PRELIMS 2016 **TRANSCRIPT**

9 March 2017

Bruce Hemphill: Hi, good morning everyone and good afternoon to those of you who are in South Africa, a big welcome to you all, including all of those that are listening on the phones or following on the webcasts. Our audience in Johannesburg is being hosted by Iain Williamson, interim CEO of Old Mutual Emerging Markets, so before I move on, let me just check that they can hear and we can hear them. Iain, can you hear us?

Iain Williamson: Yeah. I can hear you loud and clear, Bruce.

Bruce Hemphill: Sure, that's good. There was a bit of a – I'm not sure if that was a pause for dramatic effect or not. Anyway, here in London we've got Ingrid Johnson and Paul Feeney with me on the stage and as usual we've got a number of our senior executives in the audience both here and in South Africa.

In our presentation this morning, I'm going to start with an overview of 2016, Ingrid will then take you through the financials, afterwards Paul and Iain will talk to you through their perspectives on the businesses and I will round up with a business review section and then take some final comments and then we'll go over to questions.

So let me start, I think we've really made tremendous progress in 2016 and I'm proud of the hard work that the teams have both done here in London and in the businesses. We've made meaningful progress towards managed separation, our businesses demonstrated operational resilience illustrating both the strength of the franchises in our main markets and the continued focus on operational delivery and on the back of a muted first half, second half performance was noticeably better and that all rolls up into what I consider a good financial result. AOP of £1.67 billion with the second half AOP up 35% on the first half; earnings per share of 19.4 pence and adjusted NAV up significantly at 228.6 pence per share, and what that means for shareholders is they'll receive a second interim dividend of 3.39 pence per share in line with our capital management policy and the guidance which we gave in August. I think our achievements are particularly good against the background of a very, very difficult macro environment. Equity markets and currency markets were volatile. Economic growth was slightly sluggish, government bond yields were on a reducing trend, which reversed in the last quarter of the year. Consumer sentiment was weak, the regulatory environment continued to evolve and there was significant political uncertainties and shocks. The development around Brexit and Trump affected our northern hemisphere businesses and political factors and continuing weak economic trends in South Africa affected our southern hemisphere businesses, and clearly the risk of a sovereign downgrade remains real. Though, despite this, the rand rallied against sterling in the second half of 2016 and has continued to do so in 2017.

Our delivery of the managed separation is a very complex process that requires the balancing of stakeholder interests and you recall us saying that there were fundamentally three things that we have to do. We have to ensure our businesses are ready for their independent futures. We have to execute a number of transactions and we have to manage a phased winding down of the PLC head office and there's a lot of hard work going on to make this happen. I'm pleased to say, that we're doing what we said we would do. We said we would review the scope and the portfolio of Old Mutual Emerging Markets and Old Mutual Wealth, what we call the perimeter reviews, and those have been completed. The future focus of OMEM will be Sub-Saharan Africa and Old Mutual wealth will continue to focus on their core UK investment and wealth management business and they've completed their exit from onshore continental Europe and they've agreed the transfer of the South African branch operations to OMEM.

We've reviewed and tightened strategies, we've agreed new operating models for each of the businesses to ensure that they are fit for the future with sustainable and competitive cost structures. We're continuing strategic investment in strengthening and future proofing the businesses, for example, expanding distribution in Old Mutual Wealth, the IT projects in both Old Mutual Wealth and OMEM and the acquisition of the 60% equity interest in Landmark Partners by Old Mutual Asset Management. We said we'd strengthen governance and oversight; we've made progress at restructuring and strengthening boards. A new chairman and non-executive directors for Old Mutual Wealth and a new chairman for OMEM and we are making good progress in the CEO appointment in that business.

We said we'd progressively reduce our stake in OMAM; we've taken one further step, reducing from 66% to 51% through equity market activity executed in December. We said we'd make a material reduction in holding company debt; since the Capital Markets Day in October, we've repaid £385 million, which has reduced our debt servicing cost and simplified the path of the delivery of the managed separation. We will take the appropriate time to effect some of the other transactions, in particular the listing of Old Mutual Wealth and the South African Topco and we don't envisage these taking place before 2018.

We also said we would take out costs from the PLC head office and we are making good progress in the transition of activities into the businesses. We've reduced head office head count by around 50% and we'll save around £10 million of head office costs this year and we're pretty well advanced with plans to close the London office, which we expect to happen around 2018. We said we would take steps to optimize the certainty and timing of cash receipts and reduce contingent liabilities and we've accelerated the monetisation of the OMAM deferred tax asset deed and repayment of seed capital. We've further reduced risks in the run off of our Bermuda business and we'll have to manage any other financial items such as contingencies.

So we've already done a lot and we're doing it very quickly and we're on the right track for material completion of the managed separation by the end of 2018. At this point I'm going to hand you over to Ingrid who will take you through the financials.

Ingrid Johnson: Thank you, Bruce, and good morning or good afternoon to you all. In my presentation today, I will speak unusually more briefly about our financial results and I wish to instead spend more time on the financial implications of implementing the managed separation and importantly the wind down of our PLC head office balance sheet and cash considerations arising from this. I'll begin with the profit and loss account. My colleagues will cover the operational results of Old Mutual Wealth and OMEM while Nedbank and OMAM have already announced their 2016 results. I will therefore focus on those costs, which currently reside at the PLC head office. Effectively, our fifth business now in wind down.

Finance costs were slightly higher than prior years at £88 million following the refinancing activity in November 2015. Redemption of senior debt in October 2016 had only a marginal impact in the year but we will see the benefits of that and our more recent Tier 1 bond repayment in reduced financing costs going forward - an estimated £21 million reduction in 2017. The £84 million costs of central activities in 2016, net of recharges to the businesses, benefited from £28 million of unrealised foreign exchange and fair value gains on largely US dollar denominated seed and cash investments. Other one off costs were at broadly similar levels in 2015 and 2016. However, in this year we incurred £22 million of PLC head office costs associated with the managed separation, including £14 million for transaction advisory costs and head office restructuring costs of a further £8 million. Non-controlling interests of £341 million reflect higher profit from Nedbank and the reduced holding in OM Asset Management following the secondary sell down in 2015. Note that the further sell down in December 2016 had little impact on the full year results. It will, however, increase the effect of NCI in 2017.

Total AOP post tax and non-controlling interest of £928 million and earnings per share of 19.4 pence were broadly flat on 2015. Post tax IFRS profit attributable to equity holders of the parent was £517 million. The principal movement from 2015 is in respect of the PLC share of impairments. These relate to Old Mutual Wealth Italy prior to sale, OMEM southern and east Africa business and Nedbank's investment in ETI.

We believe that AOP remains the most appropriate basis on which to analyse the underlying operating performance of the businesses. In 2017, in order to preserve comparability, one-off costs related to the managed separation will be excluded from AOP but it will be clearly tracked in IFRS.

Moving on to sources and uses of cash. As a reminder, we are only allowed to use rand remittances of £410 million in 2016, to fund the PLC ordinary shareholder dividend. This constraint means that interest and other central costs, net of recharges, can only be funded by hard currency remittances and PLC holding company cash. The excess of PLC head office cash movement over hard currency remittances was a £117 million in 2016. This is up from £13 million pounds in 2015 following continued investments in the growth of Old Mutual wealth which has led to low remittances from them.

2016 once again highlighted that the central costs, which are actually hard currency costs, could not be justified by group synergies and reaffirms the importance of the managed separation. Old Mutual has experienced significant capital flows arising from corporate activity and debt refinancing, with aspects of these shown in the table on the right-hand side of the slide. These flows, including the activity post year end, illustrates the strong financial linkages we have typically operated between PLC head office and Old Mutual Wealth.

Bringing everything together, the PLC closing cash at 31 December, of £743 million is appropriate yet not excessive and this is because our cash and liquidity are required to support the execution of the managed separation and at the same time meet the operational and pre-existing PLC head office obligations within the current group structure. As a result, we hold an early warning threshold of around £500 million, inclusive of a £200 million facility of undrawn support for Old Mutual Wealth.

Adjusted group net asset value or NAV at 31 December was just shy of £11.3 billion, equivalent to 228.6 pence per share; a 28% increase on the 2015 year end, largely arising from currency translation gains which added £2 billion and the Nedbank share price also being higher. This valuation is influenced by market risks as we've seen of assets, FX translation risk – we've also seen that – and other PLC head office exposures and contingencies. Importantly, while these are risks that shareholders currently bear, crystallisation of these risks may be accelerated by the process of the managed separation. Our intent under the managed separation base case is to distribute to shareholders the value sitting in the top three blocks on this chart. OMEM and Nedbank by the proposed listed SA Topco and Old Mutual Wealth potentially with a small IPO element. At the same time we need to resolve, as appropriate, the value of the orange and the blue blocks while meeting our debt obligations which are represented by the light grey block.

We have materially reduced holding company debt by £385 million since 2015, simplifying the path to deliver the managed separation. Our remaining PLC public bonds are entirely Tier 2 with no near term maturity. We will continue to review our levels of capital, debt and liquidity requirements during the managed separation process, given the legal construct of Old Mutual PLC and its associated risks and constraints.

The NAV shows the tremendous values of the underlying businesses, which is currently trapped within the group structure. The managed separation strategy aims to unlock and create significant long-term value for our shareholders, particularly as the businesses access their natural shareholder base to realise their full potential.

Turning to the sources of the value creation, these are threefold we believe: winding down the PLC head office, eliminating the conglomerate discount through separation and enhancing the performance of our businesses as they stand alone. The final value outcome may also be influenced by a number of pre-existing items at the PLC office which actually pre-dates the managed separation. But let me talk in more detail about the first column: PLC wind down and the associated reduction in PLC head office operating costs. Now that we have been through the business planning cycle in a lot of detail, we are able to provide the update on costs promised at the Capital Markets Day in October.

With major savings arising from the wind down of PLC from the 2015 cost base, that is a full year before the managed separation was announced. The green shaded column in the table shows the cost of the other central activities of £100 million in 2015. You may recall that number earlier on the first slide I presented. If we add back the recharges, the gross PLC corporate costs and other shareholder income and expenses was £123 million; that's been our recurring run rate of costs generally over that period each year. These include rent, corporate insurances, listing related costs and costs associated with brand building. Note that in 2015, £19 million was recharged to these businesses. The excess of the gross PLC corporate costs of £123 million over the £29 million reflects the effective and anticipated run rate savings of around £95 million as a result of the managed separation. However, unlocking these savings will involve group-wide one-off costs of around £130 million. This comprises anticipated one off costs of £50-£65 million at PLC, roughly likely to be the upper end of that range that we had guided at the Capital Markets Day and the balance to be incurred by the businesses in preparation to stand alone.

Returning to the broader picture, here we illustrate how to assess the value potential of the managed separation. This is based on current estimates, which are subject to change. You will also have your own models and assumptions. Starting with the first column, the removal of the PLC central costs could achieve a run rate savings of around £95 million and a value creation equivalent of its net present value. The second column demonstrates the value potential of eliminating the conglomerate discount after an estimated £100 million of group-wide transaction advisory and listing fees. The value of this could be in the order of 10-20% of our current market capitalisation.

Moving on to the third column, if we assumed that by delivering the enhanced business plan, OMEM and OM Wealth could boost their price earnings ratio up to the level of the median of their peer group, this could increase the price earnings ratio of OMEM by say five and in turn Wealth by six. Finally on the last column, we estimated £130 million of cash outflow to resolve the pre-existing head office items and is included in our liquidity buffers in excess of our early warning threshold. The value outcomes of meeting these obligations are dependent on the trade-off of value, cost, time and risk when balancing against the diverse stakeholder considerations.

In summary, we believe the managed separation represents a compelling value creation opportunity. To achieve it we will need to utilise our resources wisely and in this regard the capital management policy announced a year ago aims to provide appropriate flexibility through the managed separation.

We have today declared a second interim dividend for 2016 of 3.39 pence per ordinary share. This brings the total dividend for 2016 to 6.06 pence per share, equivalent to a cover of 3.2 times AOP earnings. This is consistent with the guidance given at the interims that we would take a conservative approach to our full-year dividend with the total likely to be in the mid to upper end of the cover range stated within our capital management policy. For 2017, we will continue to apply conservatism with the full flexibility of our stated policy. Our full-year dividend will reflect the capacity for distribution from the underlying businesses. In addition, given the managed separation, we will be reviewing our rolling hedging programme.

We will continue to target an ordinary dividend cover of 2.5-3.5 times AOP earnings and the rand and other currency dividends will be declared and paid at the average effective exchange rate rather than as in the past at the exchange rate at the date of declaration. Our first interim dividend for 2017 will be set in line with the stated policy that is arithmetically at the cover ratio of three times AOP earnings of the first half of this year. As we said before, at the end of the manged separation the board will consider further returns of capital to shareholders after meeting the needs of businesses and any residual contingencies and obligations that might be available and, to the extent there is, that excess will be considered for distribution.

In conclusion, we are changing the shape of the financials of the PLC head office and the underlying businesses. We need to remain financially prudent as we operate in volatile markets with inherent uncertainties and as there are significant actual and potential demands on our cash and liquidity during the managed separation and the PLC wind down. We will accordingly maintain conservatism and the flexibility that our capital management policy provides while making appropriate returns to shareholders. Finally, we are executing our strategy from a position of financial strength and we will aim to balance the interests of diverse stakeholders while managing the trade-off between value, cost, time and risk. That concludes my presentation this morning and I will now hand over to Paul to share more about Old Mutual Wealth.

Paul Feeney: Thank you, Ingrid, and good morning everybody and good afternoon in South Africa. I'm going to review Old Mutual Wealth performance in 2016, what was achieved as a business and our outlook for 2017. In particular, our focus on how we've made real progress towards our aspiration of becoming the UK's leading wealth manager, produced a set of results showing that all of our businesses are performing well in a challenging market and how we're preparing the business for our independent future.

Before I get into this, let me say a few words on the UK platform transformation. Whilst progress continues to be made this remains a complex project and there are certain pressures which potentially could increase timescales and cost. We are in active negotiations on these areas to reduce delivery and cost risks and to ensure that we achieve the best outcome for this business. At this point, because of commercial confidentiality and the ongoing negotiations, you will understand that I can't say anymore. I will say that I believe that a robust platform that meets our customers' needs is vital for our future and we continue to invest in the existing platform to maintain high levels of service and resilience.

Let me take a moment now to remind you how the business has changed since 2012. Back in 2012, Skandia made the vast majority of its profits from closed life books; it had no distribution of its own, a subscale UK platform, no wealth management and virtually no asset management. Roll forward four years and you can see both AOP and funds under management have grown substantially. What's really important is the quality and mix of that growth as we have reshaped the business to focus on our core UK wealth markets. This has been achieved by investing close to £1 billion to reshape and build out the business, half of this has been funded by selling the ex-growth European life assurance businesses. So we've materially shifted our capital base, moving out of ex growth capital-intensive markets to faster growing capital light markets.

Turning now to our operational performance in 2016, we've traded well in a difficult market. Funds under management were £124 billion, an increase of 18%. Gross sales were up by 5% with very good flows into GEAR, Cirilium and our international equity funds. Pension sales in the UK platform were 22% up on 2015 as our flexible drawdown pension continues to attract customers following last year's pension reform. Our net client cash flow was £5.2 billion. We're pleased with this result, particularly considering the turbulent macro-economic backdrop. 2016 was the worst year for UK retail fund flows for the last 20 years. As you can see from the Investment Association's statistics on the right of the slide, the industry as a whole generated net retail flows of just £4.7 billion compared to £16.8 billion in 2015. In this context, our underlying business performance was good and early signs from 2017 are encouraging. The most important thing to us is to consistently deliver great solutions for our customers. We believe in the value of financial advice. That's why we have continued to invest here as well as in our asset management capabilities and these investments are delivering good momentum.

RDR encouraged financial advisors to switch from independent to restricted advice, recognising that people want a controlled and better, rather than just unlimited choice of investment solutions. The solutions that we offer customers are outcome based multi-asset solutions with combined products from a range of providers, not just our own. To capitalize on the move to restricted advice we acquired Intrinsic in 2014. Our restricted adviser numbers have grown by over 50% since then, helped by the acquisition of Sesame Wealth in November 2015 and shortly Caerus, subject of course to the necessary approvals. In addition, our private client advisor force now has a billion pounds of assets under advice from a standing start at the beginning of 2016.

What impact has this investment in advice had across the rest of the business? OMGI's organic growth, since it was established five years ago is remarkable. In 2012 we had £3 billion of assets in our single manager desks with virtually zero profits. Roll forward to 2016 and we have £31 billion of assets and profits were £79 million. The success of our strategy requires our businesses to be as attractive externally as they are internally. So we see OMGI's flows and profits from third parties as a very important measure in under scoring the value of the business. As you can see, they are the biggest contributors to its growth.

So what has all this activity meant in terms of the financial outcome for 2016? We've reported AOP today of £260 million compared to £307 million in 2015; however, if you look at the right-hand side of the slide, you can see that this is after £38 million of one-off items that we told you about at the half year. That takes us to underlying profit of £298 million, broadly flat year on year. We achieved this despite a significant increase in the cost of organic investment in new revenue-generating initiatives during the year. For instance, we spent £28 million on distribution and new desk builds in OMGI. This investment will drive future profitable asset growth. Our investment decisions assume a 2-3 year revenue lag and we are confident that they will deliver. Second, strong revenues generated across the business, particularly in OMGI, triggered an increased in variable incentives increasing our expense base by around £15 million, albeit broadly flat on 2015 as a percentage of revenue. These items reflect conscious and deliberate decisions undertaken to improve revenue growth in the business. Finally, we spent around £20 million extra to support general business growth as we mature and develop, including investment in our current IT and operational infrastructure as well as continuing to strengthen our second and third line functions in preparation for being a standalone business. All of this cost is reflected in the profit table on the left of the slide.

Let me now comment on the profit contribution made from the various parts of the business in 2016. The UK platform contribution at £27 million has decreased by £6 million, reflecting the revenue impact of the FCA sunset clause and the removal of our minimum investor and drawdown charges as well as costs associated with maintaining our current IT infrastructure, as I described just now.

OMGI profit of £79 million, which includes around £26 million of net performance fees in both 2015 and 2016, increased by £8 million despite new desk build costs, also of £8 million, as the business continues to grow and develop. Profit in Quilter Cheviot has increased by £12 million, reflecting a full year of inclusion in our results and an improved operating margin. The reported result from the International part of our business has also improved slightly. Within UK other are the results for Intrinsic. This is where the majority of the revenue related investments have occurred, including a £10 million charge in relation to the original acquisition of this business, as previously reported to you, as well as the development of the private client business. This cost amounted to £9 million pounds for 2016 with £4 million of associated revenues. These revenues will grow as we continue to develop this part of our strategy. The managed for value profit contribution has reduced by £45 million. 2015 included £9 million from Switzerland which, as you know, we've disposed of, and also as you know our profit was reduced by £26 million as a result of our carefully considered decision to simplify fee structures and to cap exit fees at 1% for pension customers who are over 55. We were one of the first companies to make these changes and we did so because it was the right thing for our customers.

Before I wrap up, you might find it helpful if we spend a moment or two considering the shape of the 2016 results if it were adjusted for what I call the go forward perimeter of Old Mutual Wealth post separation. This slide is an indication of the profit, which we would have achieved in 2016 if we were already a standalone-listed business. We start here with our reported profit of £260 million. If we add back the profit impact of the one-off items that I just mentioned, underlying AOP was £298 million. From this we then adjust for the changes in the shape of the business. We completed the sale of Italy, as Bruce mentioned, in January this year. Italy contributed pre-tax profit of £24 million in 2016. Our AOP in 2016 also includes £10 million from the South African branches which will transfer to Old Mutual Emerging Markets as part of the managed separation, and as Ingrid has already explained, we will incur an estimated £20 million of run rate costs in the future, around half of which was previously incurred by Old Mutual Group on our behalf. And as discussed at the Capital Markets Day, we will also incur an estimated £7 million as a standalone-listed entity. So, based on these adjustments we would have a reported AOP of a go forward perimeter of around £237 million. Clearly this is a dynamic process and these costs will be refined further as we get closer to separation.

So let me conclude, our business is now reshaped and refocused on our core markets. Today, our business delivers 80% of its profit from wealth solutions and asset management in our growth markets. Our perimeter for managed separation is substantially fixed. The goal is now one of execution and of driving operating leverage through our new operating model. Our objective is that net flows in our 'Invest and Grow' business should increase by more than 5% of opening funds under management each year. We also expect continued improvement in our operating margins over the medium term with efficiencies from refining our operating model and after fully expensing our ongoing investment in advice. We've had a good year in a very tough market demonstrating the success of our model. We've also laid the foundations to prepare for our independent future and becoming the UK's leading wealth manager. Our progress in 2016 gives us real confidence that we will achieve this goal. Thank you, and now over to Iain in Johannesburg.

Iain Williamson: Thank you, Paul, and good afternoon everyone. I'm Iain Williamson, interim CEO and Finance director of OMEM. OMEM delivered good profit growth of 3% for the year despite subdued market levels as well as macroeconomic and regulatory headwinds that continued to challenge many of the markets in which we operate. These challenges resulted in an increase in claims affecting both group risk and P&C underwriting results. This was mitigated by strict expense management, higher asset based fee income as well as the net positive impact of assumption changes in South Africa; however, we did see improved underwriting experience during the fourth quarter and continued momentum across the business. Non-commission cost growth has remained well below inflation. We will continue to drive a lower cost to income ratio by targeting below inflation growth for these expenses, including the additional recurring costs as a result of managed separation. We are revising how we present our return metric going forward from a return on allocated capital to a return on equity on an IFRS basis. This should ensure better comparability with our peer group. On the new basis, ROE declined from 17.3% in 2015 to 16.6% in 2016, largely due to a goodwill impairment in the OMSEA business and higher financing costs. Excluding the impact of the impairment, ROE improves to 19%. The impairment has no impact on our reported AOP.

OMEM gross sales were marginally down from the 2015 results, which had seen a strong 17% growth on the prior year. Our broad distribution footprint and leading multi-channel network positions us well to gain further share of industry flows. We've seen some good early wins in our journey to modernise distribution through direct and digital channels. Net flows were more challenging in 2016 having reached an all-time high in 2015. The Retail Affluent business was most affected, delivering much weaker flows in line with the industry trends. It is however pleasing that each segment in South Africa as well as key regions outside South Africa again recorded positive net flows in 2016. Funds under management were up 2% and have exceeded the 1 trillion rand mark for the first time. OMIG''s one-year investment performance has shown a marked improvement with around 70% of unit trust funds above the median, up from 35% in 2015. We remitted 27% more cash to the PLC while maintaining strong and resilient capitalisation. This attests to the strong cash generative nature of our businesses.

If you look on the right hand side of the slide, the three-year profit growth returns and earnings contribution demonstrates the strength and opportunities of the OMEM business. South Africa remains the engine of the business, consistently generating the highest returns and solid earnings growth. Our non-South African operations demonstrated higher earnings growth, which is a feature we would continue to expect from our results as we drive higher returns from these businesses.

Moving now to some more detail on our combined South African business, profits in Retail Affluent were were 5% higher than the prior year, driven by higher asset based fee income and the net positive impact of our response to change in tax legislation offset by strengthening of persistency assumptions and weaker underwriting experience. In Mass Foundation profits were 2% up on prior year, driven by 7% growth in the life and savings result as we focused on tight expense management. New business strain was higher as we phased in re-pricing related to changes in tax legislations. Financial pressure on customers resulted in a modest deterioration in retention experience and the impact to the DTI interest rate caps was to reduce the profitability of Old Mutual Finance.

Moving to our Corporate business, profits were down 8% as a result of weakened underwriting results on risk products in line with our previous experience during economic downturns. This impact was offset by higher asset based fee income and improved administration efficiencies. OMIG profits declined 3%, mainly as a result of lower valuations of unlisted assets and lower performance fees. We received higher base asset management fees during the period and our listed asset management boutiques delivered a combined 34% increase in profits.

The P&C result is disappointing with the claims ratio having been under pressure given higher claims costs in a tough operating environment. We have several management actions in place to improve the quality of the book and turn around this business. Our direct business is on track to breakeven in 2017, supported by our strategic partners. We enhanced our reinsurance arrangements in the second half and also bolstered key skills during the same period with new executive hires. We're also exploring further partnership opportunities. In CGIC, we've introduced Atradius, a global leader in trade credit insurance as a strategic partner. CGIC faced challenges in the 2016 macro environment but has a history of strong results with an excellent client franchise.

Central costs in South Africa were significantly lower than the prior year due to expense reduction initiatives including lower project costs. Our IT investment project will continue to influence the central cost line in the future. This project is driven by the need to replace IT platforms that will no longer be supported from 2020 and provides us with the opportunity to revitalise our retail propositions. We are on track to meet the 2020 deadline although our initial cost estimate has risen to R3.1 billion due to the inclusion of a strategic implementation partner, currency impacts and an extended delivery plan. We will expense around 40% of this cost and this is in line with our historic annual spend on strategic IT investment. We have also set aside a R350 million contingency reserve.

At around 14% of our OMEM profits our rest of Africa business is well diversified with a good spread between lines of business. Looking at the AOP chart on the left, the growth of 18% is satisfactory, indicating strong momentum in the respective operations. The Life and Savings franchise delivered solid growth of 5%. Asset management was impacted by property construction delays in East Africa and higher property financing charges in Malawi and East Africa. The banking and lending result was satisfactory in the context of challenging local environments. Increased profits came mainly from improved recoveries in CABS in Zimbabwe and once again our Zimbabwean business has demonstrated its resilience through particularly tough macro conditions. P&C benefited from the UAP consolidation and improved claims management and underwriting in Kenya, as we leveraged M&F's capabilities. We impaired our OMSEA goodwill by R1.3 billion in 2016, primarily due to tough operating conditions in both Kenya and Zimbabwe.

In East Africa, our focus is on driving operational efficiency through a restructure of the combined entity and optimisation of the property portfolio. The financial delivery of the combined UAP-Old Mutual Group in its first full year was behind our expectations. However, given the actions we are taking, we are on track to reach our target return of 20% within the next five years. We were particularly pleased with our return on embedded value of 14.9%, the highest in many years despite the tough operating conditions. A higher starting interest yield as well as robust operating variances supported this improved result. Covered sales remained solid, growing 6% on an APE basis with very strong sales of our smoothed bonus product in South Africa.

Growth in the high margin Mass Foundation Cluster was also strong at 9%, following improved advisor productivity and strong credit life sales. Integrated financial services is a key pillar for the MFC business. The branch footprint has grown by 33 to 292 in 2016, with a strong contribution of 28% of total MFC life APE sales, which show better persistency trends than our other retail mass channels. We are also deploying this model as part of our strategy into the rest of Africa. Retail Affluent sales were affected by the tough macro and the competitive environment. The VNB was 9% lower than 2015, mainly driven by the movement in the yield curve. Using closing assumptions, the VNB would have been only marginally lower and we are satisfied that our margin has remained stable for the year.

Operating variances were positive overall with expense, mortality, longevity, and other profits being partly offset by adverse persistency and disability experience. Assumption changes were less favourable than in 2015, but were still positive given the benefit from the transfer of some protection business to the new tax fund. This was offset by more conservative bases for persistency, given the tough economic environment, as well as expenses, as we have made allowance for the expected one-off costs of managed separation and strategic initiatives over the forecast period.

In delivering stakeholder value, we cover all four of the main areas shown on this slide. Specifically, we have chosen to focus on two fundamental pillars. The first is financial inclusion, education and advice embedded into our customer interaction model and the second is the responsible investment of customer funds. Through these two pillars, we fulfil our role as a financial intermediary and deliver value to society. Of particular note, we are an active participant in driving infrastructure development and green economic growth with R112 billion of client capital at work, which includes some of the investments listed here. Also, our contribution of R40 million through the CEO initiative for SME development will support inclusive growth in South Africa and help create much-needed employment.

Despite our solid results, we have engaged in deeper reviews of some operations where we believe there is potential for earnings' improvement. For Mutual and Federal, we still see opportunities from remediating our group scheme portfolio and are confident that recent management actions position the business well to reach its target through-the-cycle underwriting margin of 4-6%.

The strategic review of our portfolio of businesses has concluded that we will prioritise our high return and cash generative businesses in sub-Saharan Africa. Any changes to our current portfolio of assets and businesses are likely to be affected through various corporate actions which will balance time, value and risk. OMEM has a strong, resilient and well diversified balance sheet which will be able to withstand multiple shocks, including a South African sovereign credit rating downgrade.

As we prepare for a separate listed future, we will focus on capital optimisation, enterprise risk management and value creation. Our governance and operating model review is effectively complete. It aims to simplify our governance structures and streamline decision-making, as well as placing acute focus on the areas of the business that will deliver optimal value. Post managed separation, we expect to incur additional costs of between R200-280 million on listing and other standalone costs or functions which will transition from the PLC. As we implement business improvements and establish local capability, we also expect to incur one-off costs between R250 and R300 million over the next two years with approximately two thirds of these in 2017.

With a strong executive and experienced management team, we are committed to successfully lead OMEM through the changes in our organisation and prepare the business for a separately listed future. In summary, the OMEM business presents a value proposition which is backed by over 170 years of partnering with our customers to realise their financial goals. Conditions are likely to remain tough; however, the diversity and breadth of our business positions us well for continued delivery. The robust result was supported by strong Life results across our markets with unusually high disability claims in corporate and P&C a drag factor.

We see good prospects ahead as we will benefit from the underlying strength of the core South African franchise and are committed to delivering our targeted M&F underwriting margin. We will build on momentum in East Africa by prioritising general insurance and property portfolio optimisation. We believe OMIG is well-positioned to see continued core earnings growth following improved investment performance. And we are focused on delivering a streamlined, simplified model for faster, more efficient decision-making. And further, we are ensuring that our distribution remains efficient and future fit. Going forward, we are excited about our prospects as we continue to build our capabilities and our readiness for separation. Thanks very much for your attention and back to Bruce in London.

Bruce Hemphill: Thanks very much, Iain. I mean, it is clear we are executing a strategy that is fundamentally different to anything that has gone before. And we are now working very differently. So, we are no longer trying to grow as a Group, our focus is turning our four great businesses into four great independent businesses which will be delivered to shareholders in great shape and with great prospects. At the centre, we are now working with those businesses as an investor rather than as a group strategic controller. So, I would like to give you my perspective on the businesses.

Paul talked about the business performance of Old Mutual Wealth in 2016. And I think these are a decent set of numbers, impressive growth in funds under management, strong net cash flows in what was obviously a very testing year for the industry. They confirm our view that the business is well-positioned to take advantage of the structural growth opportunities in what is the world's fourth-largest wealth market. The business is clear in its strategy and has a unique armoury with which it can tap into margin across the value chain. I'm delighted with the progress that has been made in strengthening the board, the new chairman, the five new non-executive directors bringing a wide range of skills and experience to the business. I'm disappointed and frustrated with the update on the UK IT transformation project, but we have the right management team in place and they are running it. We are right in the midst of heavy negotiations, as Paul said, so we will get back to you at or before the AGM. Old Mutual Wealth is, I think, still a business in development, it is a young business, it is still very much in the growth and development phase. And as such, it needs to get to the point where increasing operational leverage can be evidenced. And this means really managing the cost base, rationing the allocation of investment resources and actually implementing a new target operating model, all designed to boost the operating margin over time, which is key to valuing the business in the future.

Turning now to OMEM, Iain presented a picture of a really resilient business. And yes, it is doing well in what can only be described as a very tough macro. It has got a very strong position in South Africa with high return and cash generative businesses. It serves a broad spectrum of customers with a wide range of innovative products and it has excellent prospects for growth. And I think the business delivered a strong set of results in 2016. But operational performance in East Africa, whilst showing early signs of improvement, needs to be addressed. In 2016, the business took a large goodwill impairment in OMSEA, part of the rest of the Africa operations given the economic and operational developments in Zimbabwe and East Africa. And we also need to see extended evidence of a turnaround in Mutual and Federal. As I said in my introduction, the perimeter review has concluded that the future focus for OMEM will be on sub-Saharan Africa and we will provide further updates at the appropriate time.

As with Old Mutual Wealth, we have started to see progress in building a strong board ready for independence, in particular, the appointment of Trevor Manuel as its new chairman and the search process for a new chief executive is well advanced. The business needs to deliver more future proofing, looking at new distribution models and moving away from previous distribution models, delivering modern IT capability, speeding up its responsiveness and agility and removing layers of bureaucracy. It needs to get on with implementing a new target operating model and delivering further efficiencies in governance structures.

Moving to Nedbank, they released their results last week and hopefully you have had a chance to at least see the headlines. It is another solid set of numbers, headline earnings up 6% at R11.5 billion, a nine basis-point improvement in the credits loss ratio and good capitalisation with the Tier 1 ratio of 13%, well within the Basel 3 internal target range. When you unpick the reported results, there is clearly an ongoing issue with ETI losses and the reduced holding value of the associate investment. Nedbank see ETI as providing optionality for growth in the attractive markets outside South Africa and they are firm believers in its prospects. So, turning this business around and creating value from the relationship is a key challenge for Mike and his team. The other challenges for them are to grow the transactional banking market share, particularly in retail, to reduce the cost income ratio and to continue to invest in growth areas, including digital, whilst maintaining a strong capital position. This is fundamentally a good business, well run and making great risk adjusted returns and has a really strong core banking franchise and the ability to grow. It is a good bank for us to own now and for shareholders to hold directly in due course.

In the US, OMAM is moving at quite a pace on delivering against its strategy. Again, you have had a chance to see its results which were published last month. Financially, it was a tough year for the wider US industry, but the business delivered a strong finish in the fourth quarter with positive net flows. The environment favoured active asset management and clients benefited from outperformance across a range of strategies. The acquisition of Landmark Partners was bang on strategy, integration is on track and it is already making a positive contribution to earnings and flows. In order to fund growth, OMAM has been active in the US debt market, successfully completing a $400 million debt raising. And of course, we have been active with the business in the equity markets with successful completion of a secondary offering of around 15 million shares, as well as the repurchase of 6 million shares in the direct buyback from Old Mutual PLC and this materially enhanced the liquidity of the stock. OMAM is a good business with a strong set of investment affiliates and is well-positioned in its market. Going forward, its priorities are to continue to diversify asset classes and optimise its cost base. Our tidying up of arrangements on seed capital and the deferred tax asset are further progress in preparation for ultimate separation.

OK, I know we have taken up quite a bit of your time today. So, let me pull things together now and then we can turn the session over to questions and, Greig, I can see you're already jumping up and down –

I know it's been a long day, but let me start by reiterating the value we aim to create from the managed separation. We're taking out £95 million of PLC Head Office costs on a net basis; we're removing the structural cause for the conglomerate discount, which we believe has been historically around 10-20% of market cap; and we expect there to be value-creation as the businesses deliver enhanced performance in line with their revised business plans – in particular, when they have the freedom to grow unfettered by the drag of the group structure. We're putting the businesses into the hands of the right owners, who can value them properly relative to their peers. There are obviously costs to achieve this, and those have been discussed earlier in the presentation; but we believe there is clear value on the table for shareholders, and we're determined to deliver it to them.

2017 is a crucial year, when we really need to prepare the ground to ensure material completion of the managed separation by the end of 2018, as we promised to do. We need to complete the process of getting the currently unlisted businesses ready for independence, we need to progress the relevant approvals, we'll continue the phased reduction of our stake in OMAM when appropriate, we'll prepare for the listing of Old Mutual Wealth and the South African Topco, and we'll continue with winding down and managing the existing PLC Head Office.

So to finish, in 2016, we made really meaningful progress on delivering the managed separation, doing the things we said we would do. Our businesses delivered solid results, demonstrating their resilience and the strength of the underlying franchises. Set aside the difficult macro; the actions that are within our control are on track to deliver good outcomes, and that added up to a good financial result at the holding company level, and an appropriate return to shareholders through the dividend. One year into a three-year strategy, we remain absolutely focussed on delivery. There is still a lot of work to do, but we're on track for material completion by the end of 2018. Managed separation aims to deliver operational savings and value uplift for shareholders – that's why we're doing it, that's why we're doing it quickly, and why we'll do it right. Thanks for your attention.

We'll now take questions starting in London, then in Jo'burg, and we'll take questions from the phones and the webcasts as well. As usual, please wait for a microphone to come to you before you ask a question, otherwise we won't be able to hear you.

Greig Paterson: Morning everyone! Greig Paterson, KBW. Three questions: one is, on this write-down in Rest of Africa, two parts of that – you know, you've just bought this business, and now you're writing it down already; doesn't it bring into question the whole strategy? And did I hear correctly that you wrote down some goodwill in Zim? I thought, earlier on in the presentation, you were telling us that Zim was doing well. I just wonder if you could close that circle, please?

Bruce Hemphill: Yeah, sure. Shall I deal with that? And then I'll...

Greig Paterson: I'll just ask – otherwise I'll forget, I've a slow mind. Let me just get it all down. Second question is: Old Mutual Wealth, this acquisition you made – Caerus – I wonder if you could just give us a feel for the cost of that per adviser, so we just got a feel how much this increased distribution does cost as it goes forward? Also for Old Mutual Wealth; the FCA review – I see there was no mention of that. I thought there was a big risk overhanging that subsidiary. I wonder if you could clarify the risks there, whether there's going to be a cost coming? And then finally, did I hear correctly that you said that you would give an update on the transformation programme by the AGM, at the AGM? Should I put that in my diary?

Bruce Hemphill: At or before the AGM.

Greig Paterson: So I should have in my diary the AGM date?

Bruce Hemphill: You're going to have to pay attention at the AGM.

Greig Paterson: Alright, cool.

Bruce Hemphill: Iain, do you want to start with the Kenya and Zimbabwe question?

Iain Williamson: Sure, Bruce, will do. So the way that we allocate goodwill in OMEM is that the goodwill is allocated at the management entity level of OMSEA, which is the Southern and East Africa entity. There are three contributing factors to the goodwill write-down. One was a forward-looking view, not necessarily a backward-looking view of the Zimbabwean result, but a forward-looking view on the macro-environment in Zimbabwe, and the pressure that's likely to bring. The second was the impact that we expect as a consequence of the regulatory changes around interest rate caps and floors in Kenya; and the third was frankly slow delivery of synergies from the UAP acquisition. So three contributing factors to that. Having said that, our view, going forward, on the East African business is still positive; we still believe that we will deliver the 20% ROE that we're looking for there, and the momentum over 2016 – although the result in aggregate in East Africa wasn't what we would have liked – the momentum was fantastic, and by the time we got to Quarter Four, we'd had solid quarterly growth each quarter in the year, and we continue to believe that that should continue. And in addition to that, I think we've got the resolution of the Property Development portfolio largely behind us, so that's the backdrop to the goodwill impairment.

Bruce Hemphill: Thanks, Iain. Paul, do you want to deal with Caerus? But before you do that, I mean, the regulatory question – there is obviously an on-going regulatory investigation, and I think we shouldn't comment on it whilst that is ongoing; so we'll leave it at that, and Paul, if you can deal with Caerus.

Paul Feeney: Sure. Well, we didn't release the cost of Caerus, Greig, but I'll give you a few stats. It's about £4 billion assets under advice, 300 financial planners. I will say it's significantly lower-cost than Intrinsic, obviously; and within the Wealth board's own approval limits. So it's an important investment for us, it's a very good business, we know their business well, we think it'll be a very good cultural fit, we're delighted they're joining us, and it will, again, help to secure future revenue and asset growth for our business.

Bruce Hemphill: Thanks, Paul... Yeah. Thanks Greig. Andy.

Andy Sinclair: Thanks, it's Andy Sinclair from B of A Merrill Lynch. Three questions, as usual! Firstly, on the flow target; good to see a flow target for Old Mutual Wealth – much appreciated – but always a little bit cautious any time we have a top-line target without a bottom-line target. I just wondered if you could say anything on margins as well. Secondly, you mentioned the variable incentives at Old Mutual Wealth as you've been building out. Clearly, it makes sense to be making those investments, but as you grow, would you expect those to drop away; and likewise, when they do drop away, do you see any risk of staff retention for some of those key people? And thirdly, on OMAM, sitting just above 50% at the moment, which clearly still gives you control. Is it fair to say that once you go below 50% those disposals could speed up, to get rid of their residual stake?

Paul Feeney: Okay.

Bruce Hemphill: Paul, do you want to...?

Paul Feeney: Yeah, sure, Andrew, so yes we do give a flow target, a net client cash flow target. In terms of margin, is your questions revenue margin, Andrew, or operating cost?

Andy Sinclair: Both, ideally, to be honest, but we'll take what we get.

Paul Feeney: Okay.

Paul Feeney: So, revenue margin – there's two impacts on revenue margin for us, that we see over the next few years. One is our own one, as the mix of our business moves. I mentioned we make about 80% of our profits now from wealth solutions and asset management, hence 20% is still from elsewhere. If you go back four years, that mix was completely the other way round, but as that mix changes, there is higher margin in the old closed books of business; so there's some margin pressure there, which is purely a mix. The second one is, there are margin pressures across the asset and wealth management markets at the moment. At the same time, our model does help to underpin our overall margin; so we have two downward pressures and one stabilising pressure. So whilst we see potentially some revenue margin pressure, we think overall it'll be relatively stable. Operating margin – I think we've tried to give some guidance on that for you today. I thought we'd given you quite a decent amount of guidance on that. Our operating margin is 32% for 2016; that's after the one-off items that we mentioned. That margin is going to be still under some pressure because of costs of separation, over the next couple of years, so you will see some downward pressure from that; at the same time, we do expect our underlying profit, our underlying margin, to rise as a result of our more efficient operating model, and as a result of scale, as we're putting scale on. So in terms of your second question, Andrew, variable incentives. Yes, variable incentives have risen because our net revenues have risen, and we see that relationship maintaining. What we do expect is that more of our less variable incentive base – our fixed-cost base, will not rise as much as our revenue base rises, but we are in a talent-based business, and we will be very happy to see our revenues – our revenue incentives, or variable incentives as a percent of revenue, we expect that to be flat as a percentage. We don't expect that to rise, but we do expect, as the business grows, you'll see a larger number, because you'll see a larger revenue number.

Bruce Hemphill: Andy, and your last question: our stated intention is to sell that stake down in the market. I don't expect to see a material acceleration in the sale of that stake if we go through 50%. What'll really determine it is the market. You know, if the markets are right, we'll access the markets, as we did in December when there was the bump post-Mr Trump. I think, as and when markets are right, we'll take advantage of them.

Lance Burbidge: Thanks, it's Lance Burbidge from Autonomous. I'm afraid I've got three questions as well. The first two are for Paul. Firstly, you talk about scale and efficiency, and you were actually mentioning OMGI in terms of how fast it's growing, its' FUM to £31 billion. We've seen, earlier on this week, a fairly defensive merger announced between two large asset managers – they'll be 20 times your size, does that threaten you in any way? And then, just specifically on Quilter Cheviot: it looks like they missed out on the Trump bounce on Q4, they didn't seem to have any asset growth other than net flows, so does that have any problems in terms of customers? And then on South Africa, there's a lot of negatives in terms of forward-looking indicators, I guess, in terms of sales, premium growth on the P&C side. I just wondered why your outlook statement is quite so positive?

Paul Feeney: Sure, so Lance, on your first question, do we feel threatened by the Standard Life/Aberdeen merger? No, we don't. We don't usually comment on competitor's activities, but just given the public nature of this, it's clearly a huge institutional asset management merger, based on cost synergies, which is a defensive play against the massive incursion of Passive into the institutional asset management market. That is not our game... not our game at all. I mean, we are manufacturers and providers of wealth solutions. We're multi-asset absolute return high alpha. We play predominantly in the retail, the affluent and high net-worth and the wholesale markets; so if anything, I think it really highlights the difference between our business and that business. And, sorry, your second question was Quilter, in terms of the Trump bounce? Well, you know, following Brexit and everything, there was a lot of caution, a lot of money... our worst quarter was the third quarter, and we've been quite open about that; but our portfolios in Quilter Cheviot were quite defensive during that period of time, and clients were quite happy to be quite defensive during that period of time. We didn't lose clients, and we finished the year with assets under management of well over £20 billion in Quilter Cheviot, which is quite significantly higher than where we started the year. I think it was about a 16% increase in assets under management, so I think we're pretty pleased with that.

Bruce Hemphill: Okay, thanks, Paul. Iain, do you want to deal with the issue of the prospects for South Africa being a little bit too cheery?

Iain Williamson: Sure. First of all, I don't think they are too cheery, and perhaps a few data points around that: if you move around Johannesburg and have conversations with various people including a number of economists, I think the consensus view is largely that the base case economy has bottomed, and that we should see some modest recovery into '17. I don't think we're looking at anything dramatic, but certainly better, and if one unpacks that between the layers of particularly the retail customer base, the lower-middle-income customer has been under intense pressure in 2016, thanks to imported fuel-price inflation, currency weakness etc; and the two biggest components of the lower-middle-income household's basket of expenditure are transport and food costs, which have both been driven in 2016 by drought and by the level of the Rand. We expect those pressures to ease significantly in 2017, so I think that's one aspect; and I think just generally, if one looks at the history of the Old Mutual South Africa business over the last few downturns, we tend to be very resilient through these kind of cycles; and in fact, internally, we have conversations that say that this kind of tough environment tends to favour us, from a competitive perspective. So we're quite comfortable with the way that we've positioned our outlook statement.

Bruce Hemphill: Thanks, Iain. Are there any other questions from... There's nothing from London. Is there anything from South Africa, from Johannesburg?

Iain Williamson: We've got a question here. Larissa.

Larissa v Deventer: Good afternoon. Iain, I believe this question is for you. In your MCEV earnings, there is a billion-Rand adjustment in adjusted net worth that seems to refer to the five fund tax, if I understand the comments correctly. Is that number also included in your adjusted operating earnings number, and is there a recurring element, or should we consider that to be mainly once off?

Iain Williamson: And so, it is included in the adjusted operating earnings, and it's pretty much going to be a one-off item; it's not going to recur in any way going forward from that point of view.

Bruce Hemphill: Okay, thanks Larissa, any others?

Iain Williamson: Yeah, are there other questions here? Bruce, I don't think we've got any other questions here in Jo'burg.

Bruce Hemphill: Okay, thanks Iain. I've got a question from the webcast, which is, "How close is management to appointing a permanent OMEM CEO?" Well, all I'm going to say about that is that we've got a process which is running. The process is working, and we will make the necessary announcement as and when it is appropriate to do so. We have a second question from the webcast. It is, "Please shed some light on the potential listing of Old Mutual Wealth. Given where the GBP-ZAR is, and given that earnings depressed, there is a risk that this is dilutive for South African shareholders?". Well, we've always said that the intention is to complete managed separation by the end of 2018. That is still our plan; nothing has changed, so from a timing perspective, we would anticipate that event occurring during 2018. Clearly the currency plays a role in value from a South African shareholder perspective; we believe that this is a great asset, and that South African shareholders will do well to hold onto this asset, and will benefit from what is a great strategy, well-positioned in a very big market. So we'd be advising shareholders to hold on to participate in this story.

Ingrid Johnson: So I've also got two. One is just regarding your disposals or reductions in our businesses. We've seen the level of corporate activity from Old Mutual Wealth Italy and OMAM, so there's been cash into the group; and the question is, are we looking to invest in that in the future, and will this prove to be a better investment performance than the existing business today? So that is the one question. I have another I'll come back to. I think, importantly, the two listed businesses and Old Mutual Emerging Markets have typically invested and retained capital to invest in the businesses, which has meant, actually, less remittances to the operating holding company. Likewise, from a wealth perspective, you would have seen that fungibility of cash flows that have moved between the Head Office and the underlying business. There, we've actually also lowered the level of remittances as we've sought to invest in the business. That is also, then, fungible with the rest of our activities, and the importance of actually reducing the operating structure that I spoke to, around overall Group net asset value. So, importantly, the businesses will continue to perform and own those investment strategies, and there's less cash actually coming to the centre. The second question was more technical, which was: "With regard to the splitting, what will be the end result of the Old Mutual Limited PLC listing? Will it be the holding company, and if so, will there be separate market listing of the businesses that you hold?" So I think it's important that what we've said is that we're going to have two listings: one for the wealth business, and the other via an SA Topco; and that those will then have their own listings, and probably reciprocal listings in London and Johannesburg, and so the group in its current construct won't actually exist; and so if you look at that together with the question of – you know, you're still not clear about how the businesses will be splitting up and how it will add value to shareholders in the future. Very happy to have another conversation with this person, because effectively, you've got a wrapper of the group as it currently is, that's trapping four incredible businesses; and what we're seeking to do, as I mentioned earlier, is actually separate the group – not spinning off, actually separating the group into its' constituent parts, and then being able to release the businesses from the constraints of the current group construct.

Bruce Hemphill: Okay, thank you, Ingrid. Sorry, we've got one on the phone?

Operator: Thank you, our telephone question comes from the line of Francois du Toit of Renaissance Capital. Please go ahead, your line is open.

Francois du Toit: Hiya. The first question is on the OMGI performance fees, and just in terms... it's at the same level as it was in 2015; I just wanted to get a sense of what your long-term expectation is there? There was no performance fees, as far as I remember, at the half-year stage, so is there also seasonality in terms of that performance fee? And then, a second question relates to the required capital in SA Life. That increased by 2 billion Rand; does that largely relate to your Smoothed Bonus funds and their funding levels? And then, I've got... yeah, maybe if you can just deal with those two questions first.

Bruce Hemphill: Okay, Iain, I think those are for you!

Iain Williamson: The first one's probably me.

Bruce Hemphill: Well, the second one certainly was. I think I'm going to ask Richard to answer that question, actually, if that's okay.

Paul Feeney: So yes, you're right. Performance fees were virtually identical year-on-year, this year about £26 million; and we don't target performance fees, however, I will say we have a book of absolute-return funds now of over £7 billion, all of which attract performance fees. In terms of "not much at the half-year," at the moment, as we're building that book, it's more skewed to the second half of the year. Each new fund that we launch, we're trying to make sure that we spread that more throughout the year; so we're not going to tell you what we think it should be – we don't tell our managers what we think it should be, obviously – but with £7 billion now, if you go back four and a half years ago, that £7 billion was a couple of hundred million, so I'll leave you to do the homework.

Bruce Hemphill: Okay, thanks, Paul. Iain, do you want to deal with the second one?

Richard Treagus: I think I did.

Iain Williamson: Sorry, I think we've answered it, Bruce.

Bruce Hemphill: Sorry, we didn't hear it, so I think Richard might have been speaking, so we couldn't hear it.

Iain Williamson: Was the line not open to London when Richard answered previously?

Bruce Hemphill: No.

Iain Williamson: So the simple answer to the reason why the capital requirements in SA Life have gone up is simply growth in the Smoothed Bonus book, in particular, the corporate Smoothed Bonus book, that's driving the increased capital requirement.

Bruce Hemphill: Okay, thanks, Iain. Are there any further questions from Johannesburg? Nothing? Any further questions on the phone? Thank you all very much for attending. Please join us for a cup of tea. Thank you.