# INTERIMS 2014
# **TRANSCRIPT**

**7 August 2014**

Julian Roberts: There's a lot of laughter and conversation in the room today, I thought you'd be worn out by now. Maybe it's because we go at 9.00am and you're normally still asleep, but welcome as always, to everyone here in the room in London, and to those of you in Johannesburg, as well as those on the phones and webcast. Ralph's picture has come up in front of me, can you hear us as well Ralph?

Ralph Mupita: Afternoon Julian, we can hear you loud and clear.

Julian Roberts: Excellent. With Ralph in Johannesburg is Mike Brown and a number of other executives. And here in London for the first time I'm delighted to welcome Ingrid Johnson who is now five weeks into her role as Group Finance Director. And chuckling in the front row, which you probably heard, was Philip who's with us until the end of the month. He has been told he's not allowed to ask questions, but who knows? I might throw a difficult one at him.

In our presentation today I will talk about Group business and business unit performance, before handing over to Ingrid to review the Group result in more detail. I will finish with some comments about our priorities for the second half of the year, and will then open the session to questions. But I'd like to start with some commentary about the macro environment, against which our results have been delivered. The first half of the year was characterised by three key features: rising equity markets, the appreciation of sterling against the rand, US dollar and, indeed, most currencies, and a slowing GDP growth outlook in South Africa. Whilst the FTSE was broadly flat in the period, the S&P 500 and the JSE All-Share index rose by 6% and 10% respectively. In terms of currency, the pound was, on average, 25% stronger against the rand in the first half of the year than in the comparative period, and was, on average, 8% stronger against the US dollar. Nedbank's economists are now forecasting South African GDP growth this year of 1.8%, down from their expectation a year ago of 3.2%.

So just looking around our main markets: In South Africa there are some short-term economic challenges in addition to slowing GDP, for example, rising inflation and unemployment, but mainly the collateral effect of strike action on GDP and confidence. Consumers are under a bit more financial pressure. There's been slower credit growth, although it quickened in June, but a more benign interest rate cycle than had been anticipated at the start of the year.

In our target markets in the rest of Africa, we get a different picture. The economic, demographic and financial services trends remain positive, higher GDP and robust domestic demand, to name but two.

The UK economy is now back above pre-recession levels. The GDP forecast for 2014 is 3.1%. And there are signs of consumer confidence returning, inflation is rising slowly, and there are increasing expectations that interest rates will go up sooner rather than later, but probably not until early next year. Sterling strength is a particular issue for companies exporting, and for those with overseas businesses.

And finally, in the US, the unemployment rate is the lowest since 2008. Second quarter GDP growth was stronger than most people had anticipated after a subdued first quarter, and the Federal Reserve has signalled the potential end of Quantitative Easing in October.

But when stand back and reflect on the environment and look at our results, you can see that our group is very well positioned and growing in all our target markets. In South Africa, we have strong local knowledge and good businesses that, working together, are able to offer customers a comprehensive range of products to suit their financial needs, at different stages of the economic cycle. In the rest of Africa, we are uniquely positioned with products and skills that enable us to serve consumers across different markets and differing income groups. And we have investment capacity for expansion. Regulatory changes in the UK, specifically to the pensions market, are positive overall for the strategy of Old Mutual Wealth. With our enhanced wealth management capabilities, we are well positioned to support customers with their investment choices at retirement. And in the US the backdrop for us remains good. Margins and NCCF are moving in the right direction and we are on track for the IPO in the second half of the year, subject, of course, to market conditions. In any market there are always complexities that need to be navigated. The important thing is that we understand the markets that we're in, that we anticipate the impacts that the macro environment may have on us, and that we plan and act to mitigate this effect. I believe we do that in all three categories. We are building a sustainable franchise, and performed well in all businesses this half.

So, let me move on to the results. Underlying financial performance was excellent with 17% growth in adjusted operating profit and 16% growth in adjusted earnings per share. Our businesses generated £391 million of free surplus so, even on a reported basis, we continue to produce good cash flow. Despite the pressure on household incomes, customers are continuing to save and invest with us and we generated £12.5 billion of gross sales, up 14% in constant currency. Net client cash flows were £1.6 billion positive, down on the comparative period, largely due to significant outflows from fixed income strategies. Combined with the effect of rising markets, funds under management grew by 5% in constant currency to over £300 billion. Group ROE was 13.2%, remaining well within the 12 to 15% range and the Board has declared an interim dividend of 2.45 pence per share, or its equivalent in other currencies, this being about 30% of the prior year total dividend, which is of course in line with our policy.

We are clear on our strategy for growth. You will recognise on the left-hand our key five bullet points for our strategy. And I'm pleased with what we achieved in the first half. In South Africa we've made progress in identifying additional synergies to the value of one billion rand pre-tax. We envisage that around two-thirds of this will come from collaboration between OMSA and Nedbank, and one-third will come from collaboration between OMSA and Property & Casualty. I've always said that we can get more value from our businesses working more closely together. We're making good progress with our expansion in East and West Africa and are working well with ETI in Nigeria. In the UK we've completed the acquisition of Intrinsic in line with our distribution strategy and are making good progress with its integration into Old Mutual Wealth. In the US we've commenced, as you know, the IPO process. And finally, we have appointed a senior executive, Gail Klintworth, I'm going to embarrass her now, Gail, would you like to stand up so everybody can see who you are. I don't know if everybody can see her in South Africa? With specific responsibility for helping our businesses to deliver on our Responsible Business strategy. Gail is here today having joined us from Unilever on 1

August, and while the rest of my Executive Team and I will be on holiday, Gail is holding the fort during August.

Let me now move on to the operational results from our business. Let's first go to the Emerging Markets. Adjusted operating profit was up by a very pleasing 22%. In South Africa, Retail Affluent gross sales were up by 21%, boosted by the successful roll-out of our Wealth offering, as well as XtraMAX, which you will recall was launched in May 2013. Profit was up by 24% due to strong equity market performance, and we also benefited from good mortality and disability experience. In Mass Foundation we have increased adviser numbers and implemented new technology for the sales force to improve efficiency. But training advisers in the new technology is taking longer than we anticipated and productivity levels have been lower than we were looking for. We have taken the action to address this, but nonetheless, profits in this business were up by 10%. Corporate had a really good half with profits up by 42%. Regular premiums increased significantly due to excellent group assurance and Evergreen sales. Profits were also up 13% at Old Mutual Investment Group, boosted by equity market growth and one-off gains in the Alternatives boutique.

The Property and Casualty business improvement plan is beginning to deliver positive results. Losses were lower in the first half than in the comparative period. Premium rates are hardening across the market, and our price remediation initiatives have been successful to date. One day we'll have all of the divisions of this business firing, but in the first half unfortunately the result suffered from several large credit-indemnity losses in credit guarantee, CGIC.

Gross sales in the rest of Africa were up by 20%: In Kenya we have increased the number of advisers serving the retail mass market and are making good progress in the roll-out of this business. Ghana has been included for the first time, and we had a full six months trading in Nigeria. The small reduction in Rest of Africa profit is principally due to initial expenses as we execute our expansion plans. In Asia and Latin America gross sales were up by 12% with particularly strong life sales in the Mexican affluent market, and a single corporate deal in Colombia. Profits were up 24% with a particularly good performance from AIVA.

If I move to Nedbank, now I'm sure you will have seen the Nedbank first-half results released on Tuesday, but let me just summarise. The bank delivered another excellent financial result with IFRS adjusted operating profit up 17%, and profit growth in all business clusters. The bank has a strong risk management and collections focus, and has a prudent level of provisioning. Impairments were down by 30% and the credit loss ratio, at 0.83%, was significantly improved on H1 2013, and this significantly aided the growth in profit. Non-interest revenue decreased marginally year on year. This is due to fair value losses, as well as the effect of the bank's strategic decisions to maintain transactional pricing at 2013 levels, slow down personal loan advances, and reduce the pricing of the credit life product whilst enhancing client benefits. Nedbank remains strongly capitalised, with its common equity tier 1 ratio at 12.1%, and, as you know, is well positioned for Basel 3.

Turning to Old Mutual Wealth. Gross sales were up by 15%, NCCF was 50% higher although we had a slower second quarter than first. Profit was up by 11% to £120 million. The stronger pound reduced earnings by around £7 million. This mostly affects the international business, where a significant amount of our income is received in US dollars, but our cost base is largely sterling-denominated. Our "invest and grow" businesses are contributing a growing amount of AOP, while profits in the "manage for value" section continue to be high and relatively stable. In the UK our new proposition, *WealthSelect*, has attracted £225 million of new money since launch at the beginning of March. The UK platform now has operational leverage, and contributed £10 million of profit this half, against £2 million in the first half of last year. In the International cross-border business, sales were down despite increases in the UK, Latin America and South Africa. We expect Far East sales to pick up in the second half following our recent launch of a new life protection product for high-net-worth customers. Profit growth is accelerating in Old Mutual Global Investors. The asset mix improved in the first half due to strong net inflows into higher margin Alternatives and Equities desks, and outflows from some of the lower margin sub-advised funds. Looking ahead, we will complete the integration of Intrinsic in the second half and will incur some costs as a result. So Intrinsic will not make a positive contribution to profits until next year. Our restructuring in Continental Europe will also have an impact on profits. So, reflecting the corporate activity in continental Europe, our adjusted operating profit for 2015 has now, understandably, been reduced from the £300 million to the new mark of £270 million.

Moving on, finally, to the United States. The figures on this chart are solely in relation to our US-based affiliates and do not include Rogge which is based in the UK and now reports directly to Ian Gladman and Plc. Performance here of our US-based affiliates was good overall. Net client cash flows were $2.6 billion, despite a $0.9 billion outflow related to investment-driven hard asset disposals by Heitman. So a significant turnaround in the second quarter from what we saw in the first quarter. A higher level of funds under management drove increased management fees, and adjusted operating profit was up by 19%. Continuing to improve investment performance and building global distribution remain key areas of focus for this business. The affiliates see international mandates as an increasingly important source of future assets and growth. So, that concludes my review of operational performance and, at this point, I will hand over to Ingrid.

Ingrid Johnson: Thank you Julian and good afternoon. I'm really pleased to be here for my first interim results for Old Mutual. I've met some of you before in my previous role as head of retail and business banking in Nedbank and it's good to see a few familiar faces. I'm certainly looking forward to meeting many of you over the coming months. Today I will review funds under management and profit at a Group level. I will then cover cash, debt, capital and dividend, with comments on MCEV before summarising. At this point, however, I do wish to thank Philip for all the support he has given me during this transition period.

Let me start with funds under management. Net client cash flows were £1.6 billion, and Julian has talked to some of the main moves within that in the review of the business unit performance. Rising equity markets increased funds by £13.8 billion. But, foreign exchange translation effects then reduced the reported figure by £7.8 billion. £5 billion of this was the effect of US dollar translation on Institutional Asset Management which holds over half of the Group's total funds under management. Note that these figures include both the US-based affiliates and also Rogge. The balance of the currency effect arose mainly from the weakening of the rand. Sterling strength, muting the underlying strong performance of our businesses, is a consistent theme throughout these results.

The next slide highlights the impact on adjusted operating profit, and the year on year movement. Here, all the currency effect is shown in the first bar of the waterfall, with the other movements shown in constant currency. The £149 million in respect of currency translation more than offset the excellent underlying profit growth of £122 million. I will cover debt and other costs on my next slide. Overall Group AOP, pre-tax and non-controlling interests, for H1 2014 was £761 million.

Moving onto the simplified P&L the 761 million is shown in the first grey shaded area, and this is down by 5% on a reported basis, and up by 17% in constant currency. The reduction in finance costs, by £5 million to £41 million, follows completion of the debt repayment programme last year. The increase in other costs to £24 million reflects a number of moving parts. The three principal ones are, a lower long-term investment return on excess rand-denominated assets, movement in fair value on share based payments, and a swing in FX gains and losses compared to the first half of 2013. Taxation of £202 million represented an effective tax rate of 27%, up one percentage point from the prior year. The increase in the ETR was mainly incurred in Old Mutual Emerging Markets due to a lower level of untaxed income, and an increase in the tax rate on long-term investment returns, from 23% to 24%. Non-controlling interests typically track Nedbank profits and were up in constant currency. The effective NCI rate stayed broadly flat. After tax and NCI, IFRS AOP was £424 million, down 5% on a reported basis but up by 16% in constant currency. And earnings per share totalled 8.8 pence.

Taking the £424 million pounds of AOP, we show the diversity of the Group's earnings by geography and line of business. Geographically, earnings reflect the size and strength of South Africa, albeit slightly reduced due to the rand weakness, as well as the growing contribution from the UK. It is also interesting to note the split by line of business. Less than half our earnings in the period came from life and savings.

Moving now to cash generation. This next slide, which will be familiar to you, highlights the conversion of business unit profit to cash at Plc. The net free surplus column, other than for Nedbank, is the sum of transfers from the value of in-force business, the release of capital as products run off, initial strain from writing new business, operating and economic variances, and also free surplus generated from the non-covered businesses. For Nedbank, the figure represents the actual amount of dividend paid to us. Our operating businesses generated a net £391 million of free surplus in the first half, equivalent to a very efficient 81% conversion of AOP, unchanged from the full year 2013. The difference from H1 2013 is primarily in Old Mutual Wealth, and relates to costs associated with the outsourcing project, some legacy Nordic costs, a one-off reinsurance receipt in the prior year which was not repeated, and lower cash from investment returns as a result of a flat market in the period. £241 million, equivalent to 50% of AOP, was remitted by the businesses to the Plc. This is higher, in both cash terms and as a percentage, than in the comparative period. The modest amount of remittance from Old Mutual Wealth is the same as in the first half of last year and is purely one of timing.

Looking at that £241 million of operational remittance. Here you can see £180 million was sourced in rand, and £61 million in hard currency. It is our practice, as agreed with the South African national treasury, that South African operational cash flow is only used to pay Group dividends. In the first half, rand receipts of £180 million were lower than the £285 million of cash dividends paid. This is normal at the half year, due to our cash flow cycle. To remind you, other than for Nedbank, we have flexibility over the amount that is paid to Plc from the business units, and typically we weight remittances to the second half of the year. In contrast, we pay out approximately two-thirds of the dividend in the first half, in respect of the prior year final. In terms of hard currency, remittances of £61 million were sufficient to cover the structural cash outflows of interest and group costs, which totalled £58 million in the half. South African cash remittances are hedged, which mitigates the impact of rand movements, and the resulting FX hedging gains are included here within the other operational flows line. The closing Plc cash balance at 30 June was £466 million.

Turning now to debt. Gross debt at the 30 June was £1.4 billion, and net gearing, on an IFRS basis, was 8.8%. Following completion of the £1.7 billion debt repayment programme last November, we have seen the run-rate benefits coming through this period. Total interest cover increased to 15.3 times and hard interest cover to 4.6 times. In terms of future debt, the chart at the bottom of this slide illustrates the debt maturity profile, from which you can see that the majority of our debt matures in more than five years' time. We have £464 million of hybrid bonds which are callable in 2015. Of this, £165 million, or 3 billion rand, was issued by OMLACSA. We believe there is strong demand for our debt in South Africa, and we continue to look actively at the South African debt markets for attractive financing opportunities.

Our capital and liquidity are little changed on the year end position with an FGD surplus of £2 billion and liquidity of £1.3 billion. Our individual businesses have sufficient local statutory capital and liquidity to support their normal trading operations, even when applying regulatory stress scenarios. The underpin for this is continuing to operate within our pre-defined levels of risk-appetite, while pro-actively addressing early signs of concern, well ahead of those emerging in the wider industry. We are well positioned for the implementation of Solvency 2 and SAM in South Africa. We recognise, however, that the regulations are still evolving and therefore, in common with the rest of the market, we continue to suffer a degree of uncertainty. To repeat a sensitivity analysis that you have seen before, the rand rate against sterling at 30 June was approximately 18.2. Had it been as much as 30% higher, say at 25 rand to the pound, our FGD surplus would have been lower at £1.7 billion, but the coverage ratio would have been higher at 168%. The point to appreciate is that, irrespective of movements in the rand, we retain capital strength and resilience.

In line with our policy, our interim dividend is set routinely at about 30% of the prior year total. For clarification, this is 30% of the prior year sterling dividend. Accordingly, the Board has declared an interim dividend of 2.45 pence per ordinary share. The conversion to other currencies will be based on exchange rates on 11 September and the dividend will be paid on 31 October. The steady progression in sterling cash dividends is supported by our strong underlying position, and the continuing conservatism in how we manage the group. Our debt servicing cost is now structurally lower, our cash position gives us financial flexibility, and our businesses continue to generate free surplus and to remit appropriate levels of cash to the Plc. In consequence, despite rand weakness, we continue to maintain a progressive dividend policy targeting cover of two to two and a quarter time's earnings.

Finally, an update on MCEV, and picking up on a point that Philip referred to in February. Adjusted Group MCEV at 30 June 2014 was £10.1 billion, equivalent to 205.4 pence per share. Looking at the detail, £5.3 billion related to the life business of Old Mutual Emerging Markets and Old Mutual Wealth, £5.9 billion related to the Group's non-covered businesses, including £3.3 billion for Nedbank, with the balance being the adjustments we routinely make for BEE and ESOP schemes, and the value of the Group's debt. Over half of the Group's covered business MCEV is in respect of Old Mutual Emerging Markets. In the first half of the year, VNB was down on 2013. This is mainly due to a less profitable business mix and higher new business strain in Mass Foundation. Net variances were, in aggregate, positive in the half, and the business made a return on MCEV of over 10%. Going forward, we have no immediate plans to move away from MCEV reporting for the Emerging Markets business. However, given the change in the nature of the Old Mutual Wealth, we no longer produce MCEV numbers for this business. The right-hand side of the slide illustrates that, were you to include Old Mutual Wealth in the MCEV reporting at its IFRS net asset value, the Group MCEV per share value at 30 June would have been 198.1 pence. However, we believe it is increasingly more appropriate to value this business on an earnings basis, and have included additional disclosure in the supplementary information and appendix slides to assist you with this.

So let me finish with some concluding remarks. Notwithstanding the macro environment, Old Mutual delivered another good financial performance in the first half. Underlying profit growth of 17%, good cash generation where our businesses converted 81% of their profits to £391 million of free surplus, a strong balance sheet with FGD coverage of 164%, which is prudent given various economic and regulatory uncertainties, and a financial position which supports a progressive dividend policy and a 17% rise in the interim ordinary dividend. My early impression of Old Mutual, from a new vantage point, is of a group that has a growth strategy leveraging its competitive position in core markets with structural opportunities, has a sound financial position to support these aspirations, is rightly proud of its South African heritage, and is passionate about meeting the expectations of all of its stakeholders. That closes my presentation this afternoon, and I hand back to Julian. Thank you.

Julian Roberts: Thank you very much, Ingrid. We have much that is planned to do in the second half of this year in order to grow the business so I'd like to take you through the priorities and some of the innovative things that we have planned for the remainder of this year.

In South Africa, we will continue to manage through the short-term economic challenges and drive the detailed plans for achieving the collaborative benefits. We'll continue to grow Retail Affluent by developing new products and building out our Wealth offering. In Mass Foundation the affordability of savings is clearly an issue for customers. We have developed a new product, 2-in-One, which enables customers to access a portion of their savings without attracting surrender changes whilst the remaining portion runs the same way as the normal savings plan.

In our other target markets in Africa we will integrate the businesses we've acquired and continue developing attractively priced and transparent savings and investment products. We will roll out a full retail mass proposition into Nigeria. We will continue to explore opportunities to expand our African footprint through acquisition using our allocated capital of R5 billion. And Nedbank will make its decision in respect of Ecobank by the end of November.

In the UK we're making excellent progress in building a modern, vertically integrated wealth management business. There are still some gaps in our capabilities and we will continue to look to the most appropriate way of filling those gaps given the continuing changes in the UK savings market which increase the attractiveness of that market as a place for us to invest. We will evaluate whether we can achieve faster growth through acquisitions and team-builds in the asset management space. In the second half we'll complete the integration of Intrinsic and the acquisition of Cirilium. We will continue to push on with the project to outsource IT and administration to IFDS. And we will launch a campaign in the UK to rebrand Skandia to Old Mutual Wealth.

In the US we will complete the IPO, subject to market conditions, but at the same time, we also have a business to run and we'll continue to build our global distribution and international equity capabilities.

Across the group we will manage our general expenses so that we can continue to spend money on replacing old IT systems and developing new systems and processes that enable us to connect with our customers more easily and more efficiently.

And finally with Gail now in post we will increase the pace of movement as a responsible business. So, looking ahead our continued strong cash flow generation and the successful execution of the various corporate finance transactions will give us significant financial flexibility. It will provide a suitable buffer against the core capital requirement, investment for growth as well as acquisition opportunities in line with our strategy. Taking into account these requirements and opportunities, we will continue to review the potential uses of our capital for optimal balance sheet efficiency and ROE.

And so to summarise, we've delivered strong underlying performance in the first half of the year demonstrating the strength of the Group and the successful ongoing execution of our strategy. We are clear on our priorities for the remainder of the year and will maintain our focus on doing what we do best. Meeting the needs of our customers profitably and responsibly and ensuring that we remain well positioned for growth in our target markets.

Ladies and gentlemen, that concludes our presentation this afternoon. A little bit shorter than we normally do after the morning you've all had, and we're happy to open the session to questions. We started with

Johannesburg first in February so I think it's only fair this time to start with questions in London.

Blair Stewart: Thanks very much, it's Blair Stewart from BOA Merrill Lynch. Three questions I think. Firstly, can you talk a little bit about what's been going on in South Africa with African Bank and why that's not an issue for you, I guess some investors may be worried about contagion risk. Secondly, could you talk about the prospects for growth in the Mass Foundation plus the argument that that has slowed down, where do you think it's going to go from here, please. And thirdly, can you talk about the platform in the UK business generally, I think had a much slower Q2. Can you talk about the reasons for that and whether you think they're a one off? Thank you.

Julian Roberts: Yes. I think what I'll do is the second one I think we'll see how adept we are to turn the over to South Africa, and I'll ask Paul to come up with point three. I think the first question is about African Bank. We know that that's come out into the marketplace and quite frankly has spooked much of the South African market. What I would turn round and say to you is we have consistently over the last 18 months looked at and managed very carefully the unsecured lending book in both Nedbank and in Old Mutual Finance. I can tell you and I have consistently done that the rate of collections that we're receiving has shown no deterioration, we're comfortable with the level of provisioning, but it is clear, and in fact the issues with African Bank have been going on for quite a long time. There are others that probably haven't had the same level of risk practices that we've had, but we are comfortable with the book that we've got. It is performing as we would expect it to do and I wouldn't want you to read anything through from our situation and our book to African Bank. I wonder, Ralph, if you could talk about prospects in Mass Foundation?

Ralph Mupita: Yes, Julian. Blair, in terms of the prospects that we see going forward, obviously the mass market consumer in South Africa is challenged and the key issues as we've said before is looking at affordability and the gap they have on their after tax income and we certainly think that the second half will be pressured. We don't see inflation coming down very quickly and we, as we've said before, elements such as food and transport inflation are significant detractors from sales within this market. But what I can say which is very pleasing is as we looked across the business, in the provinces where we would like to grow we've seen double digit growth even in this half year, Gauteng, which is the centre of economic activity, the biggest province on a GDP basis, the Mass Foundation cluster achieved double digits. Our challenges were in the areas in provinces which have much more rural structure to them such as Eastern Cape and Kwazulu-Natal, but we still think that this is a market which is attractive and we'll continue to invest and implement the changes that we have said, particularly around, you know, new business efficiencies and productivity measures.

Julian Roberts: Thank you Ralph. Paul, do you want to comment on the slightly slower Q2?

Paul Feeney: Sure. Thanks Blair. Actually we haven't had a slower Q2 in terms of gross sales, which are going very well. We have had some outflows in Q2 but our gross sales have not slowed. Our net sales or net client cash flow has slowed in Q2 for a couple of reasons. One is we've had about a £250 million mandate loss in Old Mutual Global Investors which was a low margin on mandate which was from a US institution. We don't have a lot of that stuff. But, we did lose that in Q2. Also another £150 million out from Nordic. We sold that business. We did say that business is going to go. We still have about another £100-odd million of that left. That will go, probably by the end of the year. So there's about £400 million of genuine one-offs there. We also had one particular IFA client who decided they wanted a different type of proposition. We knew about that for a while. They were moving their book and that was about £90 million. So if you take those into account, no, it wasn't slow, and certainly sales haven't slowed across the book.

Blair Stewart: Thank you.

Julian Roberts: Okay. Next question.

Jon Hocking: It's Jon Hocking, Morgan Stanley, two questions please. First on that hard interest cover, where are you targeting the hard interest cover? Are you there yet? It's just, I see it's just under five times and you've obviously got the debt recall I think coming up next year so I just wondered what your thoughts are there. And then secondly on the platform in the UK, Intrinsic, you mentioned some gaps in the capability of those, the gaps you highlighted in asset management or those sort of broader gaps in the proposition you need to fill? Thank you.

Julian Roberts: The first one I'd say in, generally in asset management we've continued to look to build out our asset management capabilities so, you know, we're very happy with what we've got in large cap, mid cap, small cap in equities. Our alternatives business is growing fast, but still in the global equity, the emerging market space and one or two others, we would like to build out and continue to build.

Ingrid Johnson: In our hard interest cover we're happy at that level and clearly we will continue to look at optimising our balance sheet, but certainly pleased with the strengthening that we've shown in the last six months.

Julian Roberts: Right, yeah? So microphone please?

William Elderkin: Thanks. William Elderkin, from Goldman Sachs. I just wondered if you could give some concrete examples of what you're doing with the intrinsic acquisition actually on the ground and how you're using that to make your business better.

Julian Roberts: Mr Intrinsic, Paul, do you want to answer that?

Paul Feeney: Actually I should just mention this is a… because my dress sense has taken a bit of a plummet, oh, right…

This is, following tradition I bought this from our, now, ex-CFO, Philip, and all I can say is if, certainly he was a great CFO, but he's a better salesman.

So I am wearing the most expensive tie in London.

This was the best of the bunch he had to auction off for charity.

So Intrinsic, what are we doing? Well, don't forget, Intrinsic only actually came into the Old Mutual Wealth fold on 1 July this year. That's when we got control, that's when it became a part of our business. What have we done already? We have established our restrictive proposition, our restricted panel, don't forget, before that, none of Old Mutual Wealth's products or services were sold through Intrinsic, so the first thing to do was to establish that panel. And to ensure that we've got the workshops, training etc for the salesforce on that. That is now established and working well. The management team have assimilated very, very well. Other things we've done is we've bought Cirilium. Cirilium was the asset management business which supported the Intrinsic network and we've bought that so 50% of it was already owned by Intrinsic, the other 50%, including where the asset management fees were by the way, were owned by Henderson's. So we have signed a binding legal contract to purchase Cirilium and that will come across in November. So you won't see those revenues this year, you'll see those revenues and profits from 1 January next year. So those are the two key things that we've done and also the other thing is we are increasingly converting advisers into the restricted world.

Julian Roberts: Okay, at that point I'm going to move to Johannesburg but trying to link the webcast as well, there's a question I'm going to pass over to you Ralph. In Emerging Markets you've had positive mortality and disability experience of just under R500 million for the six months. Seeing that no assumption changes were made and very little at full year 13 do you expect this risk experience to be a one-off event or can we expect more experience going forward? And first of all I will turn round and say we never makes changes at the interims, just at a full year but let me pass the question on to Ralph.

Ralph Mupita: Well Julian, you've answered the question the way I would but maybe I'll just ask Gary to provide any builds on that. Gary? Gary Palser

Gary Palser: Yeah, certainly we will be reviewing our mortality assumption changes at year end. We haven't yet decided on the extent of any changes that we will make but we certainly will be reviewing the assumptions for year end.

Ralph Mupita: Thank you Gary.

Julian Roberts: Any questions Ralph in Johannesburg?

Ralph Mupita: Shall we take questions from Johannesburg? Okay? Michael?

Mike Christelis: Hi, it's Mike Christelis from UBS. Three questions if I can on the Emerging Markets businesses. Firstly Old Mutual Finance I see you've taken up your stake there, an additional 25% at what looks like a fairly full multiple. Can you give us some guidance as to the rationale for taking that up and what sort of, you know, rate of return or where assumptions you're using in order to justify the multiple you're paying there? Then secondly, the corporate business had sort of much stronger earnings than certainly I was expecting. Can you talk a little bit about the sustainability of that given that market particularly in group risk, from what I understand is fairly competitive and therefore, you know, would you expect those profits to be competed away quite quickly? And then just a point of clarity, the Asian recurring premium new business seems to have fallen through the floor in quarter two compared to the last two quarters, if you can maybe give some colour on that? Thanks.

Ralph Mupita: Okay. Yeah, I think that all three questions are right. On the Old Mutual Finance the rationale for us and we've explained the business model that we've been running since we set up Old Mutual Finance, is that we're setting up an integrated financial services offering to the mass market. We don't only take out loans, we take out our insurance products and our insurance servicing, so just to give you some data points, Michael, we service over a million customers, our own customers coming into the branch network, and we have advisers in that branch network who have productivity levels of twice what we have in the field. Our field adviser productivity is generally very high. The guys in the branches are a lot more productive. And you'll see in our sales mix we get increasingly more of our core life sales coming through from this branch network and at the half year it's 18% and we certainly believe that we should be able to get, you know, somewhere close to probably 30% of our sales coming through that network. So, while we, you know, what's the rationale for the acquisition? We want to control more the development and delivery of our mass proposition. In that holistic framework we want to take on short term insurance products as well through, you know, that channel and that will provide us with efficiencies at the maintenance cost level and also productivity gains and the valuation for that increased stake, we think if you look at market comparables, was a really, you know, valuation to our partners in this joint venture. So I think that's the response to that question.

On corporate, as you're aware we have been, there are two drivers to the profit uplift. The first is we've been driving a change from managing our business from standalone admin, the admin business from a standalone and moving towards umbrella business and we've concluded now the client conversions from standalone to umbrella. The real benefits, more benefits will come in time. And then the second is that I think you'll remember last year's first half we had a relatively poorer first half than the prior period on an H1 basis, 2013 basis. So, the sustainability of the benefits we see in our corporate business. I think you'll see them, you know, continue to come through but as you say, you know, it's not as if we are anticipating and managing the business, we're expecting that the profit growth will be, you know, continuously significant, you know, it will much more moderate growth prospects for profits, kind of post-2015 when our transformation initiative in this business is complete. So… so that's the response on corporate.

And Asian recurring premiums, it's basically the sales that we were selling both in China and in India we've had much more of a mix of single premiums coming through and that's the driver for the difference this first half. Larissa?

Larissa: Thank you, Larissa van Deventer from Barclays. Staying on the emerging markets, you mentioned that value of your business dropped considerably due to a change in mix which is fair, however, if you look at the margins by segment, those seem to have dropped consistently as well. Which quick wins do you see emerging in the next six months and which ones do you think are likely to only come through in the next year or so?

Ralph Mupita: Yes, on the margins side, three big drivers. Obviously first the mix and volume and then we had a small impact from economic assumption changes at the opening end of the year. The big driver is volumes so if you've seen our Mass Foundation business we're still growing manpower, so our manpower at the half year, you know, would have been up 9% and as we are employing and getting the guys more productive we should see the volume effect coming through. The more difficult swing is actually on the mix of business and getting customers who are increasingly having a preference for non-life product and you'll have seen gross sales, our gross sales are very strong. So the next dynamics is much more different, difficult one to change but one we think we can push a lot more is on the volume side and, as I said, we're growing manpower, we're targeting our manpower growth in the provinces specifically in South Africa we would think there is the best, you know, growth prospects. So, but again the overarching issue there is that we have, we certainly have much more tougher economic conditions in South Africa at the moment in the short term, and only until inflation comes down do we think we have more headroom to see much more faster growth. Have we lost London? Okay.

Julian Roberts: We can still see you Ralph. We can hear you as well.

Ralph Mupita: We have Brian at the back there. Can London hear us?

Julian Roberts: Yes we can.

Ralph Mupita: Okay. That's fine.

Brian Mushonga: …something is, sort of we'll come through, that's the first question. Then in terms of Old Mutual Wealth, can you give us an indication of the annual cash remittances from Old Mutual Wealth over the next two to three years given the costs associated with IT also so what sort of cash remittance should be actually pencil in from that business? Those are the questions I have.

Ralph Mupita: Okay. So the second question I will ask Paul Feeney. On the first one, on the collaboration, as Julian said, we are still working through the details of the very specific initiatives around collaboration but what Mike, myself and Raimund Snyders have been working on is actually focusing on where the big buckets and where the synergies are, so we certainly see synergies around the IT infrastructure side, we see synergies around procurement. The very kind of low hanging fruit stuff. And the other synergy is much more in the revenue side that we're working in detail on and I'm sure that when we report in March we'll be able to give you a lot more detail but, you know, we certainly believe we can deliver the billion rand and you know, over a three year time period. Specifics, you know, we'll provide next year.

Julian Roberts: And I'm going to ask a new face for you to stand up, I'm pretty sure I know what the answer is, but Mark Satchel do you want to tell everybody what is the impact on cash flow?

Mark Satchel: Yeah, thanks…

Thanks. I'm taller than my boss, so, but anyway…

I think in terms of the cash dividend remittance one should take a look back at previous history and what we've been able to remit in the past and use that as a guidance for the future. I would probably just highlight two points to that. The one is the additional costs around the IFDS contract and the impact that that's likely to have and we've disclosed various amounts that we expect to spend on that over the next sort of two to three years. And then there's obviously also the proceeds from the sales of businesses within Europe that we've announced, some of which have closed, some of which haven't, but we expect that we'll be remitting the majority if not all of those proceeds back to Group in due course.

Julian Roberts: Thanks Mark. I'll hand back to you again Ralph.

Ralph Mupita: Any questions from Johannesburg? Julian, no further questions from Johannesburg.

Julian Roberts: I just had a mini panic because I got passed a piece of paper with people on the phone and the webcast and I thought it was the people who wanted to ask a question, 23 on the phone and 104 on the webcast, but they happen to be the people participating. Have we got anybody on the phones? Nobody on the webcast? Any final questions back here in London?

Blair Stewart: It's just this one question, you talked, you mentioned about the optimising the groups capital structure. I guess it's early days for Ingrid here but, you know, 8% leverage is very low. And, you know, I just wonder if you could share some early thoughts on what you think you can do about the capital structure or do you think it's optimal and what could be done to improve it?

Julian Roberts: Look, we've had significant flexibility. When you go from the place we were in with a shortage of capital and a shortage of cash to where we are now. I think the issue for us right at the moment, Blair, is that, you know, Solvency II and SAM and all of that rolling out is still uncertain, so clearly for many people our gearing looks low. And of course we've got cash, a reasonable cash balance and coming in. So, really, one of the things for Ingrid is to look at that capital that we've got, look at the cash flow, and look at what is the way to optimise the Group balance sheet so it's nothing to say of what we'll do now so, but you know, as time goes on and we get the European money comes back, clearly the amount of cash and capital would appear to give us a good buffer and as I said in going through, I don't want to sit on a lot of surplus cash affecting our ROE, so it's a thing moving forward that we are looking at and it's one of the things that I'll be wanting Ingrid to review.

Blair Stewart: You forgot to mention the USA people as well.

Julian Roberts: Oh did I? Oh funny that.

Any final questions?

Okay, I think that's all but I think Blair you wanted to make a final comment before we finish today?

Blair Stewart: Yeah, it's traditional when executives depart from someone from the other side, so to speak, makes a few comments and I think on Philip's departure maybe worth expressing a few words from the analyst and investor community. And I'll do this now because unfortunately I can't make his drinks tonight, if only a good CFO would organise a drinks party when finally the analysts can attend.

And they say that Scots are tight.

But… in all seriousness I think Philip's done a great job in the years he's been here. I remember when he came in the business was in a very difficult position, I think the share price was about 50p and you could tell as soon as he joined that there was a backbone, you know, a very safe and secure financial backbone just emerged all of a sudden in the company and it gave everyone a degree of confidence I think at that time, you know? The leader was all over the place and, you know, a few other issues as well, so Philip coming in with his experience was excellent and I think the results speak for themselves, so I think on behalf of everyone I'd just like to thank Philip for everything he's done and he's done it all in his own unique way as well.

Julian Roberts: Thanks very much.

Thank you very much everybody in Johannesburg and on the wires and on the webcast. Till next time.