INTERIMS 2013
TRANSCRIPT

7 August 2013

Julian Roberts: I was standing outside chatting to people and then I suddenly realised there was a presentation we had to give, so thank you for coming in so we could start, more or less, on time. So good morning everyone. Welcome here to the room in London and also to those in Johannesburg, as well as on the phones and the webcast. Once again – and there he is up on our screen – Ralph Mupita is hosting in Johannesburg. Can you hear us okay, Ralph? Now, that's the same as our rehearsal, Ralph.

We could see your lips moving but we couldn't hear anything. Can you try again?

Ralph Mupita: We can hear loud and clear, Julian.

Julian Roberts: Good, we can hear you, too, so it is working. As usual, I've got Philip with me up here on the stage and, in the first row here, a number of my fellow executives. We have a slightly different format to our presentation this morning, so I don't want you to panic when my initial section is quite a lot longer, thinking well, he normally goes on for a long time at the end. I'm going to be quite short at the end and in the first part, I'm going to go through the first half performance, including the operational highlights. I will hand over to Philip to take us through the financials, and at the end I will just make a few remarks in conclusion before we hand over to questions.

So let's get going, let me start. I said in May that I was really pleased with Old Mutual's performance in the first quarter of 2013. Today I can tell you that our second quarter performance was equally good.

Our earnings per share were 9.3 pence, up 22%.

Underlying adjusted operating profit was up 14% at £801 million. Nedbank did particularly well in a very challenging market with headline earnings up 13%.

The one disappointment was the result at Mutual & Federal. I am disappointed with the result, but we have taken action. We've made some changes, and I am confident that we are doing the right things to improve this business and that you will see the improvement in profitability coming through. We need to, as Mutual & Federal is an important part of our African strategy.

We generated a very substantial £9.1 billion of net client cash flows, the highest half-year net inflow that we have achieved since 2007 and representing, on an annualised basis, over 7% of opening funds under management. I am delighted with that strong performance.

In the first half we generated £460 million of free surplus.

Our Group return on equity was 13.7%; good progress on the full year 2012 as well as being within our 12 to 15% range that we have set for the Group.

In line with our dividend policy, the Board is declaring an interim ordinary dividend per share of 2.1 pence, this being 30% of the prior year total dividend and a 20% increase on the 2012 interim dividend.

So now let's turn and look at the operational results. The next few charts have quite a lot of detail on them so I will just pick out a few points. Sales continued to evidence a structural shift in most markets from traditional to modern savings products.

Gross sales were up 22% with life sales up 14%, driven mostly by Emerging Markets, whilst non-covered sales were up 23%, driven mostly by Old Mutual Wealth.

In Emerging Markets we continued to grow our retail businesses in South Africa.

Retail Affluent sales continue to reflect the switch from regular to single premium products. We delivered strong sales of the new XtraMAX product and Living Annuities, but sales of the Greenlight product were negatively affected by highly competitive pricing in the broker market. We are working hard to drive sales in Retail Affluent and are in the process of rolling out a comprehensive wealth management proposition.

Mass Foundation gross sales grew by 14%, benefiting from our expansion of the direct sales force and high levels of productivity. Over 50% of Mass Foundation life sales in the period were protection products.

You can see from these figures that, despite inflationary pressures and lower consumer confidence in South Africa, we're not seeing a collapse in the consumer markets that we are exposed to. And we maintain a close focus on unsecured credit as well as tight underwriting criteria.

South African Corporate sales were up by 58%, due to large annuity deals secured in the period.

In OMIGSA, the comparative period included a significant level of inflows to our index-tracking boutique, Dibanisa, and therefore the year on year comparison is negative, despite sales being a very respectable R13.8 billion. Good flows were experienced in the Futuregrowth and Alternatives boutiques.

Rest of Africa was up by 15% due to a large deal in Namibia, good corporate sales in Zimbabwe, favourable currency movements, and also sales from Nigeria following the completion of Oceanic Life.

Last but not least, sales in Asia and Latin America were up by 65%. We won new asset management mandates in Colombia and achieved good sales of the new single premium investment product in Mexico as well as the Universal Life product in China.

Let me now move on to Old Mutual Wealth.

In the UK we continued to take assets onto the platform with gross retail sales of £2.3 billion in the half year, up on H1 2012 despite the disruption to the market caused by RDR in the first part of this year. The market now seems to have adapted to the implementation of RDR and our second quarter platform sales were 40% higher than sales in the first quarter. UK platform assets at 30th June stood at £25 billion, and in the second quarter we had net client cash flow on the platform of £1.3 billion.

The International business grew strongly with gross sales up 20%, and a good proportion of the sales were generated from South Africa.

We formed Old Mutual Global Investors at the beginning of the year, and we are pleased with the progress that business is making. We're acquiring new investment styles and have strengthened our asset management resource with a number of new appointments. That's already helping us to attract assets, and margins are expanding.

But, before I go any further, you may have seen this morning we have announced, separately from the results, a change to the operations of our UK business, or what will be a change, and let me explain what we're doing.

We have signed an agreement with IFDS, one of the world's leading providers of IT and outsourced administration services under which, by 2016, we will have outsourced to them future platform development and a number of our back-office administration functions. Our front office will remain in-house but will be supported by new technology.

Owning and developing our own technology has served us well in the past. But looking ahead, we see that consumers will increasingly demand a wider range of products, including some that our current platform cannot support. Our view is that the best way of meeting that demand is to outsource further development of the platform. This will ensure that it remains at the leading edge in terms of technology, while allowing us to focus our attentions on those things that are the principal source of competitive differentiation – the relationship with IFAs, and the provision of innovative and appropriate wealth management solutions for our customers. Nothing changes immediately, for the moment it is business as usual, and we will continue to support and enhance our existing platform.

But the change will, over time, give us two things:

- Enhanced flexibility, allowing us to offer more to our existing customers and to capture new customers by offering a wider range of products and,
- equally importantly, it will allow us to neutralise the inevitable increase in maintenance cost per policy as we manage down our heritage book.

We recognise that change on this scale will cause uncertainty for our staff and we are committed to treating them openly and fairly, as you would expect, throughout this process.

Old Mutual Wealth is on track to achieving its 2015 target of delivering at least £300 million of pre-tax adjusted operating profit. There will be an incremental cost of implementing the new arrangements I've just talked about, over and above the development costs that are already within our plans. That element will be taken as a restructuring charge, and we expect to incur a modest amount of that charge this year, not particularly significant. We're not going to go into the detail today, but Philip will update more about the financial effects at the year-end.

Ultimately, this change is fundamental to ensuring that our UK business is strong, sustainable and fulfils its potential in this exciting market, which I hope you can see we are doing.

Let's move back to the first half results. Looking now how the Group's sales translated into net client cash flows.

All parts of the business contributed positively. You can see clearly the substantial contribution from the US - $10.6 billion of net inflows and most of the affiliates in positive territory in the half.

In Emerging Markets net flows were up by around 40% and, interestingly, well over half of the net flows came from outside South Africa.

In Old Mutual Wealth, there were £1.3 billion of net flows onto the UK platform. Excluding the £800 million outflow of low margin Nordic assets following the sale of that business, flows in Old Mutual Global Investors were strongly positive. Those Nordic assets which we talked about at Q1, some £500 to £700 million, will flow out over the next twelve months, and that's resulting from the sale of our Nordic operations.

And finally, to funds under management, up almost £30 billion in the first half to just over £289 billion. Net flows added £9.1 billion, positive markets £12.4

billion, and there was a positive £5.2 billion currency impact as the stronger dollar more than offset the weaker rand.

I think these results illustrate the continuing strength of our business model and the value of the markets in which we operate.

And to that end, I also want to say a few words about the progress we've made so far in our African strategy.

We have said that we want to be in markets with positive demographics and where we have a realistic chance of achieving a significant market share. We have identified four territories where we particularly want to be.

- South Africa, of course, and, in fact, the SADC region in general.
- Nigeria, one of the fastest growing economies in the world with a massive population and an underpenetrated insurance market.
- Ghana, with long-run real GDP growth, an expanding banking and insurance sector, high levels of education and literacy, and a rapidly growing mass market.
- And Kenya, the fourth largest economy by GDP in Sub-Saharan Africa with a large population and high expected population growth. The country is becoming a valued location as a hub for international companies to base their African operations.

So, what have we been doing in the first half of this year?

In Nigeria, we completed our acquisition of Oceanic Life. It has been integrated into our business and is now selling products under the Old Mutual brand.

And, sitting at the back of the room I've suddenly noticed we've got the Chief Executive of Old Mutual Nigeria. Welcome Offong, glad you're here today.

We also expect to complete our acquisition of a majority stake in Ecobank's general insurance business in Nigeria by the end of the year.

I was in Nigeria just a couple of weeks ago, and driving through Lagos I was struck by the number of global consumer brands which have set up business there. This evidences an emerging middle class which is aspirational and has money to spend, and this group is the opportunity we want to capture in that market. I do believe it's a great market for us to be in although, clearly, it is going to take us quite a bit of time to build scale.

In Ghana, we are in the process of acquiring a majority stake in Provident Life Assurance Company which provides life and investment products to a customer base that closely aligns with our target market, being mostly retail mass.

In Kenya our life assurance business is growing and we are the market-leading asset manager. We recently announced that we are taking a majority stake in

Faulu Kenya, which has a wide distribution network, has around 400,000 customers, and also has a similar demographic to the Mass Foundation market in South Africa. We see Kenya as an important hub for our expansion into East Africa.

You will have noted we are also entering the Mozambican banking market through Nedbank's planned acquisition of a shareholding in Banco Unico.

You will recall that we have set aside around R5 billion of capital in Old Mutual Emerging Markets to fund expansion through sensible acquisitions in these growth markets where, over time, we can build good market share. To date, the Group has spent or committed R925 million, of which the OMEM spend is some R700 million.

At this point you will be relieved to know I am going to pause for breath and hand over to Philip.

Philip Broadley: Thank you Julian, good morning everyone. As always, it is a pleasure to be presenting good results at the half year.

The format I will be using I think is pretty much as you'll have got used to over the last few results presentations; a review of profit at Group level and at business unit level, then cash flow, capital and dividend.

So let's start with an update of a chart that I showed you in March which illustrates the shape of our business.

Other than a lower proportion of sterling earnings from South Africa on the back of a weaker rand, these proportions are little changed on the full year 2012, showing a relatively stable picture of where we make our profits.

Breaking that down further by operating unit, this was another new chart that we used at the 2012 full year results and, although it's a somewhat simplistic illustration, it has been one of the most discussed charts in our investor meetings since March.

Here we show operating earnings pre-tax but after non-controlling interests. We also exclude Head Office costs and Emerging Markets central costs, unallocated income in Nedbank and the long-term investment return.

But, stripping all of that out, in the half-year you see nine businesses – all the ones on the right hand side of the orange line – that have each made 5% or more of operating profit as defined. And so these businesses generated around half a billion pounds of operating profit.

Again, the picture is little changed on the full year. You can see the importance of the South African retail businesses in Emerging Markets, as well as the Retail and Corporate divisions of Nedbank. But, as the chart illustrates, we continue to have well-diversified sources of earnings.

If I now move on to an analysis of operating profit, you see AOP from the continuing business units up 9% in constant currency, with increases in each of Emerging Markets, Nedbank, Old Mutual Wealth and US Asset Management.

Our finance costs reduced from £75 million to £46 million, reflecting the lower level of debt outstanding, following the execution of our debt repayment programme last year.

The long-term investment return - included here within the line marked "other" – was up on the comparative period with a higher level of net assets offsetting our reduction in the LTIR rates from the start of the year.

Central costs – which are also in that line "other" – were lower by £4 million as a result of our continuing expense management activities.

So the growth in operating earnings, helped by lower finance costs, meant that underlying Group AOP was up by 14%.

The tax charge is at an effective rate of 26%. That's slightly lower than 2012 and it's in line both with our expectations and our previous guidance.

So, after tax and non-controlling interests, IFRS adjusted operating profit was up by 22% in constant currency and 8% on a reported basis.

And you can see on this slide that our businesses also made progress in improving their return on equity, with Emerging Markets at 24% and Old Mutual Wealth up from 14% to 15%.

For US Asset Management, given the nature of the business and its capital structure, we don't manage on a return on equity basis but rather on operating margin, and this was 29% in the period.

Now, all of this performance was delivered against the background of a macro-economic environment that continues to be very volatile.

The volatility index has seen some notable spikes during the half-year.

South African 10-year government bond yields fluctuated markedly in the second quarter, moving from almost a record low of 6.4% in May to over 8% in June.

Equity markets were also volatile but, overall, higher than the corresponding period of 2012. The average value of the FTSE was 12% higher and the JSE All-Share Index was nearly 19% higher.

The US dollar gained over 6% against sterling in the first half.

But the rand lost 10% in the period and, on average, was 14% weaker than in the first half of 2012. We've long entered into forward contracts to sell rand and, over the last twelve months, have realised gains of over £60 million from this activity. As at 31st July, we had forward sold around R3.6 billion in expectation of future cash flows, at an average spot rate of 14.92.

In the first half of 2013 the weaker rand took approximately a penny off our earnings per share, and if the current rate prevails for the remainder of 2013 we would estimate a full year EPS impact of some 2.1 pence.

The point I am seeking to make with all of this is that the environment in which we operate remains uncertain. While it is possible to look back over this period, or longer, and see a steady progression in, say, equity markets, that's not a view that can be easily formed at the time. We can, instead, take the actions we have to bring certainty into aspects of our exposure to market movements, such as hedging the risk of the Highest Anniversary Value riders in Bermuda, of which more later, the FSV interest rate in South Africa that we've talked about before, and the forward sale of expected rand cash flows, as I've just discussed.

So if we now move on to operational performance, and starting with the businesses that comprise Old Mutual Emerging Markets.

South African Life and Savings AOP was up by 17%, driven by performance in the retail businesses. Higher equity markets increased fee income, but this was partly offset by slightly less favourable persistency in Mass Foundation. We are taking positive action to manage retention with a real focus on methods of premium collection.

Movements in the FSV rate were neutral to profit in the first half, due to the interest rate hedges implemented last year, and which have been extended in the first half of this year. You may recall that there were adverse effects of FSV movements in the comparative period.

OMIGSA profits were down 4%. Higher income from fees and from OMSFIN was offset by lower associate income as well as restructuring costs in the property business.

Profits for the Rest of Africa were up by 18%, due mainly to the non-recurrence of some one-off costs incurred in the first half of 2012. And you will recall our target for the Rest of Africa, including Property and Casualty, being equivalent to 15% of South Africa's profits by 2015. And the contribution in the first half was around 11%.

There has been an increase in AOP from Asia and Latin America, due to business growth and currency movements as well as a reallocation of expenses to central overheads.

And that expense reallocation features again in the movements in central costs, which also increased due to inflation as well as investment in new products and business expansion.

So, overall, the AOP for Emerging Markets was up 12% at R4.1 billion.

The chart on the right shows the operational results before LTIR and central costs by segment in Emerging Markets. Added together, nearly two-thirds of the total was generated by the Retail Affluent and Mass Foundation markets, the former being up by 13% and the latter by a substantial 50% on the back of higher sales. You can also see here the increasing contributions from the Rest of Africa as well as Asia & Latin America.

I'll now move on to Nedbank.

The average level of interest-earning banking assets was higher than the comparative period and net interest income rose by 7% to R10.3 billion.

The bank continues to make progress towards its aim of growing non-interest revenue which grew by 15% over the first half of 2012.

There was, however, an increase in impairments and the credit loss ratio worsened to 1.31%. Unsurprising given the economic environment. Total defaulted advances were lower than the previous year due to improvements in the residential and commercial mortgage books. However, there were increased defaults on the personal loan book. This book represents just 4% of the bank's total advances and is being actively managed. A more conservative provisioning approach has contributed to higher impairments in the first half, and if you didn't get a chance to listen in to the Nedbank call yesterday afternoon it's probably also worth noting the detail of a specific impairment that Nedbank Business Banking took, R182 million in the half. That's related to a single large corporate insolvency event in July for First Strut, and that provision represents 6 basis points of the 1.31% that I referred to.

Overall profit before tax was up 8%.

The bank has increased its interim dividend per share by 15%, which will result in a dividend to the Group of approximately R1 billion.

And on the right we show the breakdown of earnings by cluster, detailed commentary on which can be found in Nedbank's results announcement from yesterday.

You can clearly see the continued importance of the Retail business, and although headline earnings were down on the first half of last year, due to the higher impairments on the personal loan book, the business still generated headline earnings of R1.1 billion.

So, in summary, a good half for the bank but clearly economic conditions remain tough.

And now we come to Property & Casualty which the sharp-eyed among you will have seen is the name under which we are now reporting our short-term business, including all of our property and casualty activities in Africa as well as 100% of the iWYZE result.

The main drivers of the Property & Casualty result in the period is the increased incidence and severity of claims. The claims ratio increased from 67.2% in the first half of 2012 to 73.9% in this reporting period. There has been a general rise in claims from household policies, a higher cost of settling motor claims due to the weaker rand affecting imported car parts costs, higher commercial and corporate fire claims, and also increased claims in the agricultural business as a result of a severe drought in the first quarter.

So, overall, AOP in the period was down by around two-thirds at R135 million.

The chart on the right, again, shows the underwriting result on a segmental basis in line with the way in which we are now managing the business. Management in each of these segments has a clear remit to focus on the bottom-line through a greater focus on cost containment and managed premium growth. We do expect to see improved profitability across the segments.

So we'll move on now from Emerging Markets to look now at Old Mutual Wealth, where we see fund based revenues are up 13% due to a higher level of funds under management, and fees also growing as we manage a greater proportion of funds in-house, in line with our strategy.

Administration expenses were down by £5 million reflecting the benefit of cost reductions implemented over the last three years, albeit that we are increasing our resources in Old Mutual Global Investors as we pursue our strategy for growth in this business.

Overall, pre-tax AOP was up 14% at £108 million. But note, however, that the prior year figure includes £10 million of profit from Finland which we sold last August. So, if you exclude Finland from the comparator, to get an underlying like-for-like comparison, you'll see AOP was up 27%.

Looking at that £108 million, the chart on the right of the slide shows it broken down by segment in line with the reporting format for Old Mutual Wealth.

In our "Invest & Grow" markets, the UK generated £5 million of profit with the platform benefiting from higher fees on the back of strong sales and higher market levels. International continued to perform extremely well, with £31 million of AOP, up 19% on the prior year if we exclude the Finland contribution. The contribution from Old Mutual Global Investors was £8 million, and its operating margin increased from 5% for 2012 to 17% for the first half of 2013.

In "Manage for Value", Heritage includes both the UK legacy book and the closed books in Continental Europe. AOP from these books together was broadly flat on the first half of last year. A lower number of policies in force offset the benefit of cost reductions and higher market levels.

The open books in Continental Europe generated £11 million of AOP from strong sales in France and Italy, market gains and improved efficiency.

And, although our heritage books continue to be strong generators of profit, the "Invest & Grow" markets are the ones where we see the greatest potential for growth. Over time these will build their contribution and ensure a solid source of future profits.

Turning now to US Asset Management where we can see strong evidence of the success of actions taken to improve the performance of the business.

All the information I am discussing here is in relation to our continuing operations. Those affiliates disposed of or transferred have been removed from the 2012 comparator. And I should also flag the consequence of the new requirements of IFRS 10. From 1st January 2013 we have adopted equity accounting for Heitman and, again, we've adjusted the comparatives.

Total revenue was up by 14%. Management and performance fees increased due to the higher level of assets under management which resulted from positive net flows and market gains.

Operating expenses were slightly higher with some restructuring costs offsetting the benefits of expense management activity.

Variable compensation increased as a result of higher profits, and this also gave rise to a higher level of minority interests.

So, overall AOP, post-minorities, was up by 11% and the operating margin, post minorities, increased to 29%.

The business has now delivered two successive quarters of positive NCCF as you can see in the chart, and investment performance of the affiliates continues to be competitive.

Improving and growing US Asset Management is one of the pillars of the Old Mutual strategy and we are pleased with the performance in the first half.

And finally, so far as the review of businesses is concerned, Bermuda. As at 30th June, 98% of the contracts with a Guaranteed Minimum Accumulation Benefits had reached their fifth anniversary date and the remainder will reach this anniversary by the end of this month. Of the contracts that had reached their anniversary date at 30th June, some 70% by value had been surrendered either on or after the anniversary date.

The consequence of that is that Policyholder liabilities have reduced in aggregate by two-thirds since the beginning of 2012 and the GMAB reserves for Bermuda as at 30th June stood at just $128 million.

The actual surrender experience over this fifth anniversary period has been higher than our reserving assumptions. But, with that period now virtually finished, going forward we will use a cautious and much lower assumption for surrenders between now and the 10th anniversary period.

As a result of the size of the remaining liabilities and the successful implementation of de-risking and risk management actions, in July the

Bermudan Monetary Authority has agreed to us cancelling $450 million of the inter-company loan notes between plc and Bermuda.

During the second quarter we hedged the expected cash cost of meeting the Highest Anniversary Values on the remaining Hong Kong contracts that have that feature, so as to reduce the volatility of reserves.

To the end of the half year we had paid out $523 million in top-ups and the estimated cash cost of meeting the remaining five year guarantees between the end of June and the end of August is only $1 million, so it's so small you can't really discern it on the chart.

The risks inherent in the Bermuda run-off have now reduced to such an extent that I don't expect to present in detail on it at results presentations in the future. We will, of course, continue to include the information on the development of reserves, cash flow and capital in the results releases.

Finally, let me touch briefly on our MCEV result.

In the first half of the year, MCEV operating earnings were 7.8 pence per share, of which just over half came from non-covered business. The 7.8 pence is in respect of core continuing operations only. The comparative result included 0.9 pence for non-core and discontinued operations. Given the much reduced book in Bermuda, it now makes up an insignificant proportion of covered business earnings, and we are now reporting this business on a simplified basis derived from IFRS results instead of using a full MCEV calculation. Details of the methodology can be found in the relevant section of the release.

Adjusted Group MCEV at 30th June was £10.3 billion, equivalent to 209.7 pence per share. The reduction from the start of the year is due, in order of magnitude, to the Nedbank value adjustment, reflecting its share price, exchange rate movements and the payments of dividends.

So, concluding the review of operating results, let me now move on to our cash flow.

In March I used new charts to illustrate the route by which business unit profit becomes cash at the holding company, and then illustrated what we do with the cash received, so I'll use that same format for the first half of 2013.

You can see here that the businesses are very efficient at converting profit into free surplus, 492 becomes 460, so a 93% conversion in the first half.

Remittances to the plc – on a cash-paid, not accrual accounting basis - were £201 million in the period. This is lower than in the corresponding period last year, but is principally an issue of timing, and for the full year I would expect remittances to be around 50% of AOP.

This year our remittances will be weighted towards the second half of the year, and I think in many ways that's inevitable, with dividend payments weighted to the first half because that is when we pay the prior year's dividend.

So, the half-year version of this chart is always likely to show outflows higher than operational receipts. But for the full year, I would expect rand receipts to cover the full Group dividend.

Net capital flows include a consideration of £44 million paid to the plc on transfer of the legal ownership of our share of the Chinese joint venture to Old Mutual South Africa, and since the half-year end – and therefore not included in the flows shown here – we have received £120 million for the transfer of our Colombian and Mexican businesses. And you will recall that we've discussed our intentions in respect of these transfers before.

The £62 million of funding includes the payment of seed capital to Old Mutual Global Investors as well as a payment to Bermuda to fund the purchase of HAV hedges.

Cash and liquid assets at the holding company as at 30th June totalled £356 million, and at the end of July that had increased to £470 million.

So let me now look at our capital position and our Group FGD.

At 30th June 2013, after payment in May of the 2012 final dividend, our surplus was £2.1 billon, representing a coverage ratio of 160%. This is a level with which we are comfortable given our earnings, our cash flow profile and risk assessment.

But I think it might be helpful to take a few moments to talk about the impact of the rand on FGD because, whilst rand weakness reduces the absolute amount of the surplus, it affects both our capital resource and our capital requirement in a way that might be unexpected.

At 30th June the rand was some 15.1 against sterling, and in the two right-hand columns I've bracketed around that period end rate the impact on our capital resources and requirement had the rand rate either strengthened to 13 or weakened to 17.

The rand proportion of our capital resources is roughly the same as the rand proportion of our capital requirement. And therefore the coverage ratio is relatively insensitive to the exchange rate.

And I think that's important in terms of understanding both our capital strength and resilience when we come on to talk about dividend.

Having delivered good financial performance and with the capital strength I've just described, and in line with the existing dividend policy, the Board is declaring an interim dividend for 2013 of 2.1 pence per ordinary share, or its equivalent in other currencies. For guidance, although the exact rate will not be set for another month, at Monday's exchange rate this would be approximately 31.5 South African cents per share, so around a 30% increase on the 2012 interim dividend for South African shareholders.

It's also worth flagging that the dividend will be paid at the end of October this year, a full calendar month earlier than previously.

I think it's always helpful to frame the discussion around our dividend policy. We remain committed to pursuing a progressive policy, having regard as always to overall capital requirements, liquidity and profitability. We have a target cover of at least 2.25 times, and the interim dividend will continue to be set on a formula basis at approximately 30% of the prior year total.

The progressive policy is supported by earnings and cash flow, as I presented. And the conclusion you can take from all of this, as I also commented in March, is that our sources of cash, in rand and other currencies, closely match our dividend outflows principally to the Johannesburg and London Stock Exchange registers.

So, let me finish with some concluding remarks.

Against a background of continuing volatility, we have once again delivered a good financial result.

Profit growth has continued with AOP up 14% to £801 million.

We have continued to be strongly cash generative with £460 million of free surplus generated in the period.

We have retained a strong balance sheet with our FGD coverage ratio at a comfortable 160%.

We have continued to reward shareholders with a 20% increase in the interim sterling dividend, and future dividend progression is supported by the underlying growth in earnings and cash flow.

I look forward to discussing the results over the course of the next six weeks or so as we meet with shareholders, and to presenting full year results, building on this half-year, in March.

Julian Roberts: Thank you Philip. So just a few concluding remarks: Everything we have talked about this morning sits within the context of our strategy for growth. Let me remind you what that strategy is:

In emerging markets we are:

- building our business in the growth markets in South Africa.
- expanding our footprint in Africa and other selected Emerging Markets, doing it in a focused and disciplined way.

An important element of our growth strategy for South Africa and the Rest of Africa is closer working between our insurance businesses and our bank. We are starting to see real benefits of this working closely together. For example, increased sales generated by Nedbank for OMSA, and Mutual & Federal developing an iWyze product for Nedbank, just to name two. Getting this "working together" right will give us a comprehensive offering for customers that our competitors will struggle to beat.

In developed markets, we are:

- growing Old Mutual Wealth: Key to this is building our asset management capability, obtaining more investment styles and strategies by acquiring new talent, and thereby capturing an increasing proportion of assets into our own funds. We are making really good progress, but we have ambitious plans and we still have a long way to go.
- and in the US, we continue to see the benefits of improving and growing the Asset Management business.

Everywhere throughout the Group, we are seeking to unlock value through cost-efficiency and through further simplification where appropriate.

Now, a few final words: We have a great event coming up that I want to talk to you about; our Africa showcase. So here is a wonderful picture of Table Mountain. We will be inviting you to join us in Cape Town in December to find out more about what we are doing in detail in South Africa and in the Rest of Africa.

Over these three days, executives from Old Mutual Emerging Markets, Nedbank and Property & Casualty will showcase their businesses.

They will talk about the markets, the demographics of our target customer base, our products and distribution, and what it all means in terms of the financials.

There will be a chance to talk to and ask questions, as well as to meet some customers and see how it all happens on the ground. I believe it's all going to be really exciting, and I'm taking the time to talk about it because I really would encourage you and colleagues to come down.

We can't hope in these types of presentations, so the half-year and the full year, to really give you a flavour of the businesses and what we're doing. So this is an opportunity where we can get all our people together in those few days.

And for those of you like me, it's also a very special week because at the end of the week it's followed by the Nedbank Golf Challenge, and I'm sure those golfers will be able to twist Mike Brown's arm – and I think he's in the audience in Johannesburg – to maybe make available a few tickets if you want to go up to Sun City for it.

For those who can't join, sadly, it, of course, will be webcast and all the materials will be on our website after the event. But it is an opportunity, and that's why I'm taking the time to talk about it, so we can go into a bit more detail, because we really are quite excited about the potential for our businesses and the growth prospects.

So, finally, to summarise:

We had, as Philip said, a strong first half.

Financial performance was good.

We continued to build our businesses in both emerging and developed markets.

We've made further progress at executing our strategy, and whilst I have no doubt that the macro-environment will continue, from time to time, to throw challenges at us, we are managing through those challenges.

So I am confident that we are in the right shape, we are in the right markets, I think we have the right management teams taking the businesses forward, and have the right strategy to enable us to continue to deliver growth and shareholder value.

So that concludes the presentations this morning. We are going to, as normal, dodge backwards and forwards between London and Johannesburg. We have Ralph Mupita that you've already seen. We have Raimund Snyders of Mutual & Federal, who I believe is also in the audience and, as a special bonus, I think we have Mike Brown in the audience as well, if there are questions on Nedbank or further detail on the personal loans environment. So let us start, if we may, here in London. Who's going to take over Greig's mantle and ask the first question? There we go.

Michael Christelis: Thanks, Julian. Michael Christelis from UBS. Three questions if I can. Firstly, you mentioned the increased wealth management assets that are being managed in-house, I wonder if you could just give us a percentage of the platform assets that are now being managed in-house?

Secondly, the impact of the Bermuda loan cancellation on your FGD and what impact we can expect there.

And then, thirdly, a broader question, just on the South African retail environment. Firstly, within Mass Foundation you've got a larger agency channel which has helped boost sales. I wonder if you can give us a comment on the outlook there, given the concerns around the unsecured credit market and the loan consumer. And then, in the Retail Affluent space we've seen yourselves and all your competitors saying that somebody out there is being excessively aggressive on risk pricing, yet nobody seems to be showing strong sales. Is it a function that sales in general, I think, in the industry are going to be under pressure?

Julian Roberts: I'll answer the first one, I'll ask Philip to talk about Bermuda, and then I'll hand over to Ralph if he wants to answer the third one and he'll bring anybody else in if he wants to. So the first thing, the proportion of assets moving into OMGI through the platform, it was a fairly low base, but we're now at around 15%. We expect that to be quite a bit higher, but it's a good start.

Philip Broadley: So far as Bermuda is concerned, the $450 million cancellation of intra group notes that I referred to is, effectively, a reduction in statutory capital that has been agreed to. Separately, we are in the annual process of agreeing with the BMA what the regulatory capital level should be. And I can't tell you what that number will be, but I would expect some improvements linked to the FGD that we will report at year end, coming from an adjustment to the regulatory capital requirement arising out of the surrender rate that we've seen in the first half of the year. Clearly our regulatory filings at the end of 2012 were based on experience as we'd then seen it, and we've seen a continued reduction in outstanding liabilities since.

Julian Roberts: And Ralph, the third question?

Ralph Mupita: Michael, I'll answer your question in two parts. On the SA consumer in general we certainly are seeing some pressure in pockets of the retail market and in particular some areas within the private sector. So we have a business particularly in the mass market that is skewed and weighted towards the public sector. And from our perspective there is, when you look at disposable income, still positive on a real basis, but down from previous periods. And also when you look at debt servicing costs, they are at historical lows at the moment. So although there are pressures we still think, looking forward, that we'll still see, particularly in the mass business, these kind of growth rates that we've seen in the first half. On the Retail Affluent side, we've seen quite a lot of pressure on the risk side in terms of the pricing, so we're quoting quite a lot, particularly in the broker market, but we're not giving away what we see as valuable margin in anticipation of volume. So you'll see that our Retail Affluent new business margins are nicely up, but our volume in particularly Greenlight have not followed through. But that's the function of quite a lot of competitive pressure we're seeing in the broker market.

Julian Roberts: Next question.

Jon Hocking: Jon Hocking, Morgan Stanley, I've got three questions, please. Rest of Africa, your 11% versus your 15% target, you've still got a couple of years to go and you've invested a fairly small proportion of the capital you've earmarked. How do you square the two, because it would seem that you could get to, potentially, far more than 15%? That's the first question. The second question on the UK. What happened in the second quarter versus the first quarter, so the flows picked up very strongly on the first quarter. And then, thirdly, the agreement with IFDS, how can you be confident that you're not going to be stuck in a development queue when you've got something you need to get done on the platform? Thank you.

Julian Roberts: Let me just have the third question again, sorry?

Jon Hocking: Just on the IFDS arrangement, they are obviously used by other platform providers, you only get something done that's on a mission critical, how can you be sure that you get your development done, rather than somebody else?

Julian Roberts: Okay, let me cover the first one. We have the Old Mutual Wealth Chief Executive, Paul Feeney, in the front, so I'm going to ask him to answer the questions, your second and third question. First of all, Rest of Africa, I always have the philosophy that we set a target. Once we get to that target, then we'll see what the next target is quite clearly. But you also have to remember that the acquisitions we're making are very small, and so, therefore, they're not going to, in the early years, contribute to – they're likely, actually, the small acquisitions, to suppress the ROE in the infancy. It's the main bulk of the rise in ROE comes from the businesses that we've already got. So we still think that we'll take this period of time to get to 15%. Once we get there, then we'll reset. Paul?

Paul Feeney: Jon, where are you? Sorry. Good question. Basically, we've got an exclusive agreement with IFDS for the development period so that, from the point of signing our contract to actually delivering our new technology outsource service and everything, IFDS will not be partnering with anybody else on the same type of agreement, other than ourselves, with one exception. They do have an agreement with St James's Place to deliver a SIPP on the same platform, the same technology, during that period of time. But during that period of time we have priority development, so we can't get bumped.

Julian Roberts: Second question as well.

Paul Feeney: And the second question.

Julian Roberts: Why were flows up in the second quarter?

Paul Feeney: Oh Q2. Well, Q1, quite frankly, we came into Q1 with all the issues we had with RDR. For instance, I'll give you an example. We had the best electronic re-registration service in the market. Unfortunately, we had the only electronic re-registration service in the market and, therefore, we had to quickly revamp up, build up to deal with a lot of paper applications. So there were a lot of issues we had to deal with, a lot of our sales force were dealing with those issues. I stood up at the beginning of the year and said we'd have them all cleared by the end of the quarter. We did and, as a result, we got our teams back in the market doing what they're paid to do, instead of fire fighting, quite frankly, with helping the market get to terms with the new regulations. So, as a result of that, as I said, our second quarter sales are 40% up and, particularly pleasingly, they're 25% up on the second quarter of last year. So I think the market is getting back to normal.

Julian Roberts: And I think it's fair to say, Paul, it's significantly re-reg business that has been coming back through in the second quarter.

Paul Feeney: Yes.

Blair Stewart: Thanks very much, Blair Stewart from Bank of America, just two questions. Firstly, following up on Jon's point, I'm guessing that the development is not just one specific project. We need to talk about the platform and the outsourcing - will it be on-going? And, again, just wondering, has there been a change in the on-going cost and effort of keeping these platforms up to speed that's prompted the decision to outsource it? It's interesting, a bit of colour there and how do you ensure that the quality aspect is good enough from the outsourcer? And secondly, on the dividend, I'm not looking for any guidance at all, but just thinking about some of the levers – well, I am – no, just thinking about some of the levers that you might be able to pull. The first is Bermuda, where you've got $1.1 billion of capital tied up and that can only go one way. Maybe some comments around the extent to which that can come down, given how fast the book is shrinking. And secondly, the remittances from Emerging Markets. I think it was 20% in H1, and 25% last year.

Is that something that can be flexed if and when you decide to pay a higher dividend? Thank you.

Julian Roberts: Let me deal with the first one. I think you know that our platform is still rated very, very highly from the market, and by IFAs. But it's also true that the functionality is relatively limited. And as we look forward and we believe as the market becomes more sophisticated, there is more additional functionality that we believe that we need to offer for our customers. We don't need it right now, but we do need it in the future. And, therefore, when we look at the cost that we would have to put in to upgrade an old system, and we've looked around at the systems that are out there, and the IFDS system particularly working well in Australia, we turn round and say: "why are we in the IT game moving forward? Let's concentrate on where we add value." Equally so, we don't make a great deal of money from platforms, so we have to keep on reducing our unit costs down. So really, they're the fundamentals, looking at what we want to give customers in the future, and then turn around and say what is the most appropriate way to do it? And those conclusions led us to scan the market. I think the one thing many of you know, IFDS is a big company. It has two very large parents. State Street is one of those parents and, therefore, we are with a very well capitalised group, that we believe there is no risk to the future sustainability of what we have moving forward. And that, of course, is critical for where we want to go.

Philip Broadley: On dividend I'm glad you won't expect any guidance because you won't be disappointed. On Bermuda, perhaps it's worth commenting on the reduction in statutory capital that I've spoken about, and also what I would expect to be a reduction in the regulatory capital requirement, obviously helps underpin the maximum amount that Bermuda could incur between now and the tenth anniversary date. So that helps frame our assessment of the amount of capital we need to hold in reserve. Let me also stress, though, the cancelation of those loan notes is clearly not a cash item. In terms of surrenders, you commented on that, whilst I would expect to see some customers take action regarding the fifth anniversary date and the decision to surrender, we've observed a lag. There will be a few months more whilst customers consider what action they want to take before I would expect to see surrenders probably drop back to single digit percentage rate over the next few years. So the remaining policyholder liabilities, I think, will be quite stable from the end of 2013 out to, let's say, the end of 2017. So any significant cash release from Bermuda really will only come in the tenth anniversary period. And then so far as remittances are concerned, you commented in your question about remittances from Emerging Markets. Bear in mind also the growth that we've seen in the profits of wealth and asset management. So the remittances in sterling, dollar and euro were also increasing. We'll take all of that into account and let you know what we decide to do in March.

Julian Roberts: At this point I'd like to move over, Ralph, to you in Johannesburg for you to field any questions that you have from the people in the building with you.

Ralph Mupita: Larissa

Larissa van-Deventer: Larissa van-Deventer from Barclays. Two questions, please, both around the emerging markets. The first one, Ralph, if you could comment on trends that you're seeing in South African entry level, you mentioned the consumer being under pressure, but if you can give an indication whether the pressure is dissipating or whether you see it increasing, that would be helpful. And, possibly related to that, your loan book on Old Mutual Finance, which is also a distribution channel for Life, has grown, although it looks like the growth has slowed in the last half, if you combine those two. The second one, if you can just give an indication on the Rest of Africa, you mentioned that the recent acquisitions are small, but Nigeria is coming in. Is there any step change we can expect in the next six months from Nigeria specifically, and is there any country that's growing particularly strongly, or is it mainly a Namibia and Zimbabwe story at the moment?

Ralph Mupita: Let me answer your second question first. If we look at Nigeria, we've launched into the Nigerian market at the end of the first quarter, and we're leveraging our relationship with ETI (Ecobank) in Nigeria at the moment, as the foundation for our entry. And we're, basically, taking Credit Life sales through the distribution platform, the bank branch network for Ecobank, as well as Group Life. So our foundation is really through that. And to the point of: will we see a significant shift, meaningful contribution to sales: actually, we're focussing on making sure we have the right infrastructure, so if you're expecting a significant delta in sales coming out of Nigeria, in 2013, we want to make sure that we launch with the right infrastructure. So if we look at the Rest of Africa, the contribution to sales, or Zimbabwe, Namibia and Malawi, some currency effects coming through from Malawi, from a dollar point of view. Those continue to be where we're getting strong line growth currently but, as Julian said, we're looking in the long-term to the other markets for longer term growth. If I come back to your question about MFC, I think the trend that we've seen the first quarter, in terms of sales growth, as well as persistency, is one that we expect to see going into the second half of the year. Certainly we are aware, and we are very close on the ground to understanding where there are pockets of pressure. As I said earlier on, we are seeing a bit more pressure in the private sector consumer markets. In the public sector we see a bit more resilience, and I think if you look at wage increases in South Africa as a proxy of the ability for the consumer to be able to withstand paying the premiums, the public sector is actually in better shape, and we have led this proportion of our mass business in that public sector. So I think that's probably sufficient to give you some sense of how we're seeing it, but the real challenge for the mass market, and I guess the retail market in South Africa, would be the way inflation goes.

Ralph Mupita: Brian Mushonga.

Brian Mushonga: Good morning. Brian Mushonga from Credit Suisse. You set aside R5 billion for M&A in Africa. You've now spent 700 million in the key large markets that you identified. Does that mean you'll reassess whether you actually need to spend 5 billion on M&A in Africa, given how much you've spent in Nigeria, Kenya and Ghana? And the second question relates to the US Asset Management business. Obviously, cash flows were very strong in Q2. Could you give us an update on plans for the partial listing of this business? Is that still in your plans?

Ralph Mupita: Julian, can I pick up the first question?

Julian Roberts: Sure.

Ralph Mupita: Brian, we're not planning to reassess the 5 billion. As Julian mentioned earlier on, quite a few of the acquisitions we've made are actually licence deals. So if you think about Nigeria, we went in there. The Regulator is not issuing out any new licences, so Oceanic Life was actually a very tiny business that we, basically, are building from scratch. And in those key markets over the next couple of years we will reassess whether we'll need to do anything on a bartering basis to actually give us a bit more of a robust platform to build our businesses. So no intention to revise that at the moment.

Julian Roberts: I was waiting to see, Ralph, whether you were going to try the US Asset Management one or not. I will answer that, thank you. Last year we had a very strong first quarter, and then we were negative in quarter two, quarter three, break even in quarter four. This year we've got to two good quarters.

There are still other things that we're working on, but yes, we're getting closer to a point where we will then start looking to see what we're going to do. I've got no timeframe for you, but I think the steady improvement of the business is all good news and is helpful for our long-term plans. At this juncture, Ralph, just pause for a moment, and Philip is going to pick up all the questions that have suddenly come in on the web and the telephones and then we'll come back to you again.

Philip Broadley: All but one, I think one of them is actually for Paul Feeney. Which countries in Africa still need to be added to APE and which countries still need to be added to VNB out of the recent acquisitions?

All of the countries of Africa are currently in our APE, as it's reported. China is proportionate, reflecting the joint venture nature, but we only report VNB for Namibia, currently. So the answer to that second part of the question is all of the recent acquisitions will be included in VNB at an appropriate point, and when we think we have a robust methodology.

The next question, given £47million EV negative experience variances, will we see large negative assumption changes at the end of 2012?

On the experience variances I'd observe that we take all development costs as operating variances, and that is a large part of the total. We review assumptions annually, and in addition to negative experience variances, I think I'd also comment on the mortality variances, which are positive, so we will look overall at assumptions at the end of the year.

Can we expect any further debt repayments?

I think that's quite well set out in the release. We do not have any debt now that falls due for repayment before 2015, so we have a remaining 175 million of debt to repay to meet our target, and we will have to manage that in accordance with our debt repayment schedule.

Has the FSV rate been fully hedged for movements in the second half of the year and does this hedge come with a cost?

Effectively, I think you could say it is fully hedged for the remainder of the year. It does come with a cost but that's not separately disclosed and I don't intend to provide that.

And then the question for Paul Feeney is, is there scope to include European operations in the outsourcing agreement at some point in the future?

Paul Feeney: There is scope, certainly. I think trying to do everything everywhere all at once is not ideal, so we're concentrating on the main market at the moment, which is the UK market. Which, of course, is also our back book and our platform, so there's over 40 billion of assets there. So that's a big enough piece to bite off right now. That's what we're focussed on right now.

Julian Roberts: Ralph, I'm going to come back to you for one or possibly two questions, I'm then going to go to the phone lines, because we've got one question there, and then come back to conclude in the UK.

Ralph Mupita: Mark Salmon.

Mark Salmon: Hi, I'm Mark from Investec. Just two quick questions. First of all, what proportion of the Bermuda loan notes have been cancelled? And then, Ralph, if you could provide perhaps some more detail on the negative experience variances in the Emerging Market space? Notwithstanding the covered to non-covered transfer, I think it was still quite a large number, and I guess in the context of the fact that you've been growing your Mass Foundation business so fast over the last couple of years.

Ralph Mupita: Should we take the South African question on negative experience variance, and I'll ask Gary to just comment overall. Gary, can you just comment overall?

Gary Palser: I'm going to speak to the camera rather than behind there, if you don't mind. Certainly within the net worth portion, I mean the biggest portion of the negative variance in the adjusted net worth column is the development costs associated particularly with growing in the Rest of Africa, and then, within the value of in-force, the biggest contribution to that were two big corporate annuities, one of which transferred out, and one of which converted into a different style with a much lower margin. Both of those corporate annuities are of a once-off nature. And the rest were relatively small. Mortality, as was mentioned earlier, has been positive and the persistency within MFC a very small negative.

Ralph Mupita: Philip, can I pass the Bermuda question back to you.

Philip Broadley: And so far as the loan notes were concerned, $450 million out of just over a billion in force or in issue at the end of June, so that totalling 45%.

Julian Roberts: Ralph, is there a last question from you, or do I go to the phone?

Ralph Mupita: No last questions here, Julian.

Julian Roberts: Okay, thank you, Ralph. Let's try and see if we can hear the phone question.

Operator: Thank you. Francois du Toit from J P Morgan, please go ahead with your question, your line is now open.

Francois du Toit: Hi, can you hear me?

Julian Roberts: Yes, we can.

Francois du Toit: The first one on economic variances, were very supportive to the life embedded value, and that's despite the higher interest rates in South Africa. If you could maybe just give a bit of colour to where that comes from? I see your liquidity premium was not changed, so that didn't provide the support then. It also boosted your cash generation, so maybe separately tell us why the surplus was up because of an economic variance. And then, secondly, on Mutual Federal there was 55% growth in corporate and niche premiums. If you could maybe give a bit of colour to that as well, please?

Julian Roberts: Mark Baxter might wish to take the first one.

Mark Baxter: Just a quick update. You quite rightly pointed out that, in terms of interest rate variances have been hedged, but the other economic variances were, in fact, put simply, the increases in the share markets in both South Africa and the UK broadly covered most of the economic positive variances. So I'm not quite sure what else I can add to that.

Julian Roberts: And I'm going to have a stab at this, because I think it's a bit unfair on the M&F result to pass it to our new Chief Executive of M&F who's only been in the role for a few weeks. But I believe the growth in Corporate & Niche is probably the acquisition of our UMAs and, therefore, has been boosted by the agricultural premiums coming through. Is that right, Paddy?

Patrick Bowes: That is true. 50% of the growth.

Julian Roberts: 50% of the growth is from that. Okay, let's come back if there are any concluding questions from here in London?

Okay, can I thank everyone, those in Johannesburg, those listening in on the telephones and the webcast, and to everybody here in the room. Thanks very much.