OLD MUTUAL

Q3 INTERIM MANAGEMENT STATEMENT

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4 November 2010

Operator: Good day and welcome to the Old Mutual Q3 Interim Management Statement analyst call. Today's conference is being recorded. At this time I'd like to turn the call over to your host today, Mr. Julian Roberts, Group Chief Executive. Please go ahead, sir.

Julian Roberts: Good morning, everyone. Welcome to the Old Mutual conference call on our quarter three results. I trust you have seen the statement this morning; I know you won't have had much time to look at it but I'd like to update you on the performance highlights, give a quick overview of the progress we're making against our strategic priorities and then, as normal, open up the calls to questions. Philip is here with me in London to answer the questions, the tricky ones.

The key highlights for the first nine months of the year are rising funds under management, strong net client cash flows from our long-term savings business and a good sales performance overall.

Looking at the performance across the Group, our funds under management at 30th September were £307 billion, up 8% since the beginning of the year, particularly pleasing given the stock markets have been largely flat over the nine months since the 1st January and have continued to be volatile. Our long-term savings division produced positive net client cash flows of £1.2 billion in the quarter. Wealth management was very strong again, at £900 million and emerging markets inflows improved markedly. We enjoyed positive results there, boosted by the non-South African businesses, which now account for around 10% of Emerging Market funds under management.

Moving onto third quarter sales, now what I want to do is to compare quarter three 2010 with quarter three 2009 on a constant currency basis. We continued to see evidence of a secular shift away from restrictive, traditional type products towards more flexible unit-linked platform products. This can be seen by the types of products our clients are buying. So long-term savings APE sales were down 2% but compensated by Group unit trust sales up 36% to £2.9 billion. If you want to take the reported numbers in sterling then the [APE] sales in the quarter were up 4% and unit trust sales up 46%. So as you can tell, combined, a very good performance.

So let's talk about the detail by geography. Emerging Markets were strong across the retail businesses, mainly through increased savings product sales. South African recurring premiums were up 17%. We have managed the product sales mix proactively. This restricted OMSA's retail affluent single premium sales in quarter three, with lower sales of fixed bonds than in the first half. I'm particularly pleased about the momentum of our emerging market businesses in Namibia, China, India and Colombia and Mexico. Emerging Market unit trust sales were up 25% to R12.7 billion or £1.1 billion when converted into sterling.

In Nordic, our management actions which we talked about at the Interims of ceasing sales of unprofitable lines led to lower volumes, as one would expect. Unit trust sales were slower in the third quarter; the year-to-date unit trust sales in Nordic were up 80%.

Retail Europe continued its progress from the first half with increased sales, particularly from Poland and Germany. In Wealth Management, single premiums grew by 9% in the quarter notwithstanding tax changes in Italy that had boosted the first half. Unit trust sales for Wealth Management were up 51% to £1.3 billion in quarter three. If you look and unpick Wealth Management, the UK single premiums grew 10% and unit trust sales were up 60%. You can see this consistent theme right the way across the globe of subdued life sales but very much people are moving into unit trusts.

In the UK this translated into very strong net client cash flows of £600 million in the quarter and reinforces our view that assets will move out of traditional products onto platforms such as ours.

We continue to be encouraged with the opportunities for organic growth through product sharing across our Emerging Markets and the Long-Term Savings businesses.

Now let's comment on a couple of the other businesses. Mutual & Federal has enjoyed good underwriting conditions, albeit it in a market which is growing premiums slowly. Funds under management in US Asset Management rose $14.3 billion from Q2 to Q3, with market movements outweighing the net client cash flows. Pleasingly, we saw all but two small affiliates increase funds under management over the same period. There were good inflows from a number of our equity boutiques. Outflows from certain boutiques were mainly from equity account withdrawals. We welcomed a new liftout team that has formed into a new affiliate, Echo Point, and it is a good indication of their quality that clients totalling $1.7 billion of assets moved with them. We also continue to see attractive teams coming onto the market. Whilst the management team has made significant cost savings, performance, transaction and management fees across asset management remained subdued.

Nedbank, who announced their results last month: the net interest margin held up well at 3.32% in Q3, and the credit loss ratio improved to 1.36% from 1.46% at the end of June. Non-interest revenue growth was also positive, rising 3% for the quarter and 10% on a year to date basis. Retail impairments do remain challenging but corporate credit quality continues to be strong. We are pleased with Nedbank's third quarter results and the business is in good health. Although we were disappointed that the discussions with HSBC about a possible sale of the business were terminated, we will of course continue to support the business and management's successful execution of Nedbank's strategy. Nedbank remains a significant part of the Group. We believe that management and staff will drive forward return on equity and non-interest revenue. Nedbank staff have conducted themselves with professionalism through the difficult period, and I'm grateful for this.

If we look at US Life, we expect to complete the sale of US Life at or around the year end. As of today we have sold 76% of the portfolio of assets identified at 30 June in the sale agreement. The other practical aspects of the sale process are proceeding well, with regulatory filings submitted, and at an operational level I'm pleased with the continued good performance.

Portfolio performance has been excellent. We now have unrealised gains sharply up and impairments have been very low. Sales and positive net client cash flows have continued, albeit it in a very low interest rate environment, with a net distribution intact.

So let me close with capital. Our capital position remains strong. A pro-forma FGD surplus rising to £2.1 billion at 30 September, from £1.7 billion at 30 June. This is even after deducting, let me remind you, the £300 million debt instrument with a January 2011 call date. The increase is due to the improvement in equity markets in the period, the strengthening of the rand and of course the earnings achieved in the quarter. All of our businesses remain well capitalised.

So let me summarise. Net client cash flows were excellent in Long-Term Savings, including the important turnaround in Emerging Markets. We need to manage very closely Wealth Management over the next period with the approach of RDR, and we have work to do at the US Asset Management business. The Group has delivered a good sales performance during the third quarter. The year to date has proven strong compared to 2009. The pace is increasing in the shift to non-traditional products. We are six months into our three year plan. We continue to be on track with our cost savings and our ROE targets and there is no change to our 2012 debt reduction target. We expect market conditions to continue to be volatile and customers and asset allocators to remain cautious. We firmly believe that there are secular growth opportunities for those focused on providing customers with attractive investment returns but in a flexible product. Our platform and unit-linked businesses are well positioned for this.

I'm happy now, Philip and I are now happy to take any of your questions. Sarah, back to you.

Operator: Thank you, sir. If you'd like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone key pad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find your question has already been answered, you may remove yourself from the queue by pressing *2. Once again, please press *1 to ask a question. We'll pause for just a moment to allow everyone to signal for a question.

And we'll now move to our first question from take our first question from Michael Christelis from UBS. Please go ahead.

Michael Christelis, UBS: Hi, good morning, everybody. I've got three questions, if I may, and they're all related I guess to the US side of your business. Firstly your losses that you've incurred on the sale of those assets in the US Life business, how does that impact the proceeds of the sale of US Life in terms of the arrangements you've got with Harbinger? The second question relates to the Bermuda hedging losses that we saw in half one. The commentary suggested that's fully reversed, just if you can confirm that for me. And then thirdly, in terms of the US Asset Management IPO, given the fact that this business is struggling to get towards your targets in terms of operating margins and performance is under pressure as well, is there potentially an option to delay that IPO until we can get that business into better shape or is that not something you would consider?

Philip Broadley: Good morning, Michael. I'll take the first two. The way that the assets, any profits or losses on the sale of those assets works is that any gains or losses, statutory gains or losses will obviously go into the statutory P&L of US Life and to the extent that that changes the statutory capital ratio, that will be an adjustment, as we discussed back at the Interims. In other words, we have to deliver our US Life business with an RBC ratio of at least 300%. Anything above that, we take out as a dividend effectively at closing. So any profits or losses on those asset sales, or indeed anything else between now and closing is effectively for our account.

So far as Bermuda is concerned, yes, the strong recovery in equity markets, particularly in Asia, over the third quarter and of course that's continued through October and this month, means that the hedge framework that we put in place in September last year is showing a gain now. So all of the losses that we reported at the half year have reversed, and that has a positive effect on FGD, which is perhaps why the FGD number reported is ahead of some expectations. I think I saw as I was coming into the call that Asian markets are now at their highest level since June 2008, and obviously that's led to a significant increase in the asset values of our customers' funds and hence the market-consistent valuation of the liabilities has significantly reduced, as we also report in the release today.

Julian Roberts: Michael, hi, it's Julian. On the US IPO, I think I would categorise two things. I'm in a rush and impatient to make sure that we as an executive team continue to improve the performance of our businesses but I'm not in a great deal of a rush for a restructuring because we want to make sure that we do things that maximise value. It is clear that a favourable position for an IPO would be showing growth and positive net [client] cash flows, and we are not in that position. So the timetable we set, and I'll probably say this more than once, was a three year timetable and therefore we're not in a rush to do the IPO. We are making sure that we could press the button at any time and so therefore doing all the accounting and all the other bits and pieces, but we'll do the IPO when the market is favourable and our business is in the right shape.

Michael Christelis, UBS: Great, thanks very much, guys.

Operator: Thank you. We'll now move to our next question from Greig Paterson from KBW. Please go ahead.

Greig Paterson, KBW: Good morning, gentlemen. The Bermudan position, I was surprised it was a profit because you—in my understanding you're running unhedged vol positions and unhedged swap or rho positions. I was just wondering, in the context of this quantitative easing we've just seen and the potential for lower gilt yields, whether you're still running an unhedged rho or interest rate exposure there. The second thing is in terms of the US sale, can you just confirm that you have not at this point got regulatory approval and all you've done is submitted the returns? That's the first part. The second part is with the RBC at 375% and you said the threshold was 300%, what is the indicative positive adjustment we must make to the price, you know, if we mark to market to date, just so I can get a feel for those numbers? And then a sort of fourth question is I saw Nedbank made some statements about launching its own life assurance company and then that was going to compete with yourselves and Liberty and Sanlam. I was wondering, I mean what's happening here? Are they now completely moving on a divergent strategy to you guys? I mean, are they completely independent now? I mean, it seems quite counterproductive in terms of a Group context. I wonder if you could just comment on that.

Philip Broadley: I'll do Bermuda and US Life. The interest rate position, we're not hedging it. If you recall the discussion at the half year where I did go into Bermuda hedging at some depth—more depth than some of you wanted on the day—we did discuss that we are only partially hedging the equity positions in Asia and it is the strength in the Asia markets that has been the principal contributor to the profits.

So far as US Life is concerned, page 4 of the release, Greig, the applications for all necessary regulatory approvals have been submitted. We believe we're on track for the regulatory review process to be completed. So the returns, the applications are all in but none of the approvals have yet been granted that I wouldn't have expected them to have been done, [and] for that to have happened at this stage.

The RBC ratio, 375% estimated at the end of September, that I think from memory would be about $50 million, but clearly the actual amount depends on the RBC ratio at closing.

Greig Paterson, KBW: So that's a…

Philip Broadley: And that could go up or down.

Greig Paterson, KBW: $50 million gain?

Philip Broadley: Yes.

Greig Paterson, KBW: All right, and then just Nedbank with its strange strategy?

Julian Roberts: Yes, look, I think one doesn't want to get carried away with the statements that have been made. Look, Nedbank does have asset management and it does have insurance. It had that in the wealth management area, the high net worth area, and that was something, if you recall, we did and we allowed them to have, what, 18 months, 2 years ago when we divided the 50/50 joint venture. So they do have some asset management capability and they do have some insurance capability. And where that helps boost NIR in the specific business segments that they're in, it makes sense to improve their wealth management piece. I think at the end of the day—and therefore I'm very comfortable with that because it improves the offering—I think the idea of building a mega-insurance outfit through the Bank, I mean you can guarantee we wouldn't get there because the surplus capital in the Bank will be for banking businesses. But as an auxiliary part of the wealth management, I'm quite comfortable they have that capability.

Greig Paterson, **KBW**: How many of the Board members, how many are Old Mutual people?

Julian Roberts: There are two Old Mutual people on the Nedbank Board.

Greig Paterson, **KBW**: Out of how many?

Julian Roberts: Oh, 16-18, something like that.

Greig Paterson, KBW: All right, thank you.

Operator: Thank you. We'll now move to our next question from Larissa van Deventer from Deutsche Bank. Please go ahead.

Larissa van Deventer, Deutsche Bank: Thank you, good morning. Your funds under management were quite impressive, coming in at 307 when the consensus expectation was 300. Now most of us would have factored in the currency gains as well as the equity market values. Could you maybe comment on your views and to why that outperformance happened?

Philip Broadley: I think that's quite difficult to do actually in terms of looking at where consensus was, so all I think I can do is refer you to page 3 of 28 [of] the supplementary schedule and just have a look at the flows by region. And picking up Julian's comments, I think that the level of unit trust sales in both Emerging Markets and Wealth Management are substantially ahead of consensus and is likely to be most significant in terms of the difference between what we've reported and the various estimates that make up consensus.

Larissa van Deventer, Deutsche Bank: Have you seen interest in equities increase in certain regions relative to others?

Philip Broadley: I think the—I would say that that's particularly the case in Wealth Management and within the UK piece of Wealth Management.

Larissa van Deventer, Deutsche Bank: Okay. Thank you.

Operator: Thank you. We'll now move to our next question today from Jon Hocking from Morgan Stanley. Please go ahead.

Jon Hocking, Morgan Stanley: Good morning, I've got two questions if I may. Firstly on the debt reduction target, could you maybe give some colour please in terms of how we should think of the mix of that debt reduction between disposals and internal capital generation? And particularly, given that you've got this call date coming up in January, should we just assume that gets paid from central liquidity, and what level are you prepared to see the central liquidity decline to? That's the first question, and actually an associated point there in terms of how you think about this debt reduction versus dividend versus liquidity, you know how that sort of—how this interplay works. And then secondly, could you just comment a little bit in terms of the milestones now to getting the US Life disposal completed? I mean, clearly there's regulatory approval. What other hoops do you need to jump through between now and the year end? Thank you.

Philip Broadley: If I take the second question first because that's the shortest answer. All that is really required are the regulatory approvals from Maryland, New York and Vermont, which is the third state that is relevant.

So far as the January call date is concerned, I would remind you that no decision has been made in respect of that call. That's clearly set out in the release. And in deciding, which would be just before Christmas, whether we go ahead with that call, we'll have regard to the progress towards closure of the US Life sale and, because obviously the proceeds that would be received there would be significant.

And central liquidity we've held around the £1 billion level, as you know, for the last couple of years but I've spoken on a number of occasions about the fact that the most significant requirement or earmarking of that liquidity is around the need to inject capital into the US in the event that there were a shock credit event that gives rise to statutory losses and requires us to inject capital. With an RBC ratio at 375%, with the portfolio showing substantial unrealised gains and with a billion of cash in the portfolio in the US anyway, that risk has clearly receded significantly and again, we'll take that into account in our decision-making around year end.

I think your first question is, is rather difficult to discuss other than in, you know, in very general terms and the various parameters that are available to us. There are almost any number of ways in which the debt reduction can be achieved as between the simplification of the Group and generation of cash resources from our existing operations. It will depend also on, actually on market levels during 2011 and 2012, which will have an effect on any cash outflows from Bermuda as the accounts there reach their fifth anniversary date and so on. So I think it's difficult to say much more than that until March, you know, when we're able to give you an update on our dividend policy which will be set with our view on the markets then and with the certainty of 2010 earnings and the position of US Life all to take into account.

Jon Hocking, Morgan Stanley: So we should probably think, in addition to disposals and internal capital generation, should we consider the fact that you can run with a lower level of central liquidity and that's another contributory factor to the debt reduction target or is that too aggressive?

Philip Broadley: No, I don't think that is, I don't think that is aggressive. I do not believe that we would need to hold such a high [level] on two elements. I don't think we need to hold such a high liquidity buffer and I don't think we need to hold such a high FGD buffer when we no longer have responsibility for a US general account.

Jon Hocking, Morgan Stanley: Okay, and just a final follow-up question: are there any cash reserves trapped down in the Group which you could maybe bring up to the holding company? Are there any opportunities on that front?

Philip Broadley: I think we've been reasonably sort of centralised in our approach to treasury management and cash resources that are held in the businesses are required for their own liquidity purposes. And so I don't, I wouldn't—if you're sort of exploring possibilities then I wouldn't look particularly there.

Jon Hocking, Morgan Stanley: Okay, excellent. Thank you very much, that's very clear.

Operator: Thank you. We'll now move to our next question today from Nick Holmes from Nomura. Please go ahead.

Nick Holmes, Nomura: Yes, hello there. I had a couple of questions. First is coming back to your variable annuity book, can you give us more of an idea of the sensitivity of the 850 million liability to the combined effect of higher equity markets and surrenders? There's an interesting relationship between the two and I wondered is there for example a level of equity markets which you think would precipitate a very large increase in surrenders and get rid of this liability? And the second question is on the UK. I just wondered, do you think that the RDR is going to turn into a very big catalyst for asset management over insurance sales? Your ISAs are booming and I wondered whether you think this is going to continue. Thank you.

Philip Broadley: Yes, very interesting question on VA's. You can think of the distribution of the fund values, i.e. what are the assets worth in individual customer accounts relative to the minimum guarantee value of 105%. You can think of that as looking very much like a normal distribution. So with markets as they currently are, we are on the, sort of the steepest gradient of the normal curve, if you follow what I'm—how I'm sort of describing the picture.

Nick Holmes, Nomura: Yes.

Philip Broadley: And therefore quite small movements in equity market levels, particularly in Hong Kong where much of the underlying funds are invested. That is having a significant shift in the number of individual accounts where the fund values now exceed the 105 guarantee and as a result of which, and as we observe in the release, over the last couple of months we have seen a significant increase in surrender levels and indeed the surrenders in October in, either in dollar terms, were about twice the level that we'd seen in each of the first six months of the year. So there's been a very, a marked increase in surrenders over the last few weeks and so that will have its effect in reducing the guarantee value if that trend continues over the balance of the year.

Nick Holmes, Nomura: Okay, yes.

Julian Roberts: I think the second point, Nick, I think RDR is one more step along the route that turns round and says that life wrap products are losing, if you like, their special status. I mean, the tax benefit of pension savings in life wrappers is going down. It's going down in the UK, it's going down in Europe, it's reducing everywhere. I think what RDR does is increases transparency and removes the way of hidden charges coming through, or that's what I expect it to see, and therefore that's why I consistently believe that plays more towards the platforms which are far more transparent and particularly plays well to our Skandia-branded businesses, which is open architecture and therefore people have more confidence that they're investing in quality funds with good asset allocation. So I think this is a trend and that's why we've always said that there's going to be a continued move from traditional products more to capital-light platform products and I think RDR is one more step along the way.

Nick Holmes, Nomura: Okay, thank you very much.

Operator: Thank you. We'll now move to our next question now from Blair Stewart from Merrill Lynch. Please go ahead.

Blair Stewart, Bank of America Merrill Lynch: Thanks very much. Most of my questions have already been asked and answered. I have got a couple. One of them is very general, just the shift from traditional life to non-covered business, how does that make you think about the way you run the business and, equally as importantly, how you communicate the business to analysts and investors? And the second question is purely theoretical with regards to Nedbank. Would you in theory consider selling part of the stake in the near term with a view to facilitating a fuller sale further down the line?

Julian Roberts: Yes, I mean let me cover the first one then Philip can add a flavour. You know, I think probably we were the first, one of the first movers a number of years ago, what—four, five years ago to look at assets times the margin. Clearly that is the route when you're looking, you're looking at the margins you're getting, you're getting the margins off assets, and that is going to be an ongoing way that we have continued to look at the business and the way we continue to test it. You know, the difficulty has always been which is the way that the market values a company, and it hasn't traditionally been on that view. So I think there's, as I think we move more towards non-covered business away from covered, then I think that is an issue that more and more we need to talk about. Philip, I don't know if you've got anything to add?

Philip Broadley: No, little to add. I mean, I think it is something—we will continue to look at reporting. I'm aware of the interest in reporting of free cash flows and cash flow generation around insurance groups as well, and so I think you can expect us to talk more about both of these measures when we get to March.

Julian Roberts: We also internally, Blair, one of the management tools we're beginning to use which is prevalent in the Bank is the concept of economic profit, which is the natural follow-on I think of assets times the margin. So we continue to look at that. It's not just a case of getting assets; it's also the margins that we're getting on those businesses and making sure, as we've consistently said, that we're getting positive net client cash flow otherwise you're all together just shrinking your business and kidding no one.

Philip Broadley: Yes, and I think one other point, given the, what we think is likely to be a sustained switch towards non-covered flows, it makes the task of completing the cost reduction program for the UK ever more important in the sense that we have to keep the, we have to keep the costs as low as possible so that we maximise the incremental value of assets coming onto the platform.

Blair Stewart, Bank of America Merrill Lynch: Yes, can I just follow up on that before you probably don't answer my question on Nedbank? The shift away from legacy assets to the platform assets in the UK, can you talk a little bit about how you manage that and the extent to which there is a reduction in the amount of money that you're—or the amount of basis points that you're capturing when that happens?

Julian Roberts: Yes, I mean look, this is the industry tests, and there's another life company I won't mention has the same challenges and more so than we have on it. It's quite clear the legacy business has a higher margin than the platform business. That's why we have consistently said in the strategy statement we have to take out costs to make sure the platform is profitable. We are managing as best we can to make sure that that legacy run-off is as slow as we can do to give us more time to grow the assets and do the profitability. That is probably the biggest challenge that our UK management team have got at the moment.

Philip Broadley: I think the ratio that Bob quoted at the showcase last month was that we need about £3 coming onto the platform for every £1 that we lose off the legacy business and year to date, we've been able to maintain that ratio.

Julian Roberts: So as I say, that is the focus. When I answered the IPO [question], we have a rush to improve performance. We know what we're doing there, and on the strategic issue we take a longer period of time. You are right, Blair, I really am not going to be drawn on anything to say about Nedbank. You know, Nedbank's a good bank, a significant part of the Group. Trading performance is improving but I have nothing to say on the strategy.

Blair Stewart, Bank of America Merrill Lynch: Okay, and just one further follow-up on, just coming back to the UK. Is your cost reduction plan sufficient, do you think, given the pace of which this move from life to non-covered business is happening or do you need to do more do you think?

Julian Roberts: No, I think we're comfortable with what we're doing. Maybe if the asset growth was slower than it has been, we may need to look at doing something else, but this is a balance between a controlled reduction in expenses at the same time as making sure that we're delivering the right customer service, the right product to customers and that includes in investment as well.

Blair Stewart,: **Bank of America Merrill Lynch** Okay, super. Thanks very much.

Operator: Thank you. We'll now move to our next question now from Francois du Toit from JP Morgan. Please go ahead.

Francois du Toit, JP Morgan: Yes, I think most of my questions have been asked, but just to further elaborate maybe. On the move to off-balance sheet to asset management business from life business, is this a conscious decision from you guys or is it just really a result also of distribution changes? And has it been impacted by your analysis of the impact of Solvency II, in other words, showing that you're going to need more capital on certain products than other products and changing in the focus of products or the mix of products that you're willing to push going forward? And if so, maybe you can give us some indication of which specific products you'd prefer to sell less of.

Julian Roberts: Francois, it is the hidden word in our sector, not often used, 'customer'. You know, at the end of the day we're only in business to—if we are providing the right things the customer wants. It is clear, the customer wants to be in more flexible products moving forward and more transparent products. Our job everywhere is making sure that we have as good products, better products and we're able to satisfy the customer needs. You know, it is more that than trying to push anybody into anything else. That's what's driving it.

Francois du Toit, JP Morgan: Okay, thank you. The—just some clarity on that one question I think that was asked already about the 375% RBC ratio in the US Life business. Does the extra 75% over and above whatever you are going to hand over to Harbinger amount to $50 million now, is that—just to clarify that answer from you?

Philip Broadley: That, dollars was the currency I was using. The number that I gave was an estimate.

Francois du Toit, JP Morgan: Okay, and does that include losses to date that you've noted on the—that you've told us about in terms of that one portfolio that you're cleaning up?

Philip Broadley: Yes, because any statutory losses that are incurred from sales in the portfolio or from impairments go into the closing balance sheet that will determine the capital ratio at closing and therefore any amount that falls to us over and above the $350 million consideration.

Francois du Toit JP Morgan: Yes, okay, but that $42 million losses have been taken into account in that 375%?

Philip Broadley: They will have been taken into account in arriving at our estimate of the RBC at the 30th September, yes.

Francois du Toit, JP Morgan: Okay, thank you. Then on OMIGSA, I think you've highlighted that there were some once-off mark-to-market gains at half year and also a very high level of performance fees at half year, and given how strongly markets have run and also the further reduction in credit spreads and bond yields in South Africa, can the half year performance be repeated or do you think it was just those once-offs won't be repeating itself?

Philip Broadley: You'll have to wait until March for an update on performance in the second half of the year. I can't anticipate performance fees.

Francois du Toit, JP Morgan: Okay, but you did highlight that in this quarterly statement, so I guess that indicates that you don't expect it to repeat. Then the last question I've got just relates to Mutual & Federal. Very impressive that you've turned around the growth there. You indicate there's been 4% growth. Can you maybe tell us which product lines that that's come from? You also mention that your underwriting results have continued to improve from the first and second quarters. Again, maybe if you can just give some colour to which product lines those are coming from.

Julian Roberts: Yes, the underwriting performance, I think you will find across the industry that claims levels have been lower and of course have benefited by the strength of the rand. So underwriting performance has been good really across the categories. You've also seen CGIC and that professional indemnity book of course has continued to improve and that's boosted the profitability. So that's generally across the board on underwriting; nothing specifically. And where it comes to the other book, it's, we are doing better on gaining business and retaining business at renewal, particularly in the sort of financial book.

Francois du Toit, JP Morgan: Okay.

Julian Roberts: And it's nice to see that we were rated for really good service the other day and that clearly is crucial for that business.

Francois du Toit, JP Morgan: Absolutely. Last question, another last question. On the retail mass you're talking about increasing your direct marketing focus and volumes through that avenue. That's not been successful at Metropolitan and Sanlam and they completely stopped trying to do that in the retail mass segment. Is this a new avenue that you're heading into, and in the light of the others failing there, what makes you believe you will be successful in that regard?

Julian Roberts: Well, I think we've done a fair amount of research over what has worked and what hasn't worked and we're always open to developing new areas of distribution. So Marshall and his team are confident that we can get that to work. One of the things that is working well, and it's a sign of what I have wanted to do across Old Mutual is to try and get the businesses to work together. So iWYZE, the joint between Mutual & Federal and mass retail, has been performing way above what we were anticipating and that's really good and shows the benefit moving forward.

Francois du Toit,: **JP Morgan** And that's also direct, right?

Julian Roberts: Yes.

Francois du Toit, JP Morgan: Okay, thank you very much.

Operator: Thank you. We'll now move to our next question from Colin Simpson from Goldman Sachs. Please go ahead.

Colin Simpson, Goldman Sachs: Hi, good morning, just two questions please. The first one, Julian, when you said there's work to be done on your US asset manager, could you just described what sort of approach you can take here given that it is a boutique structure and I guess maybe less easy to control than other parts of your business? I noticed there's new management there as well. Are there more changes to come? Then the second question I guess it's a long shot, but any chance of a break fee from the HSBC termination?

Julian Roberts: Asset management, new management not quite in there yet. As you know, Tom Turpin departed a couple of months ago. We're going through a search for a new Chief Executive. That is making good progress and I'm delighted actually with the quality of people who have been coming forward. Look, there are a number of issues. We've done quite a lot of work looking through of what we need to do, what needs to improve. I think there is more that we can do in the head office for distribution, particularly international distribution. Quite clearly the affiliates and their investment performance is very much down to them but our team in Boston do very much work with the affiliates and in many cases we have seen improved performance. I mean, Dwight has had a very difficult 18 months and that is improving quite significantly. Many of the strategies in Acadian that has been losing is improving quite significantly. So it is a dialogue of working out what we can do on distribution, where level of cost can be cut, where we can target things better and then the continual look at investment performance and what needs to be done, and the assessment as well, just across the whole Group of have we got the right spread of affiliates? Are there opportunities to move in? I was really delighted with Echo Point coming in. I think to suddenly get $1.7 billion in, you're immediately, you lose the two or three years when you're building up a track record. They've managed to bring across their track record. They've managed to bring across their assets and they'll go straight into profitability.

So there's quite a lot of action that is going on to make sure that margins continue to improve and then, as performance is improving, then we get into the right state for the IPO.

Colin Simpson, Goldman Sachs: Okay.

Julian Roberts: There is no break fee for Nedbank and that was part of what we negotiated. You can criticise for it but under the scheme of things, even if there had have been one, it would have been relatively small.

Colin Simpson, Goldman Sachs: Okay, fine, thanks.

Julian Roberts: It wouldn't have taken away the pain.

Colin Simpson, Goldman Sachs: No, I'm sure.

Operator: Thank you. We'll now move to our next question now from Marcus Rivaldi from Morgan Stanley. Please go ahead.

Marcus Rivaldi, Morgan Stanley: Good morning gentlemen, a couple of questions for me please. Firstly on the approval for the US Life sale, you mentioned that really the regulators, getting their sign-off is the real main issue. Could you maybe just give some sort of insight as to what they'll be looking for? Obviously I noted that Moody's, I mean as expected, they downgraded their ratings on that life company with the withdrawal of Group support from Old Mutual, but just wondering whether Group issues or what else might be influencing regulatory decision-making. And then finally, on the binding sale agreement with Harbinger, is RBC the key metric that they'll be looking to or assessing with regards to—and maybe any sort of adverse change, get-out clauses that might be in that contract, i.e. if you are still very comfortably above 300%, there's absolutely no way that they could prove any adverse change? Thank you.

Philip Broadley: The approval process in the US really consists of two aspects, and I don't think they're actually particularly different to those that would apply in pretty much any jurisdiction. The first is to look at the entity that is making the acquisition and the individuals within that entity who will manage the US Life company going forward, so effectively it's a review of for fit and properness. And the second aspect is to review the business plan for the entity going forward, and with a, very much a focus around the capital strength of the entity going forward so as to ensure that the regulator can meet basically their principal responsibility in the US, which is to ensure that the entity remains solvent and therefore that policyholder obligations can be met. So those are the two aspects that will be reviewed.

So far as the agreement is concerned, the principal terms are that as at closing, we deliver a business which is trading and which has an RBC ratio of 300% or higher, and that is really the principal obligation on us.

Marcus Rivaldi, Morgan Stanley: And just a quick follow-up, sorry, I don't know the folks at Harbinger. Are they known to the regulators as being, you know, experienced folks in dealing with US life?

Philip Broadley: I can't comment on the Maryland regulator's prior knowledge of them. We have commented before on the Chief Executive Designate who is an experienced insurance executive and was previously CIO of MetLife, and other members of the management team of the business going forward are likely to be the people that are currently in that business, so obviously they're known as well.

Marcus Rivaldi, Morgan Stanley: Appreciate it, thanks so much.

Philip Broadley: Okay.

Operator: Thank you. We'll now move to our next question from Marcus Barnard from Oriel Securities. Please go ahead.

Marcus Barnard, Oriel Securities: Yes, morning gents. The figure I thought was most important in your statement this morning was the increase in the FGD surplus by £700 million [correction: £400 million] if you exclude the Tier 2. And I guess the question I want to ask is how much of that goes through to your NAV or MCEV or even better, what was your NAV/MCEV at the end of September? I feel the answer might well be "wait till March", but perhaps you could give us some guidance here on how much of that came from equity movements, rand movements and perhaps your Q3 earnings. Again, that might be "wait till March" again but just if I was to think a significant proportion of that £700 million [correction: £400 million] should flow through to your NAV, would I be thinking along the right lines or is there anything I should exclude? I also have a comment, but can you answer that question first?

Philip Broadley: I'll try to. What I'm actually looking for because I haven't got the June pack in front of me is what we discussed in June regarding the sensitivities, because that will help you with the rand risk, but I would suggest that between dollar, rand and krona, that we will have had benefit from each of those that's probably worth a couple of hundred million. Bermuda I spoke about earlier on the call. That has an effect. And so all of those movements that you see in FGD ought to have their corresponding benefits on NAV too, but I think at that point I'll say on anything in more detail, you will have to wait until March.

Marcus Barnard, Oriel Securities: Thank you.

Philip Broadley: But currency is a significant element in the improvement over the quarter and then the Bermuda benefits are important too.

Julian Roberts: But the sensitivities will be in the March document too.

Philip Broadley: The sensitivities to, on FGD to currency movements will be very much as reported in the half year pack, so you'll find the sensitivities there.

Marcus Barnard, Oriel Securities: Okay, that's brilliant. Just on the comment, if I go back to Blair's question about are you going to consider a partial sale of Nedbank, you know, I'm slightly disappointed that you can't say any more about that and I appreciate the position you're in. But you know, we have been waiting quite a long time for the strategic review, the sale of Nedbank, and obviously we're disappointed by the lack of a sale. I guess the question or comment would be within the scope of the debt reduction, would you consider a distribution of Nedbank shares to any Old Mutual shareholders that were interested, such as South African ones, with a partial sale to those that aren't? And even if you can't answer that now, maybe you could think about that and come back to us either at the end of the year or in March, because I do think your shares would—I think your company would benefit from more focus, both in terms of in attracting investment and in the share rating. Thanks.

Julian Roberts: Yes, look, I'll take you just back to March. We made no comment about Nedbank in March. We had a very clear strategy moving forward. We set our target to what we were going to do. You know, we are six months into three years. I'm sorry I disappoint by not giving any more colour but this is a very significant asset and therefore there is nothing I want to add really about what we may or may not do in the future.

Marcus Barnard, Oriel Securities: Okay, thank you.

Operator: Thank you. We'll now move to our next question from Manish Bakhda from Citigroup. Please go ahead.

Manish Bakhda, Citigroup: Thank you very much. My questions have already been answered so no questions from me. Thank you.

Julian Roberts: I think we're in the final three minutes so I don't know if we've got any more in the queue?

Operator: Yes, we have one final question from Greig Paterson from KBW. Please go ahead.

Julian Roberts: Oh no, he's already had his question. Oh okay, go ahead.

Greig Paterson, KBW: Mine is a technical question. If you produce an RBC of greater than 300, but the $500 million, call it, "difficult-to-sell assets" end up underwater, are there two moving—two elements to the profit and loss or is it the over 300 capture that; and if there are two elements, where are we in terms of the 500? I know you've sold 76% now. So you understand what I'm trying to understand, whether there are two criteria and you gave us a composite or it's just one criterion. The other one is Harbinger made a comment the other day that the one vehicle that they were going to put your US sale in was no longer considering pursuing the purchase of your US Life operations, and it was quite like that. It looked as if they're not interested anymore. What is this, you know what sort of comfort that can you give us that there's not a big risk that they're going to walk away from this or try and explain what was going on there?

Philip Broadley: To the first question, I think—I'm not sure I understood what you were asking but I think you're looking for complexity that isn't there. The assets that we are selling in the hard-to-value portfolio that we described before, as I have already answered on the call, the gains or losses on those securities are for the account of OMFLIC, the US entity, and therefore gains or losses on sale of those securities are in the RBC ratio at the date of closing and will determine the RBC ratio and therefore any surplus that comes to us.

Greig Paterson, KBW: Was there—there was some criteria that you could move it 200 million or something? Does that 200 million talk about the total RBC criteria? Is it referring to that?

Philip Broadley: I'm afraid, Greig, you've completely lost me.

Greig Paterson, KBW: All right, I'll send an email. I was just trying to understand the mechanics. You're saying don't look at any complexity, look at the entity, if it's over 300, it's a profit; if it's below, it's a loss.

Philip Broadley: Correct.

Greig Paterson, KBW: Yes, I mean the Harbinger with their one vehicle walking away?

Philip Broadley: I'll refer you to a small note on page 13 of the release. The purchase price for US Life has been guaranteed by Harbinger Capital Partners Master Fund, one of the four funds managed by Harbinger Capital Partners, and that fund manages over $7 billion of assets and it is that fund that guarantees to provide the purchase consideration. I think you're referring to a filing that was made by Harbinger in the US recently where they discussed the fact that they had considered using another entity to actually make the acquisition but they had changed their mind. That is a matter for them, but the sale/purchase agreement is very clear that the Master Fund will be the purchasing entity and which has guaranteed to fulfil its obligation under the stock purchase agreement.

Greig Paterson, KBW: So you mean your comments sort of suggest that we shouldn't read anything into it.

Philip Broadley: Correct.

Greig Paterson, KBW: Right, thanks.

Julian Roberts: Okay, look, thanks very much for everybody's time and for your questions. I hope we've been able to answer them sufficiently, and actually Patrick and the team are very happy to go into any more detailed ones that you've got. In summary, we think we're making continued good progress. We're pleased across the board with the results of our sales coming through and we think the mix of business just shows the flexibility that we've got and able to attract unit trust sales, as I said, if our customers want to go into them more than the covered business. So thanks very much for your time.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.