. So if you take this pessimistic scenario defaults would be around 1.9% of the total bond portfolio and would be adequately covered by the surplus. And I think it's also worth pointing out that all of that analysis is static. Over the course of the year as our businesses achieve earnings around the Group that adds to our capital position.

Slide: Business unit capitalisation

We have talked so far about the Group under our FGD. But in addition each of our business units is required to maintain its own capital ratio. And what I show you here on this chart is the ratios for each of our principal regulated businesses, calculated under the differing requirements in their jurisdictions in which they operate. And I would highlight in particular OMLAC(SA) and Nedbank which published its own results last week.

Each of our businesses has sufficient capital to support its regulatory and operational needs. None of them is capital constrained. And each is writing new business and growing according to its current plans.

Slide: Net debt

Our reported debt next, reduced by £157m during the year, and now stands at £2.3bn.

A total of £1.1bn of operational and capital receipts were received from the business units during the year.

These receipts were offset by £756m of operational expenses and organic investment, including all of the capital injected into the US businesses during the year.

£353m was used to pay dividends during the calendar year. And the early part of 2008 saw the conclusion of our share buyback programme at a cost during the year of £175m.

The other movements that you see on the chart largely reflect a positive impact of the marking to market of our debt liabilities which IFRS requires us to do.

Slide: Gearing & liquidity

Turning now to gearing and liquidity. Our total gearing of 26.7% remains in line with our target range.

Our revolving credit facility is in place until 2012 and the first call date on our step up hybrid capital is not until the end of 2011. As a result we have no significant refinancing needs during this year, nor indeed for that matter next.

In view of current market conditions and the continued uncertainty around the performance of global financial markets, we believe it is prudent for us to improve our capital position and conserve cash at this point in time. And accordingly the Board has determined that no dividends will be paid by the company during 2009.

As part of its normal course of business the Board will consider the position in respect of a final dividend for 2009 in 12 months time, in light of the then prevailing economic and market conditions. Longer term the Board would look to recommend a dividend based on the Group's capital, cash flow and statutory earnings with a view to maintaining cover of at least two times.

Slide: Financial Review

So finally to summarise. This morning I have deliberately focused my remarks on the key issues facing the Group that I believe are at the forefront of your minds. I hope I have demonstrated that we have a sound capital footing and that we are well placed to withstand the risks to which our business is exposed. And I will now hand you back to Julian.

Julian Roberts

Slide: Priorities

Thank you Philip. As Philip has outlined, our financial footing is sound. But I believe our business spread is not optimal. Since I spoke to you in November we have performed a thorough review of the Group. My conclusion from that review is that we have valuable businesses and high quality people working within them, but our spread of businesses is too great, making it complicated to manage on a decentralised basis, and obscuring the true value of each.

Change in my mind is therefore not optional. We need to change in two ways. Firstly, we must run the Group differently, to show we can better manage the diverse portfolio. And secondly, when the opportunity arises we need to reduce the breadth of the portfolio.

We have identified five key priorities.

Slide: Priorities

Firstly, to conserve our capital and liquidity, to streamline our portfolio when the market allows, to leverage the capabilities within our long term savings business, to drive further opportunities between our South African businesses, and finally, to increase operational efficiency and strengthen risk management.

I am not going to add any more to what Philip has already said about our capital position. But it is clear that in the current environment responsible capital management must be our priority.

So let me talk you through the other priorities I have outlined.

Slide: Streamline the portfolio over time

We operate in too many countries with too many business lines. And there are too many businesses where we are sub-scale and without a realistic chance of achieving scale without change. Simplification is required.

It is also, however, clear to me, that in the current environment execution is not only difficult, but if achievable would almost definitely destroy shareholder value. So although it is disappointing, getting to the optimal state for the Group will not happen overnight.

We have already taken or have started to take action on some parts of the portfolio. We have agreed to the sale of our Australian business. We have exited Portugal. We are re-organising our business in continental Europe. We remain committed to our established ventures in India and China, but we are scaling back our aspirations in the Far East. And therefore, we will be closing our office, our regional office in Hong Kong.

Of course I would like to do more and to move more quickly. And if there is the opportunity to do more and faster we will certainly do it. But we have to be realistic about what is achievable. And we do not need asset sales in order to raise capital. Any streamlining we will do for efficiency and strategic focus.

In the meantime, we will concentrate on changes that we can execute and will increase considerably the efficiency and the value of our business. I am making some organisational changes to ensure that we achieve just this.

Slide: Long term savings

The major change is the creation of a division covering all our long term savings business.

We have distinctive technology and capabilities within our South African, UK and Swedish businesses. There is an appreciable opportunity to deploy this technology and our product capability more effectively across the whole Group and as a result change the economics of the business model.

We will achieve operational cost efficiency improvements. For example, we will reduce our IT costs over the long term through consolidation of operations, shared upgrade and development costs. We will do things once.

To ensure these benefits are achieved, we have to start working as a group, not as a federal decentralised set of businesses. I am therefore putting all of our long term savings businesses into one division and under one executive, Paul Hanratty. So Bob Head who runs Skandia, Chris Chapman here who runs the US, Steffen Gilbert in the Far East, and also the person who will run the OMSA business will all now report to Paul Hanratty.

Paul will relocate to London and will be based here as part of my executive committee. We have started the process for seeking a replacement for him in OMSA.

Tom Turpin who runs the US Asset Management business will also continue to report directly to me as a member of the executive committee.

Slide: South Africa

Closer co-operation between Nedbank and OMSA has already delivered in excess of R1bn in annual savings. But I believe there is still more value that can be achieved.

Tom Boardman is a member of the executive committee and will remain so. But both he and Paul will be tasked with delivering further synergies, particularly on the retail side. They will be responsible for agreeing and driving towards new bancassurance targets.

They will also seek opportunities to deliver benefits from greater co-operation between the three businesses, Mutual & Federal, Nedbank and OMSA, as well as opportunities to collaborate on expansion into other African markets.

One outcome you may have seen of the review that has taken place is that during this year Nedbank, which has several wealth management joint ventures with Old Mutual, may acquire those joint ventures entirely, in exchange for an increased shareholding for us in Nedbank.

I think joint ventures often have their problems, and therefore this gives absolute clarity with one management team taking responsibility for the joint venture, the wealth management businesses.

Slide: Operational efficiency, governance and risk management

Finally we will target greater operational efficiency and further strengthening of our governance

and risk management processes.

I am delighted to announce the appointment of Paul Maddox, a partner of Ernst & Young, who joins us on a long term secondment. Paul will join the executive committee and will be responsible for driving through the change programme.

I believe that major cost and performance efficiencies can be achieved. Delivery of these savings may require better processes and technology, but is also likely to involve consolidation of activities.

Paul has only just joined the team. And I want him to take a hard look at the opportunities and the realistic timeframe for the delivery before I put a figure on the potential savings.

If we turn to risk and governance, one of the initiatives we have underway is the programme by which we will ensure that we become fully compliant with Solvency II Our aim is to implement best practice in the way that we measure and manage risk, capital and financial performance, and to integrate these in the way we set strategy, steer our operations, and reward the creation of shareholder value.

I am bringing together our risk and actuarial functions. Andrew Birrell will take responsibility for both and will join my re-shaped executive committee. I believe this strengthens considerably our management of these extremely important areas.

Our risk and governance processes are stronger today than they were 12 months ago. And each business, as I have said before, has an agreed risk appetite. 2008 is a year in which we increased substantially our investment in risk resources, people, systems and processes. We expect to see the benefit coming through in 2009 and onwards.

Slide: Priorities

So to reiterate, we are clear on our priorities. And we will change the way we do things.

The key change is I want to see our businesses work as a group. The decentralised model has not worked. It has left us exposed. It has created unnecessary duplication of effort. And it has prevented us from benefiting from shared skills and experience. I am resolute in my determination to change all of this.

It will inevitably involve some tough decisions. But with our sharpened focus and clear accountabilities I believe that we can make considerable progress, even against the background of continued market uncertainty and challenge.

Slide: Summary

2008 was tough. But we came through it, and overall delivered a reasonable set of results. Some parts of our Group as I have said have performed very well, whilst others had their problems.

We ended the year with a clearer view of where our strengths and where our weaknesses lie.

We are realistic about how difficult our environment is and will remain. In 2009 markets will continue to hold back our opportunities and our earnings.

But our capital and liquidity positions have remained strong and we are taking action to conserve both.

Our businesses are trading well in a difficult environment.

We have made considerable headway in tightening controls.

We are clear on our priorities.

And we have the right senior management team to drive forward the changes we need to make.

Whilst we will be alert to opportunities to achieve greater simplification of our business, in 2009 we will conserve our capital and liquidity, execute the changes I have described, and run our operations as well as we possibly can. I am confident in our business and our future.

Ladies and gentlemen that concludes our formal presentation for this morning.

Slide: Q&A

As Philip has said, can I remind you that he and Andrew will be hosting an MCEV call in a little less than four hours time. So you may want to hold your MCEV related questions until then. So let me open up to questions. As usual we will start with questions here in London and then go to Johannesburg. Just as a practical point, I know we always say this, but can you please wait until the microphone comes to you before you start speaking. Otherwise the people in the other centre and on the phones and on the webcast won't be able to hear you. So where are we starting? We have got a few hands…right at the back.

Christian Dinesen, Merrill Lynch

Good morning. Thank you. Christian Dinesen from Merrill Lynch. I wonder if you could address your credit ratings please. You are on negative review or watch at all three agencies. And in particular would you address the implications on your business if the A.M. Best financial strength rating on the US entity is downgraded one or more notches. And the same impact that it might have if your subordinated debt is downgraded one or more notches in particular if it goes to non-investment grade. Thank you.

Julian Roberts

Yes. I am going to if there is a microphone. Chris Chapman, who runs our US Life business, I am just going to get him to answer the first question of the rating sensitivity and which are the main ratings that the US Life business needs.

Chris Chapman

Good morning. The most important rating for us by far is the A.M. Best rating. It's how we market our products. While Fitch and the Moodys rating are very important over here, they have never been used in any marketing capacity for the Life business in the States. The most important thing we have done in the past few months, besides recutting the business, to shape the new day and trimming products. It was mentioned earlier we have trimmed products. We have gone from 56 product offerings to 9. We have gone from 13 types of products to 3. We are cutting our business back to a top line target of $650m. And we are cutting expenses by over 50%. While doing all this it was imperative that we kept the A.M. Best rating so to the gentleman, I don't see him now, but to the gentleman, thank you sir, who asked the question, the distribution end of our business is terribly reliant upon the A.M. Best rating. We figure we could have lost a notch and gone from A to A- and been fine, perhaps even to B++. But beyond that we are worried about our ability to distribute more product which we need to do. So it was quite a coup frankly to secure the rating. We met with A.M. Best in November and in December and secured the rating in January.

Julian Roberts

So, thank you Chris. So in summary our own belief is we could take a two notch downgrade before we believe we would have any problems with A.M. Best. Philip, do you want to cover the other rating agencies?

Philip Broadley

Yes, I mean the other rating agencies will obviously make their determinations based on the results. And they will consider the capital and cash position that we have reported, and also the decision we have taken in respect of dividend. As I mentioned in the presentation we have no refinancing requirements of substance this year or next. So the impact of a rating decision would be taken into account in any future refinancing that we do beyond that two year period.

Julian Roberts

OK. Jon

Jon Hocking

It's Jon Hocking from Morgan Stanley. Could you talk a little bit about the fungibility of capital. I am thinking of particularly the strong capital position you have got in South Africa, and under what conditions you could actually use that around the Group. And specifically the decision to pass dividends in 2009, does that have any impact on your agreement with the South Africa Central Bank in terms of the normal sort of capital repatriation back to Group.

Julian Roberts

Yes, let me take that one. There is no change to what we have said all the time on the fungibility of capital. We have to go through a process of going through Treasury and exchange control. We have never had a problem in taking capital out and distributing up to the Group. But we always have to go through a process and get consent. Where it relates to the dividend of this year end, we are able to distribute up to Plc and retain the dividend without paying on to shareholders.
Where are we going next? Yes.

Raghu Hariharan, Fox Pitt Kelton

Hello morning. Raghu Hariharan, Fox Pitt Kelton. I just have three questions on capital if I may. The first one is, the IGD surplus is $700m at the year end. Now you have injected $225m in February 2009 to bolster the US business further, to keep it at 305% I guess RBC. I was just wondering, you know, Philip was saying the hedge effectiveness is actually better, if I heard him right in 2009. So I was just wondering why you need to inject capital, and what the source of that deficit is, and how does that affect your IGD? I guess excess capital moves into required capital, so your excess comes down. The second question was around, in the IGD you have taken off the Basel II effect of Nedbank. I was just wondering how much of any double counting if at all of capital, either in terms of Mutual & Federal and/or Nedbank is left in the IGD…or sorry…sorry the FGD. The third one is a related question on the South African business. Obviously this is very well capitalised at 3.8 times. I was just wondering in terms of loss absorption of this capital position if need be, if …how much of Nedbank's and/or Mutual & Federal's market value contributes to this…to this excess. Thank you.

Julian Roberts

I will turn to my FGD expert on my left hand side. Philip.

Philip Broadley

Very good. I will deal with the first two. I might just ask Andrew Birrell to deal with the third if I may. The IGD surplus and the impact that the injection into the US has had. That is in respect of maintaining the capital ratio, the RBC ratio above its target of 300% following impairments that were recorded last year. It's not a consequence of currency movements. And it has no impact on the overall surplus. The FGD calculation is the aggregation of individual capital calculations in each of the regulated businesses and also cash and capital held here. So if we move capital from one part of the Group to another it doesn't actually have an effect on the overall IGD. So we have injected capital into Chris's business. It's capital we held here. It doesn't have any effect on the overall calculation. The second one I think is, I can answer very

briefly. There is no double counting or double leverage in the IGD calculation from holdings of Nedbank or M&F. And Andrew will talk about South African capital on which I am not as much of an expert yet as I would like to be.

Andrew Birrell

Thank you, Philip. Good morning to everybody. In terms of the Nedbank position that is counted in FGD, that's 20% of the market value.

Julian Roberts

OK, yes, James.

James Pearce, Cazenove

Morning. James Pearce from Cazenove. Philip's predecessor told us that if capital went below £750m you would start to worry about credit rating and that kind of thing. And you have cut your dividend. How much further would it need to fall before you started actually feeling the urge to raise capital? Could you tell us what the current solvency surplus is under FGD? And could you tell us how your thinking has evolved on Nedbank. I think in December you were talking about selling it. And today you are actually raising your investment.

Julian Roberts

Do you want to deal with the first bit?

Philip Broadley

Yes, I will deal with the first question. The FGD target range at £750m to £1bn that has been spoken about before was set with a view that it would be sufficient to absorb one in ten year events. 2008 was a one in ten or one in fifty or whatever 'one in' event that you might like to describe, and the capital was sufficient. We have ended the year with an FGD surplus in excess of £700m on a pro-forma basis. And the actions that we are taking in respect of dividend this year will enable us to retain our earnings, statutory earnings which will build the level of FGD over the course of the year. And I would forecast at the end of March that we will have an FGD surplus in excess of £700m. So I think that gives you some sense as to the amount of capital we have. And as I sought to set out in the presentation, the FGD surplus protects us against risks that we face in the Group and of those the principal risk which has the potential to permanently erode our capital base is impairments in the US. And I sought with that chart on the bond portfolio to demonstrate the resilience of the FGD surplus, the amount that it can absorb in terms of looking at possible future defaults.

Julian Roberts

The last question about Nedbank, and I think James you are quoting I think what Yvette Essen wrote in the Telegraph. I have a very simple view that I am not a great fan of joint ventures. I am not a great fan of sitting with a majority shareholding. Because I think both of those things bring uncertainty. And what I said in December, and I hold true, in the long term, you either have to increase a stake and take if you like more control of a business or you have to reduce the stake. Yes, I am slightly increasing the stake with the joint ventures, and you can come to your conclusion. But I still have the same view, that over a long term period, as those of you remember me from my previous role, my previous position, my previous employer took the view of actually you can have a majority, but over time you then have to make your decision of where you are going. And I believe that quite strongly. But that is in the long term not in the short term. I want to take one more question from here and then go to Johannesburg. We will come back later on. But I think Greig was the very first person to put his hand up. And therefore the last person in this session.

Greig Paterson, KBW

Greg Paterson, KBW. Three quick questions. One is, I couldn't find the unrealised losses in the US in the fourth quarter. And I think in the schedule in the third quarter you actually had a number there. So I wonder if you could just give me that number. The second thing is IGD and the potential levers you have. I see you have effectively included your US asset management operation in your IGD capital. I wonder if you could talk about what the levers are and also your capital requirements under IGD, are you holding 150% of the NAIC or 200% or what is the percentage you are holding of the NAIC and the requirement there? And the third thing is, I wonder if you could just tell me the fixed charge cover as measured by Moodys, what is your number now and does that put you below your current financial strength rating, i.e. potentially pointing to a downgrade?

Julian Roberts

Philip.

Philip Broadley

I think, Greig has managed to defeat me in terms of a number of specific points that I don't have. You asked about unrealised losses in the fourth quarter.

Greig Paterson, KBW

Realised losses.

Philip Broadley

Realised losses. I am afraid I will have to get back to you on I think all of those specific numerical questions. I don't have them in my head or in the material I have on my desk. So far as the levers on IGD is concerned, as I have said, the IGD calculation is the aggregation of individual surpluses and deficits of businesses around the Group. The majority of our businesses have capital surpluses which go into the IGD. US Asset Management because that has relatively little net assets in it, contributes a negative number, i.e. a deficit to the overall calculation. The principal levers are FX hedging and the management of the US credit portfolio via a diverse range of holdings to minimise its risk of further loss.

Greig Paterson, KBW

And in terms of the rate of NAIC?

Philip Broadley

Again I will have to come back to you on your numerical questions, Greig.

Greig Paterson, KBW

And you don't have anything for fixed charge cover?

Philip Broadley

I don't know as I have said, all of your numerical questions, I am sorry I ought to have answers to all of them here. But I am afraid I don't. This desk is only this big rather and I haven't got everything with me.

Julian Roberts

OK, let me switch over to Paul in Johannesburg. Paul, do you have questions in the room?

Paul Hanratty

Yes, we have got quite a few. Shall we start with David Danilowitz.

David Danilowitz, Merrill Lynch

Hi Julian. David Danilowitz, Merrill Lynch. I would just like to focus a little bit on the US asset management business. Clearly the focus today is on capital and solvency. But just looking forward, the business albeit positive net flows for the full year. If you strip out the sec lending, certainly quarter four was a lot tougher. I estimate $2.7bn outflows. And certainly earnings in that business came down significantly. You have obviously highlighted performance fees that weren't recurring. I would like to get a sense of what you believe the run rate earnings on that business is and clearly with the reference to the embedded value valuation you are still placing on that business it puts a significant p multiple on the current run rate.

Julian Roberts

Yes, I mean you are right that in the fourth quarter the run rate did come down on asset management with the markets coming down. There are lower performance fees coming through. And that is the simple metric that we have got coming forward. The other issue is you know, a number of our big firms have significant quant models. And in the short term of course with the volatility going around the markets, particularly in the fourth quarter, those quant engines began to stutter. That seems to be coming through now. So without quoting exactly we do envisage that the run rate of earnings is lower in 2009 than we have seen in 2008 and that really reflects the market coming down without coming up with any specific number.

David Danilowitz, Merrill Lynch

Could you give - has that had any impact on the equitisation strategy you have had with those businesses with regard to the affiliate stakeholders?

Julian Roberts

No, it hasn't. We have got the equity share plans in place with pretty well all of those firms. And although the valuations now are slightly lower with the level of assets coming down there are no changes that we plan to put in place because of that.

David Danilowitz, Merrill Lynch

Thanks very much.

Paul Hanratty

Julian we have also got a question here from Jacques Conradie

Jacques Conradie, Peregrine Capital

Hi Julian. My question is specifically related to the £600m that you have got on available facilities in your bank balances. I mean are there any covenants related to that facility, i.e. what kind of events could cause you to lose the facility you have? And then the second question is the asset management acquisition you did in China, when are you expecting to make payment for that or has that already happened?

Julian Roberts

Let me take the second one first and then go to Philip on the covenants. No, we still have not completed the acquisition of the asset management in China. And we have a general view on that business, that the regulator has got until I think it's August of this year in order to approve it. And we are largely in the hands of the regulator, and also some problems on the actual seller of the business. Because you know the business went through Fortis and Fortis has its own problems. So it's in process, but the date is uncertain.

Philip Broadley

And to your question on the facility. There is only one covenant and that relates to gearing. And it is a gearing level very much in excess of where we currently are. So there is no practical covenants that are of concern to me regarding that facility.

Julian Roberts

Another question, Paul?

Paul Hanratty

We have got another question here. Jim.

Jim Jones, The Sunday Times

Hi. I am Jim Jones from The Sunday Times. If we cut through all this we see that the governance was sub-par, that there was poor management and so on. Can you tell me what salary cuts the directors are going to take to help along with this, what bonuses will be cut and precisely how you are going to feel the pain rather than just the shareholders?

Julian Roberts

I think first of all one would turn around and say the management in the US business is totally different. Chris Chapman is now running the US business. And most of the management team are no longer with the organisation. I think you are also aware that there have been significant changes also at the Group. And if you look at the Exco moving forward as I have outlined it's a very different shape of the Exco than it was before. I think one of the things that we have done in the Old Mutual Group is most senior employees have a significant part of their remuneration in Old Mutual shares and therefore everybody has suffered alongside as shareholders with the damage that has come to the business. Naturally, as well with the impacts of the significant write downs that have taken place, bonuses are very much lower than would happen in a normal year. So I believe everybody in the company has shared in the pain of the remedial action and what we have had to do in the US business.

Can we move back to London? Any further oh we have got one on the, sorry, Paul I think we are…

Tembisa Marele, South African Broadcasting Corporation

Can you confirm the reports of plans to purchase Axis which is an asset and financial planning business? And if the speculation is true, how does this fit into your overall strategy for the business? And also just on clarity on the Nedbank issue, are you then saying that you are not shedding your stake in Nedbank as per speculation?

Julian Roberts

Paul, I think I will pass the questions back to you as it's one of your businesses.

Paul Hanratty

Absolutely, Julian. The first point is that we have in fact concluded a transaction to purchase the business of Axis which is a multi-manager and distributor in the high net worth broker market in South Africa. And it's really part of our strategy to enhance and grow our distribution capability here. We have concluded that transaction. But it is subject still to regulatory approvals. And Julian, I think I am going to actually leave you to answer the question about Nedbank if it's alright with you.

Julian Roberts

Yes, I think I have turned around and answered that already. We are looking for more

synergies about Nedbank. The joint ventures mean we will increase our stake. I think that probably answers the question. We have got one question on the telephone.

Operator

Thank you. Our question comes from the line of Anthony Smouha. Please state your question announcing your company name.

Anthony Smouha, Atlanticomnium

I am ringing just to ask a question on your capital. I follow the debt and the Tier 1 debt and the upper Tier 2 debt and even the senior debt. And obviously you did not repay as expected by some the preferred securities in December but your senior debt already also has been under very significant stress in the market as has other financial company debt. Your tier, your sub debt of 2011 is trading with a yield or was offered yesterday at 35% yield and your other debt is trading in the 20's. And I just wonder there's an issue of capital and there's an issue of reputation and so on as well. And I just wondered if you could answer that question for us. I presume that you are cutting obviously the stock dividends but you intend to fully service all the other preferred securities dividends as well. I just want some clarification there.

Julian Roberts

OK, what we have tried to do in this presentation is to reassure investors over the strength of our capital position and the strength of the liquidity. And much has been written and much has been speculated over the last three or four months about the situation over the financial stability of the Group. Let me just reiterate what Philip said. The in excess of £700m FGD surplus we think is within our range, even despite the amount of movement and the financial turmoil in the last quarter. Our liquidity position in excess of £600m again we believe that that is a substantial amount. And what are we trying to protect again - as Philip has said, the US Life and any requirements in the US. We have done significant stress testing there. And we believe that even in a really adverse situation going back to the Great Depression we have more capital at an FGD level to withstand those types of buffers. So one hopes that going through the presentation today that we will have reassured the market over the soundness of our position. And that's not just as the Group. If you look at the strength of the capital positions in each of our businesses, again as you would have seen, they are strong as well. So we hope that the market will be reassured by the information that we have given today. There is one more question and then I am going to take one more question on the telephone and then come back to the UK. And then I will come back to South Africa for one. Because I have the feeling that somebody was talking while we were on the wires call. So one on the telephone.

Operator

Our next question comes from the line of Tiago Parente. Please state your question announcing your company name.

Tiago Parente, Fidelity

Hi it's me Tiago Parente from Fidelity. Just a follow up on the previous question. You, on your private and subordinated debt. What are you doing in…what will you be doing in respect to the coupons on the subordinated and hybrid debt and whether the fact that you will not be paying a common stock dividend would have any implications for the payment of dividends on the coupons on the pref and subordinated please.

Julian Roberts

OK. No, just to be clear, it will have no effect on the sub-debt. We are just talking about the dividend on the common equity.

Tiago Parente, Fidelity

So you will service these coupons as you have been doing?

Julian Roberts

Yes.

Tiago Parente, Fidelity

Thank you.

Philip Broadley

Can I just comment in respect of both of those questions. And just remind both questioners that when talking about debt earlier I observed that the Group had over £1bn of operational and capital receipts last year, from which it spent £750m on operational expenses and organic investment. The Group's cashflow is more than sufficient to meet our obligations under our outstanding debt instruments.

Julian Roberts

Right, I am going to come back to the room in the UK for just two questions, please. And then we will have one more in South Africa. And then we will wrap up.

Blair Stewart, Merrill Lynch

Thanks very much. Blair Stewart Merrill Lynch. Two or three questions. The first one is, Philip talked about the stress test situation which was very useful. Could you talk about impairments though, rather than defaults. We have seen fairly hefty impairments. And another year of the same would do serious damage to your surplus. So what can you say about where you have impaired, to what level, and how we would assess the risk of further impairments. And also if you can talk about the risk of cram down on your RMBS portfolio in the US. First question. The second question is on the quality of capital. You have got £4.1bn of regulatory capital resources, of which only £1bn as far as I can see is equity. Is that something you have given any thought to - is that something that the regulator looks at? And the third question, very briefly, is on lapses in the US. You had some adverse lapse experiences coming through the EV and you took a charge. Clearly with a large unrealised loss position on credit that is something that we should be looking at.

Julian Roberts

Philip.

Philip Broadley

Yes. The level of impairments were somewhat lower in the fourth quarter than in the third quarter, as I mentioned in the presentation. And we have 1200 securities in our portfolio of which we revalued each and every one as a separate exercise at year end. We looked closely at several hundred of those that are trading at below 80% and have been for more than six months. But each of those individual securities continues to …or sorry…securities where we are not receiving cashflow and where we have an expectation of our principal risk have been impaired. But the overwhelming majority of securities in the portfolio, notwithstanding the fact they are trading below 80%, are continuing to meet and service coupon. So I cannot predict, and I do not believe anybody can predict what level of impairments we will actually see in 2009. I can comment that as of Friday of last week we have had no further defaults in the portfolio in the first two months of the year. So far as cramdown is concerned, we have attempted to analyse the impact of the proposals that if they are enacted in legislation will require lenders in, as I understand it, in certain circumstances to reduce the value of the outstanding mortgage that they have in their books to the market value of the property. One can debate the legislative impact of that and retrospective legislation and so on and so forth.

But attempting to model the impact of the proposals as we understand them on our portfolio, given the relatively small exposure we have to securities that are at risk, our current estimate is that the consequences of those cramdown proposals would be certainly less than $75m in terms of the portfolio. In terms of quality of capital in the FGD, again as I have said, it's the calculation is the aggregate of individual capital tests in each of the regulated entities. And the mix of capital that qualifies the calculation is indifferent to that mix, whether it is equity or other forms of qualifying capital. Oh lapses, I am sorry. I thought you had three you see and I have actually written down four without getting to lapses. There is …we have not …our current lapse experience that we saw in the last quarter of the year in line with our assumptions.

Julian Roberts

OK, one last question in the room, yes.

Leonard Klahr, OMAM

Leonard Klahr, OMAM. Someone mentioned the pain borne by shareholders before I could, but that's quite obvious what has happened in relation to events over the last year. Could you say a word about the importance that you place on paying dividends going forward, and whether in any way your decision on the dividend at this moment in time was influenced in any way by the low level of the share price.

Julian Roberts

The inference, the share price, the decision on the dividend was not influenced at all by the share price. Naturally a company wants to pay shareholders a dividend. It's not an easy decision for a Board to make. But I think in this time of uncertainty the Board felt that it was better to preserve capital. And that's why that decision has been taken. As soon as there is more certainty, as soon as the conditions improve, then of course the dividend would be restarted. But we think financial prudent management unfortunately meant that the Board took the decision that we took. Just really one, oh go on, one last question here, then to South Africa.

Marcus Barnard, Oriel Securities

Yes, Marcus Barnard, Oriel Securities. The default rate on your corporate bond portfolio at 1.3% seems quite high. Can you just explain what has happened there? Was it concentrated around a few specific names? Thanks.

Philip Broadley

I think the main element in it that lead to the outcome were impairments that were taken in the third quarter in respect of preference shares and certain of the US government mortgage agencies. And I think those two alone were the largest single elements during the year. And without those I think it would have been a somewhat lower ratio.

Julian Roberts

OK. Paul, let's come back to you and I think there was a question being asked that we didn't hear in London. Would the lady like to repeat it again?

Paul Hanratty

Yes, there is a question from Larissa van Deventer from Deutsche and she was cut off by the telephone call. So Larissa….do you want to give your question again?

Larissa van Deventer, Deutsche

Thank you. Quickly a clarifying question on the comments you make under the US bond portfolio's unrealised losses. You mention that certain securities were reclassified from available for sale into loans and receivables as is allowed under IAS39. When we look at the

analysis of the US bond portfolio and talking about AAA…the AB and junk bond rated securities, and also when we look at the spread across the different industries. Are those securities still included in that analysis? And also could you give an indication as to the nominal value of the ones that were re-classified?

Philip Broadley

Just bear with me a second whilst I check with colleagues. They are or aren't?

Katie Murray

They are.

Philip Broadley

They are. The first question is they are included in the analysis. And the second is the nominal value of the securities which we do not have to hand and will let you know subsequently.

Julian Roberts

OK, I think our time is up. I am sorry I haven't got around to answering all of the questions. And I know there are a couple of people on the line. Could I remind everybody at.what time is the call this afternoon Philip?

Philip Broadley

1.30 London time.

Julian Roberts

At 1.30 London time there is a call going through our MCEV. But thank you very much everybody.

END.