Q3 2012 IMS
TRANSCRIPT

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OPERATOR: Good morning and welcome to today's Old Mutual Third Quarter IMS 2012 Investor and Analysts Call. Throughout this call all participants will be in listen only mode and afterwards there will be a question and answer session. Just to remind you this conference call is being recorded. Today I am pleased to present Julian Roberts, Group Chief Executive, and Philip Broadley, Group Finance Director. Please begin your call.

JULIAN ROBERTS: Thank you very much. Good morning everybody. Thank you for joining the conference call for our third quarter interim management statement. As usual, as you have just heard, I've got Philip here with me and at the end we'll both be happy to take any of your questions.

Let me start by saying the comparisons I want to make will be third quarter 2012 to third quarter 2011 and the percentages we quote will be on a constant currency basis.

So let me start off with some general market commentary. Strong sales performance from Emerging Markets was masked at a group level by the effect of currency. Against Sterling the Rand was, on average, some 13% weaker than in Q3 2011. South Africa is not immune to the turmoil in the European markets or a slowing China and everyone is aware of the recent events in the mining sector. Nonetheless, the South African Minister of Finance in his medium term budget policy statement in late October forecast GDP at 2.5% for 2012, and the JSE all share index has gained 12% since the start of the year. South Africa has overcome many significant problems in the past and I am confident it will be no different this time. We remain committed to investing in the country for the long term, delivering the products that customers want and need, and our businesses, as you can see, are performing well.

In European markets, consumer confidence remains low and household finances are under increasing strain. The UK market is additionally affected by reduced levels of adviser sales activity as they prepare for the Retail Distribution Review impacts. As others have noted, net retail flows in the UK in August were at a four year low and, for the quarter as a whole, were down 30% on prior year.

So that's the backdrop. Now let's look at our own performance in the quarter. We've continued to see evidence of a shift away from traditional insurance to more modern investment products. Non-covered sales were up 9% while life APE sales were down 5%. Once again we demonstrated our ability to generate cash inflows. Overall, group Net Client Cash Flows for the quarter were £500 million negative due to our £1 billion withdrawal by the Public Investment Corporation in South Africa which we flagged at our interim results. Even after that, the net outflow is significantly better than the £5.4 billion net outflow in Q3 2011. This reflects management actions taken to improve flows in the US Asset Management as well as the growing importance of flows from the rest of Africa and Latin America. As a result of positive market movements, Funds Under Management for core operations grew by 4% in the quarter to £263 billion.

Let's now look at the detail below those Group headlines. Performance in Emerging Markets was good with APE sales up 12% and non-covered sales up 19%. Retail markets continued to be buoyant. Life sales in Mass Foundation were up 22%. Retail Affluent APE sales were flat but non-covered sales were up strongly.

Outside South Africa, flows in Colombia were very good, driven by a large corporate contract as well as higher money market fund deposits. In Mexico, covered sales were up 11% and we are in the process of launching a retail mass market business there based on the South African model but tailored for local Mexican conditions.

Net Client Cash Flows were positive in South African retail markets, in the rest of Africa and across Asia and Latin America. Excluding the withdrawal of that low margin PIC business, NCCF for emerging markets was around R10 billion positive, a substantial improvement on Q3 2011.

Funds Under Management grew by 3% over the quarter. Latin America now accounts for over 11% of Emerging Markets Funds Under Management and the rest of Africa for more than 5%.

So let's move on and turn to Wealth Management. Notwithstanding the macro environment in the UK and Europe, in aggregate the Wealth business attracted £2.8 billion of gross sales in the quarter, up on the comparative period. Net Client Cash Flow was positive across all markets with the exception of UK legacy, as you would expect, and was £500 million positive overall which, you will note, is at the top end of performance in our peer group.

Funds Under Management grew by 3% in the quarter despite the loss of around £1 billion of assets on completion of the sale of the Finnish business, which took place at the end of August.

In the UK we are ready for RDR. We have already withdrawn a number of products which were not RDR-compliant and have announced our new unbundled pricing structure, ready for it to come into effect.

In Europe, we are closing our German and Austrian books to new business as we continue to review our business activities against our criteria of shareholder value creation.

In the International offshore market we expect to see a pick-up in sales now that we've overcome the previous issue we mentioned at the half year of QROPS.

In September, we announced that we are merging our UK, European and International offshore Skandia businesses, including Old Mutual Global Investors, to create Old Mutual Wealth. We have identified around 200 roles which can be removed from the combined business through eliminating areas of overlap, as well as improved process efficiency. I'd say that, of these roles that we've looked at, none of them are in customer facing activities.

That is all I'm going to say about Wealth this morning. There is more detail in the statement and on 19 November we have our investor event. Paul Feeney and his team will present on the strategic direction of the business, its financials and its prospects for growing profitability. I know this will be a very informative session and I do hope that many of you will be able to join us for it.

We turn to US Asset Management. The business has continued to deliver improved investment performance. Gross inflows are up with over $2 billion coming from new clients. Increasingly we're winning mandates in more differentiated range of asset options, for example emerging market equities and, in early October, Campbell Group acquired $700 million of forestry assets in south Australia.

Overall Net Client Cash Flows for USAM Continuing Operations was $1.8 billion negative in the quarter. This is in line with industry trends and for the year to date net flows remain positive. Of Q3 outflows $500 million was a reallocation which was re-deposited in October.

Nedbank published its third quarter trading update last week and, you will have seen, reported another good quarter. Non-interest revenue for the year to date is up 14%, impairments continue to improve and capital and liquidity remain strong.

Mutual & Federal has continued to grow its business. Gross written premiums were up 8% on Q3 2011. The iWyze joint venture is delivering good premium growth but, as flagged at the half year, it is still at an early stage so investment remains high and, as expected in a start-up, it will take some time before it becomes profitable.

The underwriting result continues to suffer from a soft underwriting environment along with high claims experienced in the third quarter. We expect claims to remain high in the fourth quarter as a consequence of the extraordinary hail storms experienced in October.

Moving on from trading performance, in Bermuda almost half of the UGO contracts have now reached their fifth anniversary date and surrender levels above 60% continue to be higher than expected. To date we have spent $320 million on top-ups and estimate that the cash cost of the remaining contract top-ups is a little less than $250 million. Due to the level of surrenders as well as equity market improvements, the GMAB reserve has continued to fall.

We have now achieved, in fact slightly exceeded, our £1.5 billion debt reduction target. As you know we've committed to a further £200 million repayment, of which £180 million remains. As Philip said in August, the timing and nature of this repayment is still to be determined.

So, ladies and gentlemen, that concludes my brief review of the third quarter. In summary, we've said that the macro environment will be tough in 2012, and it has been. Despite this, we've achieved higher sales in Wealth and significantly higher sales in Emerging Markets. Nothing in our operational performance shakes me from my belief that we're implementing the right strategy in this environment and that we have the right people to execute that strategy.

Emerging markets, specifically Africa, represent a substantial opportunity for us. We're doing the right things; though it will, as I've said before, take time to build scale. Near term there remain considerable opportunities within and across our South African businesses.

In our Wealth Management markets of Europe and the UK, there remains a vast savings pool which is accessible to those companies with the right products and distribution, an efficient cost base and who focus effectively on the customer. We are well placed on all of those things but are focusing our efforts on becoming even better.

In the short term, this sector will continue to be challenged by external factors but we'll continue to develop products and services that our customers want, drive efficiency improvements throughout our business and, as a result, deliver sustainable value for shareholders.

At this point, I'm happy to hand back to the operator and Philip and I are ready and waiting to take your questions.

OPERATOR: Thank you very much. Ladies and gentlemen if you do wish to ask a question could you please press zero one on your telephone keypad. If you wish to withdraw your question you may do so by pressing zero two to cancel. There'll be a brief pause while questions are being registered. Our first question comes from the line of Paul De'Ath of RBC. Please go ahead with your question. Your line is now open.

PAUL DE'ATH: Hi there. Good morning. The first question is relating to the investment trust sales in Emerging Markets. There's been significant growth in this business line. How similar do you see this to be to your Wealth Management products that you sell in Europe and do you get much synergy between the two markets? Then the second question was on Latin America. You said that 11% of your Emerging Markets' Funds

Under Management are from Latin America. How do you see this moving going forward or is your focus mainly on Africa?

JULIAN ROBERTS: Clearly the growth in non-covered sales is from unit trusts. Unit trusts, mutual funds – we have the same across the two companies. As we frequently turn round and say, our platform IT system that we have in the UK came from South Africa, from the solutions we have there. I wouldn't draw too much of a parallel; apart from the key parallel I'd point out is the fact that, in the UK, we've seen over a number of years a move from life-wrapped products to non-covered products and we are seeing that happening more and more in South Africa. That's the parallel. Whereas reasonable sales of life wrapped products in South Africa, the real growth has come in the unit trusts and the money market area.

If I talk about Latin America, yes, we're very pleased with the growth of Latin America. For those of you who go back a long time I am a personal fan of Latin America. I think we have a huge opportunity in Mexico - that is a huge market - and Colombia. We've been well established and have a dominant market position. So one shouldn't be surprised with continued growth from Latin America. GDP growth is good there and it's a good market for us.

PAUL DE'ATH: Okay. Thanks.

OPERATOR: Our next question's from the line of Larissa van Deventer of Deutsche Securities. Please go ahead with your question. Your line is now open.

LARISSA VAN DEVENTER: Thank you. Good morning. In your APE sales for the Emerging Markets your Mass Foundation was up 22% as you mentioned. However if we look at the analysis by product, savings were up 27% on a gross premium basis, 13 on APE, but protection was flat. Should we take from this that there has been a change in mix in the Mass Foundation element or is the change in mix a result of Affluent and Corporate business?

JULIAN ROBERTS: Yes, we don't go into a great deal of detail as you know on the change in mix. There hasn't been a change in Mass Foundation Cluster on our normal mix so that is around 50/50 on savings and risk products. The difference, as you rightly allude to, is more in the Retail Affluent space where a year ago we were selling a higher proportion of risk products than we are now, so the slight rebalance has come in Retail Affluent.

LARISSA VAN DEVENTER: Thank you.

OPERATOR: Our next question comes from the line of Risto Ketola of Standard Bank. Please go ahead with your question. Your line is now open.

RISTO KETOLA: Yes, morning. I've got three questions here. Now the first thing's got to do with the US Life where you mentioned the reinsurance deal; Harbinger has found an outside reinsurer. I wanted to check; is this the last one of all the various things that were put in place to conclude the deal originally? Are there any further warranties or do you have any other reinsurance deals left? I can't remember all the things that have happened in the last year or so. The second question is on market share development in the UK platform market. Now some of the smaller players have quite good growth in their FUM and flows. I want to get an idea whether you feel you're losing or gaining market share in the platforms. Then the last question is; you mentioned there is a large Corporate annuity deal during the third quarter. I just wanted to know whether you're prepared to give us a rough number of the size of that deal?

PHILIP BROADLEY: Yes, morning, Risto. If we deal first with US life. If you go back to the original announcement of the sale there were three outstanding items. There was a GMDB reinsurance arrangement which went earlier and the CARVM arrangement which, as we report today, has gone. The third item was a purchase price adjustment potentially in connection with a further reinsurance arrangement that Harbinger wanted to put in place. We disclosed at the half year that that item is currently disputed between the two parties so that remains outstanding and then there are normal reps and warranties as you would expect but they are subject to a limit. So the two reinsurance arrangements have gone. There is one item that remains now still outstanding.

RISTO KETOLA: That dispute, what is the rough amount of money we're debating here?

PHILIP BROADLEY: The amount, as disclosed at the time, was there was a purchase price adjustment of up to $50 million.

RISTO KETOLA: Okay.

JULIAN ROBERTS: A couple of comments on the UK. If you do compare - and I am sure you and others have done - our Net Client Cash Flows compared with some of the competitors who've already reported, these are pretty robust figures and show that we are trading and growing pretty well. Yes, there have been a number of new platforms coming in to the market and in percentage terms they can show pretty good growth, but when you actually look overall at the sales that we're getting through the platform, we are quite comfortable with the position and the market share that we've got.

And the final question; as you'd expect, yes, you're absolutely right; in Corporate we do have, and we have said that there is, a large contract but I'm not going to talk about the quantum and the size and what it is.

RISTO KETOLA: Okay. Thank you.

OPERATOR: Our next question comes from the line of Greig Paterson at KBW. Please go ahead with your question. Your line is now open.

GREIG PATERSON: Good morning everyone. Three questions. One is; I see you added the credit life sales to South African APE. I was wondering if you could give us a stab of what sort of margin that product has - is it high or low? I'm trying to figure out that impact. Also, if you can talk around; in the UK there was a big issue with PPI which is a similar product. Do you see that there is any regulatory risk on that product? The second thing is; I noticed in your briefing running up to these results the IR was talking about the fact that you guys had backed off providing loans to your policyholders in South Africa. I assume that's because credit conditions were worsening. I would want to know what sort of impact that potentially would have on 2013 profits. Is that immaterial? Is it an issue or not? Then the third question. I was wondering if you can just give us an update on the rest of Africa. You currently, at least at the half, are not including it in your Value of New Business. I was wondering whether you'll be doing that at the full year and some colour on what the impact will be uplift in the Value of New Business when you do make those changes.

JULIAN ROBERTS: Okay. Let's quickly run through some of them. First of all on credit life. You know, generally, Greig, credit life is fairly good margin business. It's higher rather than lower margin business.

Secondly, yes, everyone is very aware of the PPI issues in the UK and we don't expect any issues of we have written either through OMF or in Nedbank.

Thirdly, although I think it was your 2b, unsecured lending has been high profile now for the best part of a year and as you'd expect we have been looking at the book we write within Nedbank and the book that we write within OMF. Some people have changed their terms, have extended the duration of the loans. We haven't at all. We've kept to the same shorter timeframe. But we have been slowing down the amount of business that we are writing in that personal loan space in both Nedbank and in Old Mutual. Is it going to have a significant impact in 2013? I don't think so but it will have an impact because, again, by its very nature, that type of business is relatively high margin. We're just being very prudent in the way that we're managing that book of business.

GREIG PATERSON: What line of income statement does that come in? It's not part of Nedbank so ...

JULIAN ROBERTS: It's in Mass Foundation Cluster and of course in Nedbank it's naturally in Wealth.

GREIG PATERSON: All right. Cool. Just in terms of the margin in the rest of Africa; whether it's included or not.

JULIAN ROBERTS: Bluntly, no, it won't be included because the EV information that we've got, bond rates and the such like, it's not available.

GREIG PATERSON: Have you got any idea whether that would be high, normal or low margin? I mean there's a lot of protection so obviously that's better. I'm just trying to get a guide for the long term.

PHILIP BROADLEY: Over the long term, you should assume that the return on equity hurdle we set for the rest of Africa is higher than South Africa, and therefore if you're just looking at relative position, it will be relatively higher margin business than that in South Africa but, just to reiterate what Julian said, the markets are not robust enough yet to lend themselves to an EV methodology.

GREIG PATERSON: All right. Thank you.

JULIAN ROBERTS: Thanks, Greig.

OPERATOR: Our next question's from Michael Christelis of UBS. Please go ahead with your question. Your line is now open.

MICHAEL CHRISTELIS: Hi, yes, good morning guys. Just two questions if I can. Firstly on Bermuda. It certainly appears that things are progressing nicely on track there. I wonder if you can give me your thoughts. Given that, if you project the current lapse rate you're looking at about $1.5 billion of exposure there, is it time where you're happy to no longer hedge out the full ten year maturities? Have you decided on a hedging strategy for the ten year maturities of what will be left? The results of these lapses; will we get the capital back, or at least 60% of the capital back, once we've run through the maturity cycle? Then the second question relates to US Asset Management. Certainly from a performance perspective it does look like the funds are turning around quite nicely. Presumably cash flow should follow. Are we in a position yet where you're happy to IPO this business and are there any changes to your strategy there? Can you give us some indication on timeline there?

PHILIP BROADLEY: Let's take Bermuda first. So far as the ten year hedging is concerned, that is something we are looking at currently. The surrenders and the surrender experience so far has, as we note, been higher than our assumption and therefore we will be left, if you roll forward nine months when we're through the fifth anniversary period, with a lower exposure relative to the rest of the group than we previously assumed and therefore when we look at capital, FGD capital, and we look at cash flow, we have a wider range of choices, let's say, than we've had before.

As to the hedging that we adopt over the remaining period – and I wouldn't think of it in terms of a static hedge either – it wouldn't be the case that next August we decide we're going to do X and that hedging strategy X then persists for the next three and a half years. It may be that we do something similar to that which you've seen actually unfold over the last four years; that we've put in place some extreme downside protection to begin with and then, as we get closer to the tenth anniversary dates, we lock in a certain cash outflow as you saw us do this time. That's under active consideration.

Then so far as the capital is concerned, I'll just remind you of what we spoke about in August. We agreed an approach with the regulator in Bermuda, the Bermuda Monetary Authority, earlier this year that anticipated Solvency II. It was based on the liabilities as we understood them at the end of December 2011. That discussion around the capital position was obviously linked to the certainty we wanted to have before going ahead with our debt repayment.

Again, to anticipate discussions that will take place next year, clearly we'll have a different view of the remaining liability at the end of this year. We will no doubt discuss that with regulators some time in late Q1/Q2 next year, in terms of the capital that then is necessary in the business to meet Solvency II requirements in Bermuda over the remaining period.

JULIAN ROBERTS: I think on USAM, I'm pleased with the way things are improving. We announced the divestment of what we call the focus firms, which we hope will have gone through by the end of this year or certainly the first quarter of next year.

Investment performance, as you rightly said, is improving and one would hope that that would start feeding in to continued positive Net Client Cash Flow. No, our criteria isn't yet met for the IPO and so we haven't put a timetable on that. We're continuing to improve the business and we'll come back to looking at that again in the new year.

MICHAEL CHRISTELIS: Can you give us some colour on that criteria? Is it the target operating margin or is there some other criteria you're looking at specifically?

JULIAN ROBERTS: Look, I think we've always said that Net Client Cash Flow is important. Higher rated businesses are rated because they've got growth and you've got growth from positive Net Client Cash Flow. So this year, as we know, is a lot better than the previous three years, but we're still not getting the results that I would like to have.

MICHAEL CHRISTELIS: Great. Thank you guys.

OPERATOR: Our next question comes from Francois du Toit of JP Morgan. Please go ahead with your question. Your line is now open.

FRANCOIS DU TOIT: Thank you. Hi guys. First question also around Bermuda. Looking at your reserve development, it looks like there's about a $300 million reduction in your UGO reserve but you've only paid in the quarter $150 million for top-ups, so that implies that there's a $150 million release. I guess most of that is the market movements have been hedged out and therefore haven't had a $150 million impact on your surplus capital. Can you just confirm or give some indication of the impact that's had on your surplus capital during the quarter? Then, secondly, also related to Bermuda lapse rates, 61% lapse rates, if you could maybe put that in context - or surrender rate rather - to your average lapse assumption, or surrender assumption, that you've got for the five year top-ups. That would be very helpful. I think you've in the past disclosed some numbers in respect of the Hong Kong and the other policies, lapse rates that you employ. If this is a lot better, can we assume that the remaining reserve for the maturity guarantees will be released at full year in proportion to the excess surrenders that you're experiencing? Then the third question relating to your guidance that the LTIR will reduce in future because of the lower yields on assets. Maybe if you can just give some indication of what your expectation would be for the longer term given current long bond yields in South Africa for return on the capital in South Africa. What would the actual return be that you'd expect rather than LTIR? One further question if I may; the RDR impact in the UK. I guess expectations currently are for there to be increased churn in the lead-up to 1 January. Are you experiencing any of that? Are you seeing that your lapse rates on your legacy policies are what's in your actuarial assumptions, better or worse, if you care to disclose? Thank you.

PHILIP BROADLEY: I'll do the various questions about surrender rates and, Julian, perhaps you'll cover the LTIR point.

We have disclosed before the reserving assumptions that we were using. They were in the half year release. So just to repeat them; we're assuming about 55% surrender rate for the non-Hong Kong book and 20% for the Hong Kong contracts. To try and keep the Q3 really simple I put the surrender experience together as a blended number but if you want to break it down, as at 30 September, we'd seen 76% surrender rate on the non-Hong Kong book and 56% surrender on the Hong Kong book, so both books running substantially ahead of the reserving assumption and those two numbers combined to give you the single 61% which is the number that you'll see on the release itself on page five.

So what does that mean for the full year? Clearly we have now an already statistically significant experience so far, but the fourth quarter is a significant quarter itself for surrender so we'll take that into account at arriving at reserving assumptions at the year-end which will be on a best estimate basis, so that is the 50th percentile. Therefore we'll take account of the experience that we've actually seen but that will obviously give rise to a significant adjustment to the reserve at the year-end, all other things being equal.

Which, I guess, links into the other part of your question which is the drivers in the market movement in the reserve as set out on page ten of the release today where you've seen the movement between 851 at the end of June, 533 at the end of September and a further reduction to 463 at the end of October.

Again, to try and keep it simple over a telephone call, there are two elements to that reserve. The first is the reduction in the fifth year reserve and the second is the quite complicated pattern of reserving for the tenth year benefit which is obviously a point in time benefit at the tenth anniversary date, but also about two thirds of the contracts outstanding have a highest anniversary value feature. Those two elements are moving in our favour with the market appreciation that has so far taken place, which reduces the tenth anniversary burden but also reduces the highest anniversary value reserve because, if you think about those contracts that matured in the first half of this year, they're only now six months away from their sixth anniversary and it's unlikely that that sixth anniversary value is going to be greater than 120. If you can follow that description of the development of the reserve, you'll get a sense as to why it is moving in our favour and, as we've indicated, will be reset at the end of December in the light of the surrender experience we've actually seen at that time.

Then so far as the UK is concerned, that you'll be relieved to know is probably a simpler answer! We have been assuming that we would see an increase in surrenders of legacy business in the UK in anticipation of RDR. We've actually been assuming that for at least two, if not three, years. Each year actually, our actual experience has been better than the assumption and there has been a small positive experience variance, I think, in each of the years that I've been here in respect of the UK business. It remains the case, as of today, that our actual surrender experience in the UK for that legacy business is running better than our reserving assumption and again, we'll have to look at that in the context of the year end exercise.

FRANCOIS DU TOIT: Thank you very much.

JULIAN ROBERTS: You asked a couple of other questions. Look, we set the LTIR as you know. We'll announce what it's going to be for 2013 in March but it is clear that it is based upon the bond rates and, as those bond yields appear to be lower, then it's likely that there'll be a reduction in next year. We're only going to go into the depth of the calculation and the impact when we get round to March, not now.

Interesting with the RDR impact. I think there are two things I would turn round and say; look, we're seeing in the industry some people with the last hurrah for commission-based products and therefore others are enjoying the benefit, if you like, of the last sales that they can do on that basis. However, we're not seeing, certainly in our book, the churn that people thought we might have on the legacy products. Nothing untoward really taking place.

PHILIP BROADLEY: Francois, can I just come back on Bermuda with one more piece of information which might help you in respect of your question about the movement between the end of June and the end of September, which is probably something where you'll need to refine your own model. In our reserving, we had assumed that customers would surrender at or very close to the fifth anniversary date, i.e. that their decision to surrender or not would be one taken very close to the fifth anniversary date and, once you were past that date, surrenders would revert to a much lower level.

What we have observed over the course of the year is that the book actually continues to surrender at quite significant levels even past the fifth anniversary date. If you take the business that reaches a fifth anniversary date in March or April, we've probably seen ten percentage points further of surrenders of that book since that point in time. So, within the movement between the end of June and the end of September, you're seeing not only the effect of contracts reaching their fifth anniversary date in Q3 surrendering, but also some of the business that actually reached its fifth anniversary date in the first six months of the year. I don't know whether you'd call it a seasoning effect or whatever, but there's a second wave of surrenders occurring beyond the fifth anniversary date which is also having a positive effect on the development of the reserve.

FRANCOIS DU TOIT: Okay. Thank you very much.

PHILIP BROADLEY: At which point I've probably confused everyone!

JULIAN ROBERTS: Any other questions?

OPERATOR: Yes. Just to remind all participants that if you wish to ask a question please press zero one on your keypad now and press zero two to cancel. There'll be a further pause while questions are being registered. The next question is from the line of Marcus Barnard of Oriel Securities. Please go ahead with your question. Your line is now open.

MARCUS BARNARD: Yes, morning all. I note you've agreed the terms for your acquisition of the Nigerian P&C business. Just a very quick question; I wondered if we can expect to see further announcements in Q4 or whether that's more something we're looking for in 2013 or 2014? Thanks.

PHILIP BROADLEY: You'll be the first to know, Marcus, if there are any!

JULIAN ROBERTS: I have to say there is one announcement that I'd love to have in Q4 and that is that we've got all the regulatory consents on the life acquisition in Nigeria which is still outstanding but, as you can see, we've now got both of the insurance sides agreed, both the life side and the non-life. I think Philip has really answered your question.

MARCUS BARNARD: Okay. Thanks.

OPERATOR: Our next question is from the line of Michael Christelis of UBS. Please go ahead with your question. Your line is now open.

MICHAEL CHRISTELIS: Hi guys. Sorry, just one more question. With regard to you looking further out in your strategy in growing into Africa; can you give a sense of what you've earmarked in terms of spending in Africa for, say, the next year or two years? Have you got a pipeline of an amount that you're prepared to spend on that growth firstly. Then, secondly, some indication of your view of the build up of cash in your business now that all your cash consuming businesses have fallen away. Are we looking at a possible increased dividend yield going forward? Do you have other uses for cash? Would you look at further de-gearing perhaps?

JULIAN ROBERTS: This is a trading update so we're not going to go into a huge amount of detail. What I would say - and this may satisfy you or not - is, yes, we do have a budget - I'm not going to tell you how much it is - where we have earmarked for expansion into Africa. We're going through the latest business planning process like every good corporation is at the moment. Yes, funds are clearly earmarked for that expansion. Any more than that, I'm not going to go into any detail.

MICHAEL CHRISTELIS: Okay. Thanks.

OPERATOR: Our next question is from the line of Greig Paterson at KBW. Please go ahead with your question. Your line is now open.

GREIG PATERSON: I'll just ask one, not an a or b this time! I noticed you've agreed the terms of transferring the Colombian and Mexico business. I was wondering what the amount is and will that affect any of the IFRS or EV accounts or is it just a matter of more cash at the centre?

PHILIP BROADLEY: It's not particularly new news, that one; really just an update on the regulatory process. I ask you to think back to August 2010 when we spoke about how we thought we would achieve the debt repayment plans. Those are part of the group of transactions that, in total, we said would be around £300 million, including also the India and China transactions which also continue. I think you'll have to wait to the year-end to see whether they happen and what the impact on the holding company cash flow is.

Then to your question, from an accounting point of view, no impact. They are reported within Emerging Markets now. They are managed within Emerging Markets and that drives the reporting. We're transferring the legal ownership to the place where the businesses are run from and really all it does from an accounting perspective is, as you say, to result in the transfer of cash from South Africa which will buy them to the PLC as the seller.

GREIG PATERSON: Cool. Thanks.

OPERATOR: Our next question is from the line of Risto Ketola of Standard Bank. Please go ahead with your question, sir. Your line is now open.

RISTO KETOLA:	Hi. I'm trying to clear up one or two things. Nigeria. Are you buying 100% of the non-life business? The second question was on credit life. You included an APE now. As far as I remember you don't include a new business profit for it. I wanted to check that and whether you're going to actually put a VNB on it at year end? Then the last thing was on India. You just mentioned it now. I remember at midyear Kotak was doing quite well. I wanted to check what's happening there in the third quarter and also why you never talk about this business! It's a bit curious to me.
JULIAN ROBERTS:	Let me just do the first one. The Nigeria is a majority, the same that we have with the life business.
RISTO KETOLA:	So it's 70%?
JULIAN ROBERTS:	I'm not quoting the actual amount but it's a majority.
RISTO KETOLA:	Okay.
PHILIP BROADLEY:	Credit life is something we have yet to decide on in terms of the-year end so we will think about that. Your question about India; I suppose you could say that is the challenge of reporting the range of activities of the Group in a relatively short period of time, being whether at this call or an analysts' presentation or a one hour meeting with shareholders. What are the areas of focus? You're right; we don't tend to talk about India. We don't perhaps talk about Latin America enough. But the question, as I always have to ask when people say "we'd like to know more about one thing", is "what would you like to know less of and we can adjust accordingly?" It's not that we are not proud of the performance of the business in India; it's just a question of materiality and in the context of time.
RISTO KETOLA:	But in terms of the third quarter in India, is there anything to comment on in terms of performance?

PHILIP BROADLEY: No. It's continuing and very much in terms of the performance in the first half.

RISTO KETOLA: Okay. Thank you.

OPERATOR: Our next question is from the line of Gordon Aitkin of RBC. Please go ahead with your question, sir. Your line is now open.

GORDON AITKIN: Morning. A couple of questions please. First of all the 22% growth in mass foundation sales; is that a number which is still being depressed by agents doing exams? Secondly, in the platform market in the UK – it's a very fragmented space now with 20 plus platforms – is there any sense in acquiring any of these small platforms either for the assets or for the technology? Thanks.

JULIAN ROBERTS: The answer to the Mass Foundation – we were slower in Q2. That was because we had a lot of our agents sitting their exams and going through that process and we said we believed that they would be through it and sales would bounce back in the third quarter, and that has happened. There are still people who still have to pass their exams, but we're quite happy where we are and there's no sudden need to take a lot of people off the street to get through them any more.

The only other thing relating to the exams is the timeline has been extended as well so, again, less pressure moving forward.

Interestingly I have a view on the platform space – I think there will be significant winners and they will be the larger people. I find it hard to believe that many of these sub-scale platforms will get the traction and the profitability moving forward but we'll wait to see. We are comfortable with what we've got at the moment and our strategy is to grow the business we've got.

GORDON AITKIN: Thank you.

OPERATOR: As there are no further questions, may I please pass it back to you to close the call.

JULIAN ROBERTS: Thanks very much indeed. Thanks for joining us. Thank you for the questions. I hope you find the answers helpful. As we said earlier, the economic conditions aren't getting any easier but with them in the backdrop we've had another good quarter of results across the globe and across our businesses, so we're in the fourth quarter with confidence. We look forward to meeting up with you and talking to you all at the prelims in March. Thanks very much.

OPERATOR: This now concludes our call. Thank you all very much for attending. You may now disconnect your lines.