PRELIMINARY RESULTS 2012 **TRANSCRIPT**

1 March 2013

Title Slide 1: Preliminary Results 2012

Julian Roberts: Good morning, everybody, and welcome to those of you here in the room with me in London, and to everybody in Johannesburg, and also to those on the phones and the webcast. Once again we have Ralph Mupita, up on the screen somewhere, yes, there you are, Ralph, hosting in Johannesburg. Mike Brown, and Peter Todd and a number of other executives are with him. Ralph, can you hear us well?

Ralph Mupita: I can hear you clearly, Julian.

Slide 2: Disclaimer

Julian Roberts: Thank you very much. As normal, a somewhat pregnant pause, as the lines begin to work. I've got, as usual, Philip here with me on the stage doing most of the work this morning. Paul Hanratty, Paul Feeney and other executives are in the audience in London.

Slide 3: Agenda

So this morning's presentation will take a familiar format. I'll give a short introduction and then Philip will take you through the business and financial review, and then I'll talk about future direction and then we'll go to questions.

Slide 4: Group Highlights 2012

So, against the backdrop of continuing economic turbulence, the year has been a good one for the Group. Financially and strategically we have made great progress, testifying to the Group being in the right sectors with the right business. And that progress is evidenced by pre-tax adjusted operating profit up 18% on a constant currency basis at over £1.6 billion. Earnings per share were 17.5 pence, up 9% after adjustment of the 2011 EPS number to reflect the share consolidation following the special dividend of 18p which you will recall was paid in May. Group core net client cash flows were £5.0 billion positive – with US Asset Management ex the disposed firms pleasingly delivering positive flows, and funds under management were up 3%. We have met all the

financial targets that we set in 2010. And, with these strong financial results, taking account of our much improved balance sheet position and our future prospects, the Board is recommending a final dividend of 5.25 pence, giving a total dividend of 7 pence per share, equivalent to a 23% increase in cash terms.

During the year, we continued to progress our business restructuring and simplification. We've crystallised value through the disposal of Nordic and Finland, agreed to rationalise our portfolio of asset management affiliates to focus on higher margin strategies and closed our German and Austrian books to new business.

Slide 5: Earnings by Line of Business and Geography

This chart is a new one showing the shape of the Group in 2012. Before tax but after non-controlling interests, just less than half our earnings come from Life and Savings, 37% from banking and 11% from asset management. If you then look on a geographical basis, 74% of profits come from South Africa, 6% from the Rest of Africa and other emerging markets. Europe reduced to 14%, due to the sale of Nordic and Finland and USA 6%. Philip is ready to expand on the detail so this is an appropriate time for me to hand over to him.

Slide 6: Business & Financial Review

Philip Broadley: Thank you Julian, happy St David's Day, good morning everyone.

Slide 7: Agenda

The theme of my presentation this morning is a simple one, profit and cash. How we make the first and turn it into the second. I will give an overview of the Group's overall financial results for the year, then look at business unit profitability. I will confirm delivery of our 2012 targets, review our capital position and, finally, take a little more time to talk about cash generation and future dividend policy.

Slide 8: Diversity of Operating Earnings

But let me start by picking up the point that Julian ended with, where we make our money. This is a new chart designed to show you, as plc shareholders i.e. after non-controlling interests, the diversity of the various earnings streams from our business units. For the purpose of this analysis operating earnings are presented pre-tax, but it excludes central costs in emerging markets, the US Asset Management disposed affiliates and LTIR. So it seeks to illustrate, albeit approximately, where we make our profits in each

market segment, in descending order of materiality. So from it you can see that we have 11 businesses, each making 5% or more of operating profit as defined on this basis. Those are the ones on the right side of the orange line, and together they total about £1.3 billion. So we have well-diversified sources of earnings and we will talk more about their growth potential later in the presentation.

Slide 9: IFRS Simplified Operating Result

But let me move on to a more familiar slide, the simplified P&L. In constant currency, overall revenue was 8% higher than in 2011. Expenses were also higher but by a smaller amount, 5%. These changes resulted in overall AOP, before tax and non-controlling interests, being up by 18%. Note that, on a reported basis, AOP was up by 7%, despite the impact of the weaker rand. The tax charge of £441 million is an effective rate of 27%, in line with our expectations and our previous guidance. As we explained in August, the increase in 2011 is due principally to the increased proportion of profits generated by emerging markets and Nedbank. South African tax rates are typically higher than other geographies and in 2012 our profits in South Africa included fewer exempt dividends, and were subject to tax legislation changes, specifically the increase in the capital gains tax rate. We expect the effective tax rate for the Group to be between 25 and 28% in future periods. But we are reviewing the proposed changes to South African life business taxes that were made in the budget announcement this week which, if enacted, might affect that range going forward. IFRS adjusted operating profit, post-tax and non-controlling interest was up 10% on a constant currency basis. And finally to note the statutory result of total IFRS profit after tax. A significant part of this increase from 2011 is, of course, the profit on the sale of Nordic, which is £564 million after all costs. But there was also a profit earned from Bermuda, compared to a loss last year, and Bermuda is not reported in AOP.

Slide 10: Sources of Earnings (£m) – As Reported

Looking now at the sources of earnings by activity, this is a slide you have seen before, and I suppose the most interesting thing about it is; it's actually very stable year on year, with little change in the proportion of revenue coming from fees, underwriting and banking, at 33%, 22% and 38% respectively. Finance costs were broadly flat with the benefits of debt reduction offset in the year by the cost of the higher coupon ten year bond that we issued in June 2011, as well as the £5 million cost of reconfiguring a swap deal, both of which have been spoken about before. We expect to see finance costs reducing now that the £1.5 billion debt reduction programme has been completed, and expect these costs to be below £100 million in 2013. While on

a reported basis administration expenses were down by 2% and acquisition expenses were marginally up, on a constant currency basis these were up by 6% and 4% respectively. Again, we discussed the reasons behind these increases in August. Essentially it is project costs in Emerging Markets, increased staffing in Nedbank to support higher activity levels, and acquisition costs associated with business growth in Emerging Markets and higher non-covered sales in Old Mutual Wealth.

Slide 11: Agenda

Now let me move on to operating performance in each of the businesses, and I'll start with Emerging Markets.

Slide 12: Emerging Markets - Sales, NCCF, FUM

Here we saw excellent growth. Gross sales overall were up by 25% and, reinforcing the point I made earlier about retail market growth, life sales in Mass Foundation were up by 21% and non-covered sales in Retail Affluent were up by 20%, so a continuation of the trends observed in recent years. In the year as a whole, over a quarter of the non-covered sales for Emerging Markets occurred in Latin America, with strong sales in both money market and offshore products in Colombia boosted by two pension plan deals in Colombia and Mexico which were signed in the fourth quarter. The strong sales results were reflected in net client cash flows which were more than three times the levels achieved in the prior year, with a good uplift from all parts of the Emerging Markets business. Without the PIC outflow in the third quarter, as previously reported, OMIGSA flows would have been R3 billion positive and South Africa would have reported positive NCCF for the first time in over ten years. Funds under management increased by 16%, reflecting the positive net flows and the impact of equity market growth.

Slide 13: Emerging Market - AOP

So now let's look at what this means for profit, where life and savings pre-tax AOP was up by 20% to almost R6.3 billion, excluding the LTIR and before central expenses and administration. At the half year I talked about a number of specific factors – actually I didn't, of course, Julian read it out – at the half year we talked about a number of specific factors which had affected the South African results. These obviously flow through into the full year results and are listed in this morning's statement. One new piece of information is that, in the second half, we partially hedged against the impact on IFRS profits of further falls in the FSV 10-year government bond yield. The hedge was effective when we saw a further decline in the FSV rate in the latter part of the year. In the year as a whole we had a R374 million hit to profits from the fall in

interest rates after taking into account the protection from the hedge and modelling changes. These and other management actions mean that interest rate movements downwards should have a more limited effect on profit in the future. South African AOP benefited from improved mortality and disability experience in the retail markets as well as positive assumption changes in respect of mortality and disability, although this was partly offset by less favourable persistency experience. Profit in the Rest of Africa was up by 39% mainly due to favourable mortality and disability experience in Namibia and also foreign exchange gains, principally from Zimbabwe. AOP from Asia and Latin America was broadly flat with the growth in business offset by the cost of launching a retail mass market business in Mexico. So if we look now at the other elements of AOP outside of Life and Savings, OMIGSA profit was up significantly. In addition to the release of over-accrued prior year incentives which we highlighted at the half year, the main reason for the increase was a higher level of performance fees on the larger asset base due to market growth. The LTIR rate for emerging markets was 9% in both 2011 and 2012 but the amount of the LTIR increased due to a higher average asset base and the inclusion of Zimbabwe holding company assets for the first time. As both long-term and short-term yields have reduced, consistent with our approach of aligning the LTIR to market rates, we will lower it to 8% and this rate will apply for 2013. The central expenses increased principally due to investment in Africa and IT expenses, so overall AOP was up by 19% at just on R7.9 billion. And just to finish Emerging Markets with a comment on profit in the Rest of Africa: You will recall that, as part of our strategy to expand our footprint in Africa, we said we were targeting Rest of Africa profits equivalent to 10% of the South African business. In 2012, we exceeded that target with profit contribution around 11%, and we expect that contribution to rise to 15% by 2015.

Slide 14: Old Mutual Wealth – Sales, NCCF, FUM

So, moving north now to look at Old Mutual Wealth. Trading conditions were tough throughout the year in most of the markets served by the Old Mutual Wealth business, although we did have a particularly strong fourth quarter. Across Old Mutual Wealth as a whole we can see evidence of two structural changes. First, in line with our strategy, we are transforming the business to be a single-, rather than regular-premium business. And second, we can see the continued shift from covered to non-covered sales, with the latter up 2%. In the UK, preparation for the Retail Distribution Review preoccupied many of the independent financial advisers with whom we deal, with the result that sales overall were depressed. But nonetheless, gross sales on the platform were over £4 billion for the year. Now that we are using a QROPS offering domiciled in Malta, essentially a pension host switch, we have seen life sales in International beginning to recover, and fourth quarter sales were up 24% on

the equivalent period in 2011. Sales in Europe remained in line with our expectations as we continued to manage down the low-margin regular premium business and also closed our German and Austrian books to new business. Net client cash flows recovered a little during the second half and were particularly strong in quarter four, in contrast to the previous year where fourth quarter NCCF was zero. So this gives us a degree of cautious optimism for 2013 as we continue to develop our proposition to attract new customers through enhanced features and functionality. Funds under management grew 18% in the year, despite the loss of around £1 billion of assets from Finland following the sale of that business in August. Funds on the UK platform continued to rise and, at the year end, stood at £22.6 billion out of a total of £69.2 billion.

Slide 15: Old Mutual Wealth - AOP

So, again, what did all this mean for profit? Pre-tax AOP was down 13%. But remember that 2011 included £32 million of profits from the smoothing of prior years' deferred tax assets, so-called UK policy holder tax. There was no equivalent benefit in 2012 and so, excluding this item, profit was up 1%. But that's after a net restructuring charge of £15 million taken in the second half of the year, which affected profit across all markets. So again, if you exclude that item, AOP was up 9%. We do expect to incur further restructuring charges in 2013 as the business continues to take the hard decisions necessary to implement its strategy. As a result, profit growth in 2013 will be lower than it otherwise might have been. You can see in the UK result, however, the benefit of improved efficiencies following the restructuring activity to date, as well as the actions taken to move to a more profitable product mix. Profits in the European business fell due to the removal of profits from Finland, now sold, and the managed withdrawal from low margin products and jurisdictions. Now, let me show you the AOP results presented a little differently. Those of you who attended the Wealth Management Investor presentations in November, or have looked at them subsequently on the web, will have seen that we are now looking at that business in a different way, separating the core 'invest and grow' markets and our 'manage for value' markets, and this is the way we will report Old Mutual Wealth in the future.

Slide 16: USAM

Moving on now to US Asset Management, where NCCF has significantly improved and the operating margin was up. Let me explain. I will walk you through this slide as it's another new one. In this first column we see the performance of the business on its key metrics in 2009. Profitable but profits on a declining trend and an operating margin below the level we believe is right for the business and with negative net client cash flows. When we presented

these results we said we were pursuing a turnaround strategy for US Asset Management and, over the past three years, we have reported regularly on progress. Following successful execution of the management actions, this is where we stand today. The continuing business is making more profit at a lower level of funds under management, with a margin which we believe is comparable to some of the most respected of our peers, and this is despite the costs that we are incurring as we invest in building our global distribution capability. Reported net flows were very close to positive and for the continuing business net client cash flows were positive, something last achieved in 2007. Pleasingly, we have continued to see greater flows into higher margin assets than into the lower margin asset classes. Global distribution is very important in enabling this business to sustain growth and margin in the future. At the end of December, non-US clients accounted for 35% of total funds under management and non-US assets were 52% of total assets, and these percentages will step up as the global distribution strategy gathers pace. And here, just for completeness, are the intermediate years, which I'll leave you to study in your spare time, of which I know there is much during the midst of the reporting season.

Slide 17: Nedbank

Let's move on to Nedbank. It was another excellent year for the bank with pre-tax AOP up 23% on 2011. Both net interest income and non-interest revenue were up year on year. The net interest margin increased. Impairments were down and the credit loss ratio fell. The jaws ratio of cost to income improved with revenue growth of 11% exceeding the 9% increase in administration expenses, that being due to the higher headcount supporting business growth. Return on equity (excluding goodwill) for 2012 was a very healthy 16.4% and both liquidity and capitalisation remain strong. The common equity tier 1 ratio, based on Basel II.5 capital criteria was at 11.4% putting the bank in a very strong capital position compared to international peers. Nedbank Retail increased its primary client numbers by 8% and delivered a 22% increase in headline earnings. A very strong result indeed. And the bank has increased its total dividend per share by 24%, which will benefit Old Mutual by some £29 million. More detail on the drivers behind these strong results is included in our statement and also in Nedbank's own results which was issued earlier in the week.

Slide 18: M&F – Reconciliation 2011 AOP to 2012 AOP (Rm)

Looking next to Mutual & Federal, where here I have tried to pull out the principal reasons for the reduction in AOP from 2011 to 2012, which is a disappointing result. The business is continuing to deliver growth, with gross written premiums up 9%, with an increase in policy count offsetting overall

softer rates. Operating expenses also came down – around a 5% reduction year on year – due to the cost management actions that the business has implemented as part of the M&F change programme. However, the business suffered considerably higher claims in 2012 than in 2011 and these are shown in the box with the dotted surround. There were a high number of claims in the personal business area due to the adverse weather conditions, specifically hailstorms and floods in Gauteng. One hailstorm in Johannesburg resulted in claims of over R70 million, and this will, of course, be well known to those of you who are based there. There were also a higher number of large fire claims, both commercial and residential. To take just one example, the fire in St Francis Bay in respect of which M&F paid out around R24 million. And, reflecting a general worsening of the claims environment, business as usual claims were also very much higher. As we discussed in our third quarter IMS, we have continued to invest in iWYZE with start-up losses in 2012 some R42 million higher than in 2011, and the LTIR reduced by R17 million due to a lower rate applied. However, operational challenges remain for the management of M&F. The business will implement further cost management actions where appropriate, will pursue managed premium growth, and will continue to re-price during the 2013 renewal season in order to ensure that its pricing model is able to deliver future underwriting margins that are comparable to our peers.

Slide 19: Bermuda Run-Off

Finally, in my tour around the Group, a few words about the non-core business of Bermuda. The business has continued to execute its run-off plan and is making good progress. By the end of the year, 67% of the contracts with Guaranteed Minimum Accumulation Benefits had reached their fifth anniversary date. Surrender rates by policy counts – either at the anniversary date or, in a lot of cases, some months later – continue to be well above our initial reserving assumptions, at 57% for the Hong-Kong book and 77% for the non-Hong Kong book. The performance of equity markets around the world has driven many of the remaining accounts into the money. As a result, the GMAB reserves for Bermuda at 31st December stood at $219 million. We have set our year end reserving assumptions based on surrender experience observed as at 30th September and we remain comfortable today with using that assumption. To the end of the year, we had paid $425 million in fifth anniversary top-ups. The remaining fifth anniversary guarantees will all fall due by the end of August and the estimated cash cost, in 2013, of meeting those remaining guarantees is just a little over $100 million,and that will be met from Bermuda's own resources. The option-based hedging programme implemented in March last year protects us against the downside risk to the cash cost of meeting the fifth-anniversary top-ups that could arise if equity markets were to fall from current levels. Although, as I mentioned earlier,

Bermuda is non-core and its operating result is not included in AOP, it's worth mentioning that the business delivered a post-tax operating profit of $254 million in 2012 – as a result really of all those factors I've been discussing – compared to a $286 million loss in 2011.

Slide 20: MCEV

Now, before I move on to cash and capital, the embedded value evangelists will have noticed that I haven't spoken about MCEV, so let me do that for you now. MCEV operating earnings were 15.2 pence per share of which 57% was generated by the covered business and 43% was generated by non-covered business. In addition, our PVNBP margin was up by 40 basis points to 2.3% driven by an improved product mix in Retail Affluent as well as Corporate and the continuing growth in Mass Foundation sales. The change in strategy for Old Mutual Wealth including managing for value in Continental Europe and the restructuring reduced MCEV earnings by about 2 pence and exchange rate movements accounted for another 1.0 pence.

Slide 21: MCEV

Adjusted Group MCEV at 31st December was £10.8 billion, broadly flat on the prior year and affected by unfavourable exchange rate movements, but with a13% uplift in the pence per share, again affected by exchange rates as well as the Nedbank uplift, the special dividend and share consolidation. The chart on the bottom of the slide illustrates the development, since December 2009, of both MCEV per share and our IFRS book value per share. And it's interesting to note that, of the adjusted Group MCEV before deducting debt, just 51% is now in respect of covered business with 14% coming from asset management and 29% from banking. And with that in mind, over the coming weeks as we meet with you, I look forward to discussing the most appropriate form of Embedded Value reporting for our results in the future.

Slide 22: Agenda

So that's my review of the operating results. Julian said in his introduction that we had achieved the targets we set out in 2010 to be delivered by the end of 2012. Let me now go through my customary tables one last time to show you how we got on.

Slide 23: 2012 Costs Reduction Targets Delivered

Cumulatively we delivered 48% more cost savings than our target, at £133 million against a target of £90 million. Each part of the business exceeded its target without impeding business growth, as you will have seen from the

figures we've reported. Group-wide corporate cost savings of £17 million were achieved, and with most of the costs of Solvency II implementation now absorbed, I expect to see further cost savings coming through in the future. In fact, although I applaud the businesses for their delivery against the original target, we all believe that there is more that can be achieved throughout the Group and expense controls will remain an area of focus.

Slide 24: 2012 ROE & Margin Targets Delivered

Each business delivered a return on equity in 2012 that was either within or above the target range that had been set for it. And although we are not formally setting new ROE targets, 15% will remain a benchmark with each part of the Group expected to deliver that as a minimum. Group ROE decreased from 14.6% to 13.0%. Nordic net assets were excluded from the calculation in 2011 as a discontinued operation and that reduced the equity base, while in 2012 reported profits were marginally lower and the equity base increased, reflecting the proceeds from sale partly offset by payment of the special dividend. The operating margin of the continuing operations in US Asset Management is now 24% after non-controlling interests, just marginally below its target range and we would expect to see the business move into that target range in 2013.

Slide 25: £1.5bn Debt Repayment Target Delivered

We showed this chart about debt repayment for the first time at the last year interim results and it's been updated for the year-end. It shows, quite clearly I think, that by the end of 2012 we had delivered slightly over our £1.5 billion debt repayment target. Following the disposal of Nordic it still remains our intention to repay, in due course, a further £180 million. As I've said before, the timing and method of such repayment depends on capital treatment, economic impact and regulatory requirements including Solvency II. But I would remind you again that we have no debt maturing before 2015.

Slide 26: Debt & Balance Sheet

The benefits of a simplified, de-risked and more efficient Group flow through to the balance sheet and this slide illustrates the very different position that we are in now compared with the end of 2009, with significantly reduced debt, an FGD ratio in excess of 150%, more liquidity and gearing at a level very much at the lower end of our peer group.

Slide 27: FGD Resilience

And if we look in a bit more detail at the capital resilience that we enjoy, here you can see, based on our capital requirements at 31st December 2012, the pro-forma FGD surplus at different coverage ratios and the stress event that each level would cover. So today, we are able to deal with a stress event of somewhat greater than '1 in 200', and even if the ratio fell to 113% - equivalent roughly to a surplus of £400 million, we would still be covered against a '1 in 10' event. And note also that, as the Group's South African businesses constitute a higher percentage of the Group's capital requirements than they do of the Group's capital resources, a weakening rand actually slightly improves the coverage ratio. Our FGD position today places us in a range with which we are comfortable, but I am now looking forward beyond the FGD era to our position under Solvency II. Internally we manage our business and monitor solvency on the basis of economical capital at risk. And on that basis we have a current solvency ratio in excess of 160% and we are well positioned for the transition to Solvency II within the EU, and the Solvency Assessment and Management regime in South Africa.

Slide 28: Agenda

In the remainder of my time this morning, I am going to use some new charts to talk about the route by which profit at the business unit level becomes cash at the holding company, and then I will show you what we do with that holding company cash. The usual charts showing the VIF conversion to free surplus and the breakdown of free surplus generation at a Group level have been moved into the Appendix section.

Slide 29: Conversion of Business Unit Profit to Plc Cash

So, this first slide shows AOP by business unit after tax and non-controlling interests. It also shows the generation of free surplus from core continuing operations. This is the sum of transfers from the VIF and the release of capital as products run-off, taking into account initial strain from writing new business and any operating variances, as well as free surplus generated from the non-covered business. Moving across the slide, the next column focuses on remittances from business units, net to the holding company. And Nedbank is treated slightly differently as the slide shows only the actual dividend paid to us. So, a total free surplus generation in 2012 of £814 million, up from £803 million last year. And, just as a reference point, this gives a total free surplus generation over the past three years from core continuing operations of some £2.3 billion. In the next three years we expect around £1.5 billion of surplus from our in force life book, accompanied by steady growth in surplus from non-covered business. So of that net free surplus in 2012, £470 million was

remitted by the businesses up to plc. Looked at another way, on average only 47% of AOP was remitted to meet interest payments, Group costs and pay cash dividends from the UK. Capital will be retained in Emerging Markets to fund the investments in these markets and Nedbank continues to build capital in advance of Basel III.

Slide 30: Sources & Uses of Plc Cash

So, now let's look at the uses of plc's cash in 2012. We started the year with cash balances in hard currency here in London of £441 million. The slide shows you the £470 million operational receipts from the previous slide, and that was split in the proportion of £258 million equivalent coming up from South Africa in Rand, and £212 million inflows in dollar, UK and Euro. Those currency inflows were sufficient to more than meet interest costs and Group costs. And, as I've already mentioned, the reduction in debt levels will materially reduce the interest costs in 2013 and beyond. Our Sterling dividend cash cost was £121 million. In 2012 there were, of course, some additional significant capital inflows and outflows, including the sale of Nordic, Finland, certain US affiliates, the special dividend and the repayment of external and internal debt. The disposals also included completion of the transfer of legal ownership of the Zimbabwean business to Old Mutual South Africa for a consideration of £80 million. Transfer of ownership of the remaining Emerging Markets businesses that I have spoken about before is proceeding but at a slower pace than originally envisaged and is now expected during 2013. The line called "other" includes repayment of the Nedbank inter-company loan of £114 million, and all this nets down to a £34 million positive, meaning that we end the year with £472 million in cash. As you know, we can only use South African operational cash flow to pay Group dividend, but you can now see from this analysis that our hard currency structural obligations of £196 million were more than covered by hard currency inflows of £212 million. We have £472 million in the holding company bank account, giving us some flexibility. And, as you look forward over the period to 2015 with our target to grow Old Mutual Wealth's profits, you can expect those hard currency inflows to increase as well. So, in conclusion, one clear impact of our debt reduction programme is that we are, going forward, not as sensitive as I think some commentators have suggested, to movements in the Rand for dividend payments.

Slide 31: Dividend

So what does all of that mean for shareholders? As Julian said in his introduction, the Board is recommending a final dividend for 2012 of 5.25 pence per ordinary share which, if approved by shareholders, will make a total ordinary dividend for 2012 of 7.0 pence and, at 31st December exchange rates, that would be equivalent to 96 cents for South African shareholders

though, as always, the exact value of the dividend in Rand and other currencies will not be fixed until the end of March. The 2012 full year dividend represents an increase of 23% in sterling cash terms, and it moves us to 2.5 times cover, consistent with our current dividend policy. That policy was set three years ago; since then, we have completed the debt reduction programme, simplified our business, made good progress on our strategy and, as I've shown, have FGD coverage that is more than adequate. And, accordingly, the Board has reviewed the dividend policy in the light of that position and with regard to our future prospects. We remain committed to pursuing a progressive policy, having regard as always to overall capital requirements, liquidity and profitability. The Board is now setting a target cover of at least 2.25 times earnings for 2013 and beyond. It believes that this is both appropriate and prudent, taking into account the greater degree of stability within our business and our growth prospects whilst being mindful of the volatility and uncertainty that remains in the external environment. It remains our intention to set interim dividends routinely as 30% of the previous year's declarations.

Slide 32: Financial Summary 2012

So, let me finish with some concluding remarks. As Frank Sinatra would have sung, if only the lyrics had been slightly different, "financially, it was a very good year". Particularly when you consider the macro-economic background against which we are working. It was a good year for profit, up 18% at over £1.6 billion. That was supported by £814 million of free surplus generation. The financial targets we set in 2010 were delivered. We've achieved our previous dividend cover target and we've set a new cover ratio today. We crystallised value through the sale of Nordic and for our owners that translated into £1 million of debt repayment during the year, and £1.2 billion paid to equity shareholders. And with that, let me hand back to Julian to talk about where we go from here, which is also the title of a song, but in the absence of Alicia Keys we'll have to make do with you.

Slide 33: Looking Ahead

Julian Roberts: Thank you, Philip. For the past three years we have talked about the progress we have been making in transforming Old Mutual. Philip has shown you some of the hard financial evidence of that transformation. But, notwithstanding the financial improvement, we have also continued to enhance the customer proposition. We have strengthened the way we run our subsidiaries with improved governance and I believe we have the strongest depth of management across the Group since I joined. Most importantly, we have a clear vision, a culture and a set of values that I am confident will allow us to power the Group forward.

Slide 34: Strategy for Growth

The effect of the last three years' work is that we're able to move forward from that position of strength. This means that we are poised to take advantage of the structural growth opportunities that exist within the markets we are already in and the ones we've targeted in a disciplined, value-enhancing way. Our strategy covers four main focus areas. In Emerging Markets, we will build out our business in the growth markets of South Africa and we'll expand our footprint in Africa and other selected emerging markets. In developed markets, we will grow Old Mutual Wealth, and improve and grow US Asset Management. And everywhere throughout the Group, we will continue to seek to unlock value through cost-efficiency and through further simplification where appropriate, which may include changes to the Group structure, if it will result in enhancement of shareholder value.

Slide 35: Growth in South African Retail Mass Markets

So let's go through the four strategic initiatives starting with South Africa. Here we have three businesses in markets that, as Philip has demonstrated, continue to grow. In South Africa, the results of OMSA where profits grew by 16% and in Nedbank by 23% show that our large businesses are trading well and still have solid growth prospects. However, I would like to focus on our positioning in the fastest growing sector of the market. The Mass Market has over 5 million customers and is forecast to grow to 6.5 million customers by 2017 as a large number of low income people enter the formal economy for the first time. We are committed to meeting the needs of this under-served market and have gained over 500,000 customers in the segment over the past three years, giving us over a 30% market share against our traditional peers. This market continues to have significant growth potential. Nedbank has also a growing retail franchise as new entrants to the financial markets need to access value-for-money transactional services. Nedbank's focus on customers who are young and to date unbanked has generated approximately 800,000 entry level banking customers in the past three years. At the same time, Nedbank is at the forefront of developing the digital technology required to service its entire customer base. In iWYZE, we have built over the last three years a rapidly growing base of 50,000 policies whose general insurance needs are serviced jointly by Mutual & Federal, Old Mutual South Africa and soon Nedbank. This customer base grew by a third in 2012 and we expect to see it make a positive contribution to profit by 2015. Our businesses continue to work together in a coordinated manner to the benefit of customers and shareholders. With South African GDP forecast to grow in 2013 by 2.7%, we are in the right market and in the right growth segments. Let me conclude my comments on South Africa by mentioning Nedbank. It is a business that is

doing extremely well. All areas of the bank performed well in 2012, testimony to the clear strategy and experienced and focused management team. And we can see quality growth coming through in excellent, across the board, performance. It is a valuable part of the Group and an important part of our growth strategy.

Slide 36: Growth in Rest of Africa

Let's look at the Rest of Africa and other Emerging Markets. All our businesses are growing well and are hitting their targets. We have growing customer numbers and leading market positions in Namibia and Zimbabwe. In Kenya, we have a life market share of around 4% and aim for that to grow. We will also use Kenya as a hub for potential expansion into the rest of East Africa. In West Africa, Nigeria is one of the fastest growing economies in the world with a population of over 170 million people but an insurance penetration of less than 1%. Our acquisition of the life assurance business of Oceanic Bank was completed last month and we are also in the process of negotiating to buy Oceanic's general insurance business. Old Mutual Nigeria has a 10-year distribution arrangement with Ecobank under which we will use their branch network to supply our products. In each country in Africa, as life and savings and short term insurance are important, we are implementing a model where both OMSA and Mutual & Federal are collaborating under one country head who has responsibility for driving growth in that country across business lines. We believe that this is the correct model for Nigeria and other African countries to optimise our resources. So our strategy is to build the businesses we already own and to invest in new businesses in East and West Africa, leveraging our current capabilities. OMSA is making its own contribution of R5 billion to fund the expansion into Africa to achieve its 15% profit target from the Rest of Africa. Nedbank also has an important relationship with Ecobank. Together, they have the largest pan-African banking footprint with over 2,000 staffed offices in 36 countries. Nedbank has the right to acquire up to a 20% shareholding in ETI, the parent company of Ecobank, between November 2013 and November 2014, which would create a path for even further collaboration. We are confident that, through the combined efforts of our three businesses, we can not only grow strongly within South Africa, but also accelerate the growth in the Rest of Africa. In Latin America we saw a doubling of net client cash flows. We have acquired a majority stake in a distribution business, AIVA, which is based in Uruguay but serves the whole of Latin America. This is a region that has been showing the fastest growth in life insurance over the past decade. In Mexico, we've rolled out elements of our Mass Market model with great success. We will continue to be disciplined about expanding our business there, building out from existing operations. We are very pleased with the way our Indian joint venture is progressing, but we see little likelihood of the Indian Government changing the ownership rules in

the near future. We have no plans to expand in the Far East outside our current operations.

Slide 37: Growing Old Mutual Wealth

Now, let me move on to Old Mutual Wealth. At the Old Mutual Wealth day in November Paul Feeney and his management team set out the three year strategy for the business. Let me reconfirm a few things. Firstly, In Continental Europe we are in two types of market, those that offer growth opportunities and where we intend to improve profitability: Italy, Poland and France, and markets where we have closed to new business: Switzerland, Austria and Germany, and we are managing these for value. But the real area of growth for Wealth is in the UK and International segments. So let me cover the UK first. In the UK, despite the distraction caused by the Retail Distribution Review, the underlying market growth story remains unchanged for UK retail investments. There is an estimated £1 trillion of assets under management in the UK and we have the opportunity to capture a significant portion of that asset pool. Retail savings through platforms is growing and continues to grow, and market forecasts show that this is an area of positive growth. The large platforms, such as ours, will be the key players in the future. Outside of the UK, we are also active in the International cross-border market, where customers continue to buy products for reasons that simply don't change, for diversification, protection and security, for portability and convenience. We refreshed our offering in 2012 in this International space through the launch of Wealth Interactive in Singapore and the UK with roll-out planned for our other regions in 2013. We believe we have a quality business which produces high margins and has good growth potential. So what are we doing to develop Old Mutual Wealth to achieve that profit target of £300 million in three years? Firstly, we are growing assets under management towards our goal of over £80 billion. We will continue to improve the flexibility of our investment platforms, and will work closely with both independent and restricted advisers. In addition, we are continuing to invest in new risk products to complement our asset management capabilities. Secondly, we will capture a greater proportion of those assets in-house. Whilst we remain committed to maintaining open architecture, we believe there will also be strong growth through restricted financial advisers and we are committed to serving both markets with in-house, world class, asset management and investment solutions. The integration of OMAM UK and Skandia Investment Group to create Old Mutual Global Investors has resulted in assets under management of £14 billion and an operating margin that is steadily increasing, now on a run rate of 18%. Our target is a 40% margin by 2015. Growth in the Spectrum range of funds together with our Old Mutual Select will contribute a significant part to the hitting of this target. You may have seen our announcement on Tuesday of the quality fund managers that we have appointed to participate in our

Select range. We will build out our asset management capabilities over the next 18 months to ensure we can manage an increasing array of funds in-house. The third is cost reduction. We have reduced costs significantly but will continue to do so. Our maintenance cost per policy was 12% lower in 2012 than 2011 and we have a strategy and plans to reduce that further. We are confident of our profit target and expect to maintain a return on equity in the range of 12 to 15%.

Slide 38: Improving & Growing US Asset Management

Turning now to the US. Philip showed you the development of that business over the past three years. I think the role that Peter Bain and his team and what they've achieved is quite outstanding in that period of time. But there is still more that we need to do to improve that business and to get real growth back. We believe that our operating margins are close to being comparable to some of the most respected of our peers. Flows from ongoing affiliates were positive in 2012, as Philip has said, for the first time since 2007. With an enhanced product proposition and consistently good investment performance and the stronger US economy, we can expand on that positive flow and we have a target NCCF range between 3% and 4% of assets under management. In order to assist growing mandates we have been investing in a global distribution strategy. This achieved results ahead of plan in 2012 but will take around three years to contribute to the expansion of our margins. We will continue to review opportunities to add to our existing investment capabilities, both through organic growth in our continuing affiliates as well as bolt-on acquisitions where appropriate. Longer term, we continue to believe that the future of the business is best served through an IPO. The timing will be determined by progress against our goals of growth, margins and performance, as well as by the condition of equity markets.

Slide 39: Summary

So, finally, to summarise, 2012 was a good year for Old Mutual. We delivered strong financial results and continued our strategic and operational delivery. Over the past three years we have changed this business. We have restructured, we have de-risked it and we have simplified it. Against a difficult macro background we have delivered on our promises and made substantial returns of capital to both equity and debt holders. We have financial strength, a strong balance sheet, and our businesses are turning profits into cash and will support further growth which I have outlined to you. We have enhanced our dividends by setting a progressive and sustainable dividend policy. We are proud of our responsible approach to business, behaving ethically and being a good citizen in the communities that we serve. So we have a clear strategy. We are investing significant amounts in Africa, in a disciplined way.

And despite the continued uncertainty in global markets I am confident that our positioning in both emerging and developed markets will enable us to continue to deliver sustainable value for our customers and for our shareholders.

Ladies and gentlemen, that concludes our presentation this morning so I am happy to open up to questions. I think we'll go back to normal, we'll start in London, we'll then move to Johannesburg, coming back to London and, of course, we also have the phones and the webcast. As normal, we would ask you, for the sake of people in the other jurisdictions, to ask for a microphone and then give your name as well. And, rather cheekily, since he came in half-way through Philip's presentation, Mr Paterson, I believe you have a question.

Greig Paterson: I do apologise, it's the traffic in London. So it's Greg Patterson, KBW. I was just wondering if you could give us an update on Bermudian loan to the Head Office. I was trying to look for a comment that it has been repaid, the loan from Bermuda to the Head Office. The second thing is you made a comment there about considering further simplification, I wonder if that includes things like Nedbank or what do you mean by that statement? And third, just to get a better understanding, in terms of the Mass Foundation, I wonder if you could give me a split of what portion of the business is from persal versus commercial worksite versus the stokvel distribution channel, if you don't mind?

Philip Broadley: Can I start with Bermuda?

Julian Roberts: Why not?

Philip Broadley: Page 46 of the release tells you that we expect to review the regulatory capital requirement with the BMA during the course of 2013, that will be after the statutory filing for Bermuda is made, and so we'll review the capital requirement at that point, informed not only by the year end surrender experience, but the experience during the first quarter.

Julian Roberts: The second question; I am comfortable of the businesses we've got in the Group but I think, as you have seen in the past, if we believe things will create further shareholder value, then we'll look at them, and that's what I'm continuing to say. You cannot read into it that we plan to do anything in particular, and even if we were I wouldn't tell you until we've done it, but we continue,,, our driving is shareholder value, and I just wanted to repeat that. I don't know whether there is an answer you'd like to give, either Paul or Ralph, to the Mass Foundation Cluster? Shall I go to Ralph or are you going to give it, Paul?

Paul Hanratty: I'll give it a bash, Julian. Ralph, correct me if I'm wrong. We don't distribute Mass Foundation through stokvels at all, so the answer to that is zero, and the debit order part of the business has been growing over the last few years, and I think it's probably just north of 20% now. If I'm way out, Ralph, correct me.

Julian Roberts: Did your boss give the right answer, Ralph?

Ralph Mupita: I think the boss gave the right answer, and just to add onto Paul's response; The majority of our customers in the Mass Foundation Cluster are actually in the public sector, so I think that can give you a sense of the method we collect premiums on.

Colin Simpson: Hi, it's Colin Simpson from Goldman Sachs. Just three questions please; Julian, I was quite interested in the R5 billion that you set aside for investments. Could you just clarify, is this going to be investing in businesses that are going to give you distribution or investing in businesses that you think are going to be good growth angles strategically, not necessarily related to your underlying business? The second question on Mass Foundation again, please, Ralph. I think in the first half you had some sort of persistency issue which hasn't recurred, and I think that was around premium collection. Could you maybe give a bit of an update on why that didn't recur and maybe a bit of an insight for us on this side of the world as to how those customers are feeling in the current economic environment? And then I think just a third small one, please, Philip. The sensitivities to lower interest rates on an IFRS basis, I haven't seen that in the pack, please.

Philip Broadley: Let me do the first one and then I'll ask Ralph again to comment on MFC. To show our commitment to growing the business in the Rest of Africa, we decided to put aside R5 billion. And when you're growing in Africa it's going to be a bit of everything. So if we believe we need to invest to lock in some distribution, we will do so. If we need to invest to get a foothold in a particular country, we'll do it that way. I should say the R5 billion is over a three to five year period of time, so that's why I used the words, "a disciplined way", we're not throwing money at it, but where there are opportunities to help in any sort of area, we will look at them. Ralph, on the premium collection?

Ralph Mupita: On the Mass Foundation Cluster persistency experience, in the second half we had much better experience. We put into place management actions, focussed on improving the quality of the business that we do take on. So that was the first part of the actions that we took, Colin. And the second is that we actually did slow down, to some extent, the sales, in terms of focussing on much more high quality business. We had quite a lot of business in the first half that came through from third parties and our call centres etc. and we slowed

that down. And those actions all helped us with better retention experience in the second half of the year.

Philip Broadley: And the sensitivity is £39 million, I had to go and check where you find it. It's in the excitingly named "Note A3B, Policyholder Liabilities" on page 60. So 1% reduction in the discount rate will increase policyholder liabilities by £39 million. Prior year comparison: £42 million. So the growth in the business increases the sensitivity, offset by the hedge, takes you to £39 million, where we are now.

Julian Roberts: We'll have one more question here and then we'll shift to Johannesburg.

Paul De'Ath: Paul De'Ath from RBC. A couple of questions, firstly just on the South African business, there's a lot of focus on the Mass Foundation Cluster, obviously, but the Corporate business seems to have grown significantly in the year. It's just a bit more background on that, please. And then, secondly, just looking at the UK business, we're two months into the post RDR. Has the experience been what you thought it was going to be? And if there's any kind of anecdotal evidence we can get from there, that would be great.

Julian Roberts: The first thing, if you look at our South African business and the Corporate business, it is what I would best call a lumpy business. If you think of it like the UK bulk annuities, they come along infrequently.

Paul Hanratty: He's talking about the profits, Julian, I think.

Julian Roberts: Are you talking about the profits?

(Laughing)

Julian Roberts: And, therefore, you will get different bulky sales coming through, and we've had good sales this year particularly, up over 20%, and therefore, because they're high margin business – I know you didn't ask the question – therefore our margins will pick up on that. That's one of the reasons why our margins are a bit higher.

Paul Hanratty: I think you are referring to the slide where the profits are well up, and that's because, in the prior year, we had a very big charge against the IGR reserve in Corporate, which didn't repeat this year. So if you look at the real core earnings for that business, it's a relatively low growth. The pensions market in South Africa is ex growth, so everybody's managing basically the same block of assets.

Julian Roberts: I don't think he was asking that question, but thank you for answering it anyway.

(Laughing)

Philip Broadley: Well, he's got one for free, then.

(Laughing)

Julian Roberts: The second question – UK. Peter?

Peter Mann: So the question I think was around the experience in the first two months, any anecdotal evidence, so evidence will be anecdotal by definition. IFAs are an interesting community because it doesn't matter how long you tell them in advance something's going to happen to them – and in this case it was four years –they react on the day that it happens to them. So our experience is that advisor charging is taking some time to embed, as you would expect. And also what's taking time to embed in this business and in other businesses is the new requirements in terms of unbundling our propositions and getting those propositions clearly marketed and clearly understood. So they are all things that one could realistically have predicted. I think one would say that there are no surprises and people will get used to it.

Julian Roberts: Ralph?

Risto Ketola: Ralph, it's Risto from Standard Bank. I was asking about the Retail Affluent business. You mention here that you substantially enhanced your wealth offering in reorganised your distribution, and that's the biggest part of group profits, so maybe just expand a bit on what that actually means?

Ralph Mupita: As you will see in our disclosures, we have started the process of combining the seven Wealth businesses that we have delivering propositions to the SA market into one consolidated Wealth proposition. It's early stages now since we've just recently launched it, but the plans there are actually to enhance the proposition to the clients and flesh out some of the ancillary capabilities required of a Wealth manager. So we will be adding fiduciary, stockbroking solutions to our core business. But the core investment offering - life and non-life - will remain. I think also at the distribution end, we are looking at enhancing and strengthening the distribution that we have at the top end of the market. So, Risto, in summary, that's what we're planning to do. I guess specifically, too, how we've performed and you will see the continuing trend that Philip spoke to, which is at a gross sales level there are very strong sales with a mix of the non-life sales actually having been increasing.

Risto Ketola: The second question about the UK business. I saw on Citywire early in the year that there seem to have been some teething problems on the platform with

the change to RDR, and there was a whole lot of commentary about IFAs moaning about all these systems issues. I was wanting to understand; did that have any noticeable negative impact, in terms of IFA support for the platform, or was it a genuine, very quick thing that was fixed?

Julian Roberts: I think this is a good opportunity to introduce Paul Feeney to everybody, so Paul, do you want to come up? It was something we got wrong, so it's something that you should apologise for.

(Laughing)

Paul Feeney: Thank you, that's a great introduction. Of all the introductions I've had, that is by far the most recent. Yes, we've had a bit of fire fighting in the first couple of months of the year. Along three lines, really. Some were issues where it was probably the biggest systems drop we've done in the last ten years, there were bound to be some issues. Some of those features didn't work. We've resolved those. We've resolved most of those. Some of the things we took some decisions on and our IT departments implemented them perfectly but, in hindsight, we probably made the wrong decision on a few of those issues. Such as top ups or wet signatures for every top up. So we reversed that. And some issues were just ones that we knew we weren't going to do for the deadline. They weren't regulatory requirements, we knew we were going to get them done in the first quarter. So, as I stand here today, by 17th March we should have got over 95% of those issues resolved. So have we had issues? Yes we have, and so have every other competitor of ours in the market. Everybody's had issues and, to a certain extent, it was inevitable. It doesn't mean to say it's acceptable, but it was inevitable. It's been our highest priority across the whole of Wealth to get these issues fixed. We've been doing that on a daily basis and, within the next couple of weeks, virtually every one of them will be fixed. So we know that, as well in terms our volumes in our call centres, so to begin with yes, call volumes were very high, running way above where they should have been. At the moment call volumes are virtually back to normal and we anticipate by the end of March call volumes should be below where they've been on a steady state basis. So yes, we have had some issues. Everybody else has had some issues. We are the largest platform, we have the most customers, we have the most IFA relationships so we've had the most noise.

Julian Roberts: I think Peter, did you want to add a point? But while he stands up, let me just make some comment. One of the things we did was, we went out, Paul went out, and we held our hands up and said, "Look, there are issues and we want you to know we're taking them seriously. We're not ducking them, we're not covering them up." And therefore that's why the market picked up that we

did have some problems, and it is the way that we do business. We'll hold up our hands if things are wrong. Peter, what did you want to say?

Peter Mann: Two very small points. We took the decision yesterday to – at the end of this month – formally close down the UK proposition programme because we're absolutely confident that we will have all of the bugs fixed by the end of this month. And secondly, we're one of only two platforms in the UK who took the conscious decision to be compliant with both R1 requirements, which were at the end of December last year, and R2 requirements, which don't come until the end of this year. So we're now compliant in advance of the legislation, and requiring us to be so.

Paul Feeney: I'll just make one last point. A couple of other things where we've had some issues are where we have been quite a bit ahead of the market. So, we take electronic re-registrations. We've found now that there's virtually nobody else in the market that can do it except us. Now that's a problem for us too, because if no one else can do it, that means we have to accept re-registrations on paper. So that's something we had to re-engineer back. But, as Julian says, we came out straight away in the market, we said we had these issues. I went public on that, apologised for them, said "we're going to get them fixed, we'll have them fixed by the end of the first quarter", and we will.

Julian Roberts: Thank you Paul. Back to you Ralph.

Brian Mushonga: Just getting back to your Rest of Africa operations. If you excluded Namibia, what would the numbers there look like? And then on iWYZE, I think you disclosed losses of about 161 million. How much have you invested in iWYZE to date, and how much do you expect to invest over the next few years? One last question around LTIR. You are setting an LTIR rate of 8% for 2013. If I look at the actual investment returns in 2012 they were about two thirds of last year's LTIR. What's the rationale of using 8% instead of something lower than 8%?

Ralph Mupita: Julian, I'll pick up the first question and the other two questions I'll pass them over to you in London. The point around the financials for the Rest of Africa, broadly Zimbabwe and Namibia are contributing pretty much the same towards profits, so they are the most significant profit contributors in the Rest of Africa, and then the residual countries, in terms of profits, are actually fairly small. So it's Zimbabwe and Namibia almost in equal measure.

Julian Roberts: Ralph, I'm going to pass it straight back to you because I think you've got Peter Todd in the audience and I think he would probably be the best person to answer the iWYZE question.

Peter Todd: The first part was how much have you invested to date? It's around about 400 million in the business. And, as Julian said, we're expecting it to break even by 2015, so you can start to extrapolate from there.

Ralph Mupita: On LTIR, Katie, do you want to pick that one up?

Katie Murray: Thanks Ralph. I guess the way that we calculate the LTIR is very much split on our basis of asset allocation around our excess assets, so it's 75% cash and cash-like instruments, and 25% equities. So if we look at the returns that you get in both of those classes I think you can comfortably get to an 8% return rate.

David Danilowitz: David Danilowitz from Nedbank Capital. A question around the new dividend policy, and really just to try and get a feel around the debate that that created, in terms of setting the new policy. Was there a full consensus of the 2.25 times, or at least 2.25 times, or were there areas of disagreement? And, if there were, which direction was the disagreement in?

(Laughing)

Philip Broadley: I'm sure you'd love to know the detail of the Board's deliberations on each and every topic, but you'll learn no more about that one than anything else. The policy is what it is. I know from conversations already that some people are asking why we have not set a target which would imply a greater level of pay-out. I would only observe that the political environment in Europe remains uncertain. 90% of the Italian electorate voted for parties that are not in favour of austerity and, therefore, presumably are going to continue to fund Social Security promises with an implicit guarantee that, at some point, Germany will come to their rescue. 25% of the citizens of Eastleigh are apparently unconcerned with the notion of Nigel Farage as this country's prime minister.

(Laughing)

Philip Broadley: Perhaps more importantly, with quantitative easing as it is, there is still instability, fundamentally, in the pricing of asset classes. So, with all of that around, I continue to take a prudent approach to dividend pay-out, and that was – perhaps not quite in those terms – the commentary with which I debated the subject with the Board over the course of the last few months.

Julian Roberts: Ralph, is there one last question from you in Johannesburg?

Larissa van Deventer: Larissa van-Deventer from Deutsche Securities. You have the 15 by 2015 target for the Rest of Africa contributing to profits, do you have a similar target

for the Latin American operations and, if so, can you give clarity into what that may be?

Ralph Mupita: We haven't got any targets for our Latin American businesses, but I guess the important point which Julian spoke to earlier is that, with the AIVA acquisition, it gives us a distribution platform for us to grow our business into the markets that we want to be in in Latin America. We don't have explicit targets there.

Julian Roberts: I don't think there are any on the telephones, so we'll just move back to the room in London.

Blair Stewart: Blair Stewart from Bank of America Merrill Lynch. Three questions. On page 30 you talked about hard interest cover, and I just wondered where you think that's going, given you've repaid the debt and you've got your targets, presumably that moves up considerably in the implications of that, for the rating of the group. I know that's something that the rating agencies look at. Secondly, the disclosure on cash flow was very interesting, on page 29, I think it was. There's about £300 million a year building up in SA, just wondered, notwithstanding the fund that you've put aside for acquisitions, where that £300 million was going to go and what it was going to do, if you're just happy for that to build up in the balance sheet?. And thirdly, Julian, I think you talked about Nedbank in terms of its importance for the group strategically growing into the Rest of Africa, I wonder if you would just expand on that a little bit. You've said in the past that you feel you're not the right owners of that asset, and it seems perhaps that's changing.

Philip Broadley: On interest cover, I would expect there to be a hard interest cover ratio of three times for 2013, now looking at our lower financing cost below £100 million. That was always our objective with the debt reduction plan. It was to make us less sensitive to financing obligations. As you say, in the cash flow analysis, that showed you the choices we have in terms of how we use our non-South African sources of cash between interest payments and dividend. As to its ratings impact, I can't really comment because there are other drivers, clearly, from our ratings and the most recent actions taken by one of the agencies were driven by their view of the South African sovereign credit. So those are somewhat pulling in different directions. The cash building up in Emerging Markets is the principle source of the amount that Julian's talked about and is on the front page of the release. R5 billion available for investment over the next three to five years, in addition to which cash flow will be remitted from South Africa to service the dividend of the South African register.

Julian Roberts: And on Nedbank, we are the owners of Nedbank. Over the last few years there haven't been a great deal of initiatives across the various businesses,

and now what we've been doing is been looking for where the businesses can cooperate more than they've done before. And one of the key things comes in to Africa, all of our businesses in South Africa want to move and expand into Africa. We have limited resources and, therefore, it makes sense to optimise those limited resources by seeking to work together more, and that's the point that I'm making. We now have one on the telephone.

Francois du Toit: A lot of questions have been asked, so I've just got one left around tax changes that have been announced in the South African budget. Obviously, there's no detail yet, but if we assume the four fund tax changes for starters change along the lines of the changes on 1st January this year in the UK, what do you anticipate will be the price impact on risk sales in South Africa, and just put into context what is the volume of the risk business and for a Retail Affluent risk, obviously, the only one that will be significantly impacted but volume of Retail Affluent risk and the value of new business from Retail Affluent risk? And secondly, what will be the impact on savings business sales because it obviously leverages the tax advantage that the risk business gives it?

Julian Roberts: I think it is very early, seeing the minister only made his statement a couple of days ago, but Ralph, is there any sense of direction you want to give?

Ralph Mupita: These are proposals and they're still subject to discussions and consultation with the industry, so I think it would be prudent not to speculate what the overall impact will be until we've gone beyond the proposal phase which we are in right now.

Francois du Toit: Maybe then just if you could tell us what Retail Affluent risk value of new business in South Africa is?

Ralph Mupita: We don't disclose that.

Francois du Toit: Thank you.

Julian Roberts: Any other questions here?

Greig Paterson: This was a question I wanted to ask originally, it just slipped my mind. In the core business on the MCEV basis, you had a minus £48 million negative expense variance, I think minus 80 was the expense element of that, and it was a pretty limited assumption change, and then there was also a minus 112 other variances. I wonder if you could just discuss what they are and whether you're going to take some action there, or we can expect a negative assumption change at the end of 2013? Because it's pretty substantial.

Philip Broadley: I'm going to ask Mark to take that question if I may, because I think everyone will not necessarily have met Mark Baxter, who is the Group Chief Actuary, and has been for the last 15 months.

Mark Baxter: Two years.

(Laughing)

Julian Roberts: Where has the time gone?

Mark Baxter: Hasn't the time flown? Yes, it has. I won't get into too much actuarial detail on that, but a quick summary of the impacts is essentially, the other changes are around tax and yes, you're right, there have been some expense variances coming through. Offsetting that, there has actually been positive risk experience in Emerging Markets, but really it's tax and expenses which you've actually hit on.

Greig Paterson: It implies another cost-cutting programme or substantial reduction through assumptions.

Mark Baxter: If I can actually say, and I'm happy to take this offline, is effectively a one-off experience variance, I'm a bit perplexed by your per annum assumption, so if we can take that offline that's fine.

Julian Roberts: Any last question here in London? Yes, one more.

Alan Devlin: It's Alan Devlin from Barclays. Just a question on Mutual & Federal. Ignoring the weather losses and the large fire losses, I think you said the business as usual claims are higher claims because they wiped out the higher premium growth, and I think you said the premium growth was driven by policy count, not pricing. I was wondering if you could give us some details of what's going on in that market and the outlook for the loss ratios etc.?

Julian Roberts: The market was slowing through last year, so we had a softening of premiums. I think the St Francis Bay fire and the other claims will probably mean that prices will begin to push up again, and I know, Santam said that they thought that would happen. So we had a softening of prices, and that's why we're pleased that we actually got policy count growth coming back into our businesses. It was a very adverse claims environment, and I think the whole industry suffered. Especially with those types of claims, and certainly the weather claims are normally at the beginning of the year rather than at the end of the year. So we think there will be a partial re-pricing, moving into the next year. In our results we're still investing in the direct business in iWYZE that will take a few years before we get to profitability, but that's growing quite

significantly. So that's the backdrop in the industry and what's happening with our book.

Julian Roberts: Any last minute question that somebody has, a burning question in Johannesburg before we conclude, Ralph?

Ralph Mupita: No burning questions here, Julian.

Julian Roberts: And nothing on the wires or the webcast. So what I would say, just really in conclusion, we are pleased with the results we had last year. As you can see, our businesses in all areas have performed well. We finished that target setting, we delivered the target setting. And so – as I hope I've got across to you – we believe that in each of those four focus markets we are correctly positioned and we've got good growth prospects moving forward. Thank you for joining us those in Johannesburg and here in London and on the telephones.