INTERIMS 2017 **TRANSCRIPT**

11 August 2017

Bruce Hemphill: Good morning, everyone, and welcome to Old Mutual's 2017 Interim Results Presentation. Here in London, Ingrid Johnson and Paul Feeney are with me. On the stage and in the audience in Johannesburg we're being hosted by the new CEO of Old Mutual Emerging Markets, Peter Moyo.

Before I move on, let me just check that the IT is working. Hello, Peter, can you hear me?

Peter Moyo: Hi, Bruce, how are you doing?

Bruce Hemphill: Yeah, good, man. So, you can hear me?

Bruce Hemphill: Okay. Well, it seems like there are a few glitches, but it looks like it's working. I'm sure the IT people can sort it out while we carry on.

This morning I'll give a brief overview of performance in the first half, Ingrid will take you through the financials, Peter and Paul will talk about their respective businesses, and I'll round up the business review section. Then after a few final comments we'll take your questions.

So, let me start. I told you in March that this year was about hard work and management action, doing the things that we said we'd do, not all of which would be immediately apparent or visible to you. And today I really have two simple messages – that financial performance in the first half was resilient and in line with our expectations, and that we've made meaningful progress and are on track with the delivery of managed separation.

In terms of performance, the momentum from the second half of last year has continued and it really was a story of two parts: good performance from our northern hemisphere businesses, Old Mutual Wealth and OMAM; whilst our southern hemisphere businesses, OMEM and Nedbank, were relatively flat in constant currency, but are holding up well in a really challenging operating environment.

Resilient business performance helped by favourable currency market movements – added up to a good overall reported result. Adjusted operating profit up 37%, earnings per share of 10.6 pence, £10.9 billion of adjusted NAV, and a first interim dividend for shareholders of 3.53 pence per share.

Turning to the managed separation, we are making excellent progress on some of the deeply unglamorous pieces of work that need to be done, and the businesses are getting in shape for independence. The rest of the team will touch on this in their presentations this morning and will go into more detail at the capital markets days that we're planning for the fourth quarter.

Essentially, we've materially reduced debt, made operational cost savings, realised non-core assets, and converted uncertain NAV into certain cash. We are therefore confident that we have sufficient financial resources to execute our strategy. We now have to ensure that the businesses have appropriate balance sheets at the point of separation and are able to fund their future growth and meet their regulatory capital requirements.

Clearly this is a key priority for Ingrid and Rob Leith working with the businesses over the coming months. It'll take some time to conclude this work, and we therefore need to be conservative with cash in the near term.

The prize at the end of this process is that we'll deliver to shareholders strong businesses without the drag of the plc wrapper. We're well into the process of engaging with our regulators and other stakeholders, we're having a good ongoing dialogue with them, and we've filed for the majority of the regulatory approvals which we require. So far, so good. But as you know, regulators have to work through their own specific processes, and the timing isn't entirely within our control.

In terms of separation, we've delivered on a significant milestone in that OMAM is now independent. Our next step will be the listings of Old Mutual Wealth and the new South African holding company, Old Mutual Limited, which we expect to complete in 2018. We also expect to close the London head office in 2018. So far, we've successfully dealt with – to coin a phrase – the known knowns, the known unknowns, and even some of the unknown unknowns. There will be others. That's the nature of the process that we're going through, and the increasingly uncertain world in which we live, but I'm confident that we'll be able to deal with them as and when they arise.

We said at the start that execution of the strategy would require us to balance value, risk, time and cost and the interests of a diverse set of stakeholders, and that's what we're doing. We're doing the right things in the right way and we're moving at pace because quite simply, the longer it takes to wind down the current structure, the more it will cost and the longer it will take for shareholders to reap the benefits. We're on track for material completion by the end of 2018, and at this point I'll hand over to Ingrid to take you through the financials.

Ingrid Johnson: Thank you, Bruce, and good morning to you all. In my presentation today I will talk about growth in operating profit and cash, I'll review our adjusted net asset value and how we have converted uncertain NAV into more certain cash. I will talk about the inextricable links between cash, capital and debt, and I will remind you of our conservative and flexible capital management policy.

Let me begin with the income statement. My colleagues will speak about OMEM and Old Mutual Wealth, and Nedbank and OMAM have already announced their results. So, I will focus on those costs at the plc head office. We've materially reduced debt and finance costs of £35 million in the first half were £10 million lower than in Half 1 2016. We've halved the number of staff at the head office and transferred to the businesses some of the costs previously incurred on their behalf. As a result, plc corporate costs before recharges at £30 million were £12 million lower than in Half 1 2016. Other net shareholder income was £2 million. The prior year figure included £18 million of unrealised foreign exchange and fair value gains. Some of those gains have in fact been realised during this half. Tax of £266 million reflects a higher effective tax rate, largely an earnings mix and currency effect. Profit attributable to non-controlling interests rose to £197 million including the impact of our sell down of shares in OMAM. Total AOP post-tax and non-controlling interest was £506 million and earnings per share were 10.6 pence.

The second half of the year is likely to be tough given the challenging macro. The businesses remained resilient but remember that half 2 2016 was particularly strong. Therefore, absent another currency benefit, our performance on a reported basis in Half 1 is unlikely to be repeated to the same extent in Half 2.

Post-tax IFRS profit was £531 million. A full reconciliation to AOP is included in my Group Finance Director's report but movements that I would like to highlight include £108 million of profit on sale of OM Asset Management, £130 million of intangibles, of which £71 million is impairment of acquired goodwill in relation to OMEM's East Africa business largely due to methodology changes consistent with the simplified operating structure, and £28 million of one-off managed separation and business standalone costs which are now taken outside of AOP.

Moving on now to cash. Our businesses are efficient at converting profits to cash generating £500 million of free surplus in the period equivalent to 89% of our share of AOP. £219 million equivalent to only 39% of AOP was remitted to the plc. You will see in the table that we are not stretching OMEM or Wealth in terms of their remittances. The majority of their free surplus is available to them for investment in business readiness preparations and to further increase their capital strength and build future dividend paying capacity. The remittance from Nedbank is our share of their cash dividend paid and the remittance from OMAM includes £35 million in respect of the DTA and £5 million from dividends. Future remittances from OMAM will reflect our lower shareholding.

Looking at how we use these remittances, we see here the effectiveness of our capital management policy. Our operational flows in the first half were close to balanced: We aligned our plc ordinary dividend to our South African sourced receipts and hard currency receipts largely covered central operational costs in the period. Net capital inflows were £144 million with a lot of moving parts, some of which are highlighted in the slide in the table on the right. The plc closing cash balance at 30th June was £860 million.

Looking ahead though, we need to continue to meet our ongoing obligations within the current group structure and we need to fund the cost of the execution of our strategy. We will increasingly be using plc cash in order to meet those demands. Let me expand on that and look at the outlay to date for managed separation including the resolution of plc pre-existing items. I'll work from left to right on the slide.

We've incurred £32 million of one-off costs for actions to wind down the plc head office and to prepare the businesses for independence. We've spent £27 million on one-off transaction advisory costs. We've made a payment of £27 million to remove future liability for two defined benefit pension schemes which had a recurring cost to us of around £7 million per annum. Further cash demands for these three items will be in line with the previous guidance as shown on the slide.

Then as highlighted in our AGM Statement, we've begun the process of transitioning centrally held liquidity buffers and cash to the businesses. We've transferred £200 million of capital into Old Mutual Wealth which has previously been run as a subsidiary of the group, but now needs to stand alone. We need to complete our work on the balance sheets to determine the level of any further requirements for either Wealth or OMEM.

So, having shown you that side of the equation, let's now look at what Bruce has referred to as the prize. Our objective is to deliver greater value to shareholders than is possible through the existing group structure. One way of looking at that is to consider the NAV which on an adjusted group basis at 30th June was £10.9 billion. There is tremendous underlying value sitting within our businesses as shown by the three blocks at the top of the chart. Our intent is to distribute that value directly to existing shareholders via the listing of Old Mutual Wealth potentially with an IPO element and the new South African holding company, Old Mutual Limited. Note that Nedbank, the middle of those blocks, is shown at market value which in sterling has actually fallen by 12% since the start of the year.

In order to deliver the prize, we need to realise and resolve, where appropriate, the value sitting in the bottom three blocks of the chart which we refer to collectively as the residual plc adjusted NAV. This totalled £406 million at 30th June and we are confident in our ability to realise that value so as to meet the demands described earlier.

Let me explain. You can see here how the residual plc assets are developing and as we've converted uncertainties within those assets into more certain cash while preserving value. We've reduced our FX and market exposures, for example, we've taken a dollar and market related store of value from our ownership in OMAM and converted it to sterling. We've begun to monetise the OMAM deferred tax asset deed and are winding down our seed portfolio, both of which were mainly dollar denominated.

So, we've seen OMAM, the orange block on the chart, decrease as a component of NAV. The cash balance, which is the darker blue block, has actually increased as shown on my earlier slide. We've then used the cash proceeds of our activity to progress our strategy, the larger part being to used to reduce debt and transition liquidity buffers to Wealth.

Our actions have materially reduced downside risks and generated plc cash creating a strong and more certain base for us to complete the unwind of the group structure.

Turning now to capital. Solvency II will remain important to us until the managed separation is complete as for regulatory purposes we are still regarded as an EU based group. Post separation our businesses will operate in different regimes where the local regulator will be become the lead regulator. So, let's look at what lies beneath the group position.

First, we have £2 billion worth of capital resources which are not recognised in the group Solvency II surplus. The majority of this relates to loss-absorbing] surplus in South Africa. The South African businesses continue to show resilience under their regimes of Basel III and the incoming SAM Group reporting regime.

Then within the recognised surplus of £1.7 billion we have centrally held cash for liquidity buffers and the Wealth surplus which is resilient within the group construct. We must ensure this continues and that Wealth has an appropriate balance sheet as an independent business operating within both the Solvency II and ICAP regimes.

Looking at the sources of group own funds at 30th June, roughly £1 billion of the total group surplus is in effect underpinned by plc Tier 2 debt. Hence, there is an inextricable link between debt, cash and capital. As we have executed our debt reduction activity we have been mindful that using plc head office cash to redeem debt reduces both group owned funds and the Solvency II surplus essentially on a pound for pound basis. As we continue to review the options for our capital structure there is clearly a trade-off to be considered between Solvency II where we could accept the possibility of going below our early warning threshold of 120% and as flagged in our AGM Statement potentially retaining debt in Old Mutual plc after the point of separation.

As I've illustrated, we are generating cash with increased certainty yet there are demands on that cash and we need to use the full flexibility of our capital management policy during this period of transition. Our first interim dividend for 2017 will be 3.53 pence per share. Importantly, this has been set arithmetically in line with our capital management policy at a cover ratio of three times AOP earnings in the first half of the year. It therefore reflects the currency benefit to reported earnings and is not a guide to the full year. As usual, the board will consider the dividend position after the year end. We currently anticipate that for the full year 2017 our dividend will be towards the upper end of our 2.5 to 3.5 times cover range.

So, in conclusion, we delivered a good reported financial result in Half 1 17 with resilient operational performance and favourable currency movements. We've taken a number of actions which have increased the certainty of cash at plc enabling us to execute our strategy from a position of increased financial strength. We've chosen to be conservative with our cash in the short-term to give us flexibility to unwind the group structure and make sure that the standalone businesses have the financial resources which enable them to invest in growth, meet their regulatory requirements and sustain future dividend paying capacity.

That concludes my presentation this morning as I hand over to Peter in Johannesburg. Thank you.

Peter Moyo: Thank you, Ingrid and good morning, everyone. My name is Peter Moyo, I'm the CEO of OMEM and the incoming CEO of Old Mutual Limited. I'm sure most of you are keen to get a sense of my early impressions and outlook since returning to the Group, hence I call this my second impressions. Quite clearly, we are operating in a very tough environment with weak economic growth in South Africa and in parts of Sub-Saharan Africa. We need to play to our strengths and fight for every inch of ground in delivering results for our shareholders. When I look at the business, I see some clear and powerful features.

Firstly, Old Mutual is a benchmark brand that means trust and integrity. It's particularly priceless in developing economies. Secondly, we provide a full spectrum of offerings and financial services and because of this, with local adaptations, we have a great opportunity to build on our Sub-Saharan franchises. Thirdly, Old Mutual plays a crucial role in African society through, amongst other things, being a champion of financial inclusion and the responsible investment of our customer funds. Lastly, this is a strong business with good capital strength even under significant stress scenarios. I'd like to briefly take you through the numbers before spending some time talking through the key battlegrounds we have identified. These will form the core operational priorities over the medium-term.

OMEM delivered modest profit growth for the half year despite the macro economic conditions and regulatory headwinds encountered in many of the markets within which we operate. Consumers are under strain, and as such, growing the top line has been challenging. Gross sales were fairly flat whilst our net customer cashflows, although positive was lower than the previous period. Funds under management are up 12% from the 2016 close, remaining above the R1 trillion mark. We maintained strong and resilient capitalisation converting 86% of our profits to cash.

Moving now to more detail on our South African business, this is really the engine of our business and it has consistently generated good returns. The newly rebranded Old Mutual Insure business delivered a significantly improved underwriting result with an underwriting margin of 2.3% despite a material increase in catastrophic losses over the period. Our Corporate profits grew as a result of improved group risk underwriting and high investment earnings which are supported by price remediation and claims process improvements. Our Mass Foundation Cluster business continues to do very well. The overall result was, however, held back by the significantly lower Old Mutual Finance profits following the implementation of the DTI interest rates caps. The Retail Affluent businesses, the largest profit contributor, was down on the prior year due to lower asset based fee income and lower annuity investment earnings against subdued markets.

I'm pleased with the management of our central costs which demonstrates that we can target a lower cost to income ratio by delivering below inflation expense growth. Our long-term investment return was down given a lower asset base following the shift of assets from our shareholder funds to our policyholder funds in the previous year.

Moving to our businesses outside of South Africa, those businesses have continued to perform very well in constant currency. The Zimbabwean business continues to demonstrate resilience through particularly tough macro conditions. Both our life and savings and asset management operations benefited from the strong local equity markets. Our businesses in East Africa have performed significantly better than the prior year reflecting improved experience in the property and casualty business and lower new business strain in Kenya. Despite this, we took a 1.2 billion write-down on goodwill. This was primarily due to the realignment of the goodwill methodology with the revised operating structure in the rest of Africa portfolio.

Our business in Latin America and Asia continues to deliver growth and benefited from higher investment returns. If we look at our embedded value results with a lower VNB given the lower sales, however new business margins have held up very well. Our return on embedded value remains strong at 12.8% despite embedded value earnings being down.

Now, I'd like to talk about how we make the business fit for purpose in an environment where in the short-term it is challenging but in the medium to long-term the outlook is growth positive.

Together with the leadership team we've identified what we call our eight key battlegrounds. At the core, they fall into three buckets, the first bucket being consolidating our position where we are market leaders.

The second bucket being improving our value proposition. We have fallen behind and need to reclaim market share and delivering clear turnaround initiatives in key businesses that are underperforming ensuring that we have a fit for purpose infrastructure that enables us to deliver on these objectives.

So, those eight battlegrounds are the first one being defending our South African share in our Mass business and in our Corporate business. We have good market share in our Mass Foundation Cluster and Corporate businesses. We intend to continue growing these businesses.

Then it's defending and growing our share in the personal finance market. We need to improve our market share and reclaim our leadership position in the

South African personal finance market. We have a core competitive advantage in this market. We have the biggest advisor force but we can utilise it more optimally. The returns derived from our sales and distribution force need to be improved. We need to focus on our advisor productivity and their case sizes. We also need to ensure that we have the right customer and intermediary propositions for our people.

The next big thing for us is improving the competitiveness of our wealth and investment cluster. You'll have noticed that we've combined these two complementary businesses. We have a large investment business covering all the asset classes. The performance of this business has been improving and with it the confidence of our sales force in marketing the offering to our clients. We need to get the indexing of our share in the books of the IFAs right. This, in turn, will help us grow our wealth business.

We will continue to deliver on the turnaround strategy of Old Mutual Insure which has made significant progress. Critical to this turnaround is the continued remediation of our book and ensuring we have sound claims management and underwriting processes.

The fifth big thing for us is turning around our East African businesses and improving the ROEs across the rest of the continent. In East Africa, we continue to face challenges, both from a macro and execution perspective. However, we believe in the market opportunities on the continent and we see it as a long-term journey which we remain committed to. We have noted improvement in the business performance albeit over a longer timeframe than what was anticipated at acquisition. It is clear that we need to work hard on our underwriting and the quality of our book in the Kenyan market. The property and casualty business is a large part of the book in that market and the lessons that can be taken from the turnaround of Old Mutual Insure in South Africa. We have cleaned our health book to a large extent, focusing on the unprofitable schemes, and going forward, only profitable schemes will be retained. This discipline is slowly being embedded in the rest of the business. More importantly, our priorities will focus on continuing to work together with our strategic partners to deliver the commercial opportunities we see in East Africa. In the rest of the continent we continue to be very cautious in the way that we deploy capital.

The next big thing for us is winning the war for talent. For too long we have been known as the group that is the provider of talent for the rest of the industry. We therefore need to ensure that we strengthen our bench below the executive team. The group has already started the process of strengthening our board and our leadership team making sure that we are ready for listing. Mike Ilsley will be joining the team as the CFO of OMEM and CFO designate of Old Mutual Limited and brings a depth of experience in a listed environment. We have reorganised our management team to play each of our people to their individual strengths. I'm confident that we have the right team to execute on our strategy.

The seventh thing is really refreshing our technology offering. We have been on this journey and we continue to refresh our technology.

Lastly, being leaders as far as cost efficiencies are concerned. We will focus on leadership and cost efficiency. For the size of the player we are we believe we should be taking advantage of our size as far as cost efficiency is concerned. It is therefore important to reset our cost base.

Ladies and gentlemen, in closing, we have the right strategy, we have a strong management team, and a great business and great brand. However, we need to focus on the discipline of execution. As we prepare to be an independent company to properly position ourselves to capture the market opportunity we must use our scale and sweat our assets more effectively. Overall, conditions are likely to remain challenging in the second half. However, the diversity and breadth of our business positions us very well. We are gearing ourselves to drive hard on the sales whilst managing our costs but we also need to make sure that we deliver quality profits.

Thank you very much. And over to you, Paul, in London.

Paul Feeney: Thank you, Peter. And good morning, everyone.

I'm going to review Old Mutual Wealth's performance in the first half of 2017.

I'm pleased with our performance for the first half. We've made strong progress across all fronts, from NCCF where in buoyant but uncertain markets we were up 53%, to building out our distribution footprint where we completed on our acquisition of Caerus. And, of course, we're working hard on managed separation and expect to complete our preparations by the end of 2017.

Following our announcement in May, which you'll recall, our platform and transformation relationship with IFDS and DST came to an end by mutual agreement, and we contracted with FNZ for the delivery of our new UK platform. The transition has gone well. We are now deep in the planning phase and will provide a further detailed update in Q4. I'm pleased with how smoothly the transition was achieved.

So, a good period of progress. Let's look at it in a bit more detail. As you can see, we saw improvements across all key metrics. Let me highlight the really important points.

Firstly, AOP is up by 29%. This includes the benefit of £17 million of performance fees whereas we had none in the first half of last year.

Secondly, our operating margin was up two percentage points to 30% as a result of those performance fees.

Thirdly, we delivered net client cash flows of £4.9 billion. That is 11% of our opening funds under management for the invest and grow business, growing well in excess of our 5% target.

So, these three points demonstrate that our model is working for us, for our intermediaries and, most importantly, for our customers.

Now, let's look at how we delivered these net client cash flows across our invest and grow businesses. This is my favourite slide because it shows that our model is working. All the invest and grow businesses have contributed to our strong net client cash flows with some great performances, including impressive growth in our multi asset solutions business with net flows increasing to £1.6 billion compared to just £300 million last year. This was driven by strong sales into Cirilium and WealthSelect, our flagship multi asset propositions. And I should say here that over 90% of multi asset flows came to us either from Intrinsic or via our UK platform.

On the single strategy side within the overall £2.2 billion of net flows, GEAR continues to be extremely popular with £1 billion of net sales, and again, it has delivered robust investment performance. UK platform net flows were up 50% largely driven by our pension proposition which is specifically designed to meet our customers' retirement needs.

And there were good contributions from international and Quilter Cheviot. Notably we are seeing encouraging early flows from the Private Client Advisor business into Quilter Cheviot. PCA is now one of QC's largest sources of new business. The key point is that integrated flows have tripled to £2.2 billion. You will recall we have spoken about the importance of integrated flows before. And what we mean by these are flows from one part of our business into another. That is why I've highlighted on the right what Intrinsic has done for us generating 33% of OMGI's net flows, 29% of UK platforms flows and 17% of Quilter Cheviot's flows. However, before you start extrapolating for your models, I should remind you that we tend to see some seasonality in our flows around the tax year end. We also know that retail investor sentiment is influenced by general market conditions and therefore we remain cautious on the sustainability of this level of flows.

Now, moving onto look at our profits generated from all of this activity. AOP increased by 29% to £134 million driven by strong revenue growth which more than offset the cost headwinds. You can see the breakdown of profit by business on the left-hand side of this slide. The UK platform was up by 43% to £20 million driven by increased funds under management. OMGI, supported by performance fees, had strong revenue growth and had doubled bottom line profits. QC has seen more restrained performance largely due to revenue margin attrition from lower commission income and an increase in regulatory, people and IT costs for the implementation of the new Figaro system.

International had remained broadly flat on a reported basis, but on a like for like basis, that is stripping out the South African branches from the comparator, profit would have been up by 14%.

On the right-hand side of the slide we show you a view of our underlying profit growth. This grew by 16% from £116 million to £134 million. You get this by adjusting 2016 for the profits from Italy and the South African branches. That's the corporate activity impact of £16 million that you can see here, as well as the one-off heritage fee restructuring and other one-offs which you'll recall from 2016.

We achieved this strong profit increase despite an increase in expenses of 17%. We have deliberately provided quite a lot of detail on these in the business review document, but I want to go through the core drivers of the business performance from an operational point of view now.

So, when we stand back and we think about the business and where we are, we have a number of tailwinds which drive top line growth, but also some headwinds which constrain our ability to fully translate that revenue into profit over the short-term.

Let me start with tailwinds. These are both external and internal in nature. Externally, clearly buoyant investment markets worked to our advantage increasing our funds under management, and with increased investor confidence usually comes stronger flows. Internally, we are now starting to benefit from our investments in distribution, yielding revenues across the business as a whole. As we have already seen, Intrinsic contributed 33% of OMGI's net client cash flows in the first half. Added to that our integrated business model allows us to manage some of the adverse revenue margin impacts that arise as a result of evolving fee structures, changes in business mix, and regulatory driven cost increases.

Against these you have the headwinds. Like our peers in the industry, we are not immune to competitive pressures in the individual parts of our business, but because we have multiple touchpoints in our chosen markets, we are better able to manage our overall margin. As we grow the business we also have business development costs. In some cases these are where we are investing in the expectation of revenue growth in the future. And in other cases these are costs directly connected to the growth in revenue.

And then there are business improvement initiatives. We are building this business for the long-term, and the delivery of attractive sustainable returns to our shareholders. That means up to but also well beyond listing and separation from the group. That means investing in the functions that we need to be independent and listed and, to some extent, correcting periods of under-investment.

We've also go to invest to comply with an ever-changing and increasingly complex regulatory environment, for example, complying with MiFID II and GDPR. Furthermore, as we highlighted in our 2016 prelims, we anticipate recurring costs of becoming independent and those will really start to come through in the second half and into next year.

So, let me conclude. Our strategic ambition to become a leading advice-led wealth management business is unchanged. We are providing what our customers need – sound, insightful advice from people they can trust, transparent, diversified retirement and wealth solutions. And ultimately great service. We have positioned ourselves well to target attractive underserved parts of the markets, and this approach is yielding real benefits for us. We have the right diversified resilient business model to deliver sustainable returns to customers and shareholders alike. We are looking forward to telling you more about it in Q4, so with that, thank you and back to Bruce.

Bruce Hemphill: Thanks, Paul. You've now heard from Peter about OMEM and from Paul about Wealth and you will have seen the results for OMAM and Nedbank which were published last week. These are four strong businesses that we'll deliver directly into the hands of the shareholders. We'll deliver them in great shape as assets that I'm sure you'll want to own. So, let me share with you how I see them.

Old Mutual Emerging Markets delivered a respectable result in a difficult market and although top line growth is challenged, AOP was broadly flat. The management is doing the right things and taking decisive actions to drive enhanced business performance and prepare for independence. You heard about this from Peter. They've repriced the corporate book which produced a 20% increase in profits, they've improved the underwriting margin in the South African P&C business, they've restructured the East Africa business which is starting to turn around, and they've focused on cost control with non-commission expensive up only 1%.

This business has delivered consistently for many years, but if I'm honest, in the plc wrapper, I don't think it's really used its strengths and capabilities to deliver the performance at the level shareholders could and should have seen.

We strengthened the board and the management team, the board under the new leadership of Trevor and management under the new leadership of Peter alongside Mike Ilsley as CFO and Ian Williamson as COO will be much more focused on delivering better returns for shareholders through more efficient and tighter capital allocation, aggressive cost management and more effective execution. Importantly, Peter recognises that a step change in cost management and efficiency is urgently required. I have no doubt that he will deliver and that performance will ratchet up a gear producing higher value and cash for shareholders in the future. This is a great asset with a strong position in its core markets and the opportunity to grow in Africa. It delivers consistently in good and bad times and offers access to long-term growth in emerging markets financial services.

Turning now to Old Mutual Wealth, which delivered a decent first half performance buoyed by good markets and performance fees, this business has continued to invest in distribution and reflecting this NCCF performance in the period was outstanding in what is still a very difficult environment for financial services. It's encouraging to see the rapid rise in integrated flows and the impressive growth and flows in the multi asset business.

I'm pleased that at last management has got a grip on the platform transformation programme and the way forward is now substantially de-risked. The business has taken considerable steps in preparing for independence and many of its functions are now independent of the plc. The management team and board have been reshaped and strengthened and I'm pleased to welcome Tim Tookey as CFO with his considerable listed company and financial service experience. Tim will join us on the stage later for the Q&A session.

The business has an excellent position in a vast wealth management market. Over 10 million individuals with between £50,000 and £5 million of investable wealth. It's a market that is growing rapidly and is supported by demographic trends as UK baby boomers move into retirement. Wealth has the building blocks it needs in order to tap into this massive opportunity and as it increases scale the opportunity to improve dramatically on its operating leverage.

Under Glyn's chairmanship and with the management led by Paul and Tim, I expect to see a more aggressive focus on enhancing returns to shareholders reflecting the substantial investments that have been made over a number of years.

Moving now to Nedbank, which delivered a satisfactory result in a very challenging environment, as you've seen from the peer group, top line growth is challenged but Nedbank is doing the right things and delivering growth in its core markets. Its managed operations are producing good earnings and returns in South Africa but its reported result overall was depressed by ETI losses.

There are essentially five keys things that I think matter for a bank. One, a strong capital base and Nedbank has a common equity Tier 1 ratio of 12.3% and a net stable funding ratio of over 100% on a pro forma basis. Two. Good returns on equity, 18.9% ROE excluding goodwill and ETI is extremely competitive. Three. The credit loss ratio, and Nedbank is market leading in this regard. Four. Origination which is slow given the economic environment but which Nedbank is maintaining at very high quality, and five, efficiency of cost management which Nedbank is now really focused on.

To emphasise the point, management is implementing a new operating model which will generate R1 billion of benefits by 2019.

They have to create value from the ETI relationship. Governance has been strengthened, Nedbank now has an additional seat on the ETI Board and has assumed the chairmanship of the Risk Committee. It is looking increasingly likely that the worst is behind them on ETI and it will start delivering from next year, which if true, will clearly deliver a significant benefit to shareholders. As I've said before, Nedbank is a good business, it is well-run with good risk adjusted returns, a really strong core banking franchise, and the ability to grow in its home market and West Africa. It's a good bank for us to own now and for shareholders to hold directly in due course.

Turning finally to OMAM. Profits were up year on year and the Landmark acquisition is performing well making a positive contribution in the period. While flows in the period weren't as good as we'd hoped, crucially the mix of outflows and inflows were still positive for margins with strong flows and alternatives and global non-US products. Peter Bain did a great job in reshaping OMAM creating a strong foundation and delivering its listing on the New York Stock Exchange. We've realised some £1.2 billion from the completed and contracted sales of our shares. The business is well positioned for growth with its multi-boutique profit share model and now needs to move to the next stage of its development, and under the leadership of Jim Ritchie whose insights and business acumen are simply outstanding it is in excellent hands while the CEO search process is in train. With a new CEO and Jim as

Chairman it will continue to focus on earnings growth whilst improving its cost base to deliver better returns and higher value for shareholders.

I'll bring things to a conclusion now and then you can ask your questions.

Let me remind you why we're doing the managed separation. The plc structure was unsustainable and doing nothing was not an option. We're removing that structure and releasing the value trapped within it through head office overheads and the conglomerate discount. We're creating additional value by taking the shackles off our businesses and enabling them to achieve their full potential. The foundations for enhanced business performance are now being laid. Essentially, we're giving the assets back to shareholders in a more efficient and higher value form consistent with the way in which regulation is clearly moving.

Those assets will be appropriately capitalised, governed, managed and regulated. They'll be tasked with delivering increased value to shareholders and will be directly accountable to them. There's a cost for shareholders in the short-term, as you heard from Ingrid earlier, but at the end of the process they'll be able to hold these assets and they'll be able to hold the assets they want to hold and these assets will be appropriately valued.

So, to summarise. Our businesses are being driven hard and demonstrating strength and resilience against a background of macro volatility and for our southern hemisphere businesses conditions that are particularly tough. Profit growth was respectable and underlying cash generation was good. We've made substantial progress on the managed separation and business readiness preparations are well advanced. We're engaging with our regulators and our stakeholders and so far, so good. You've heard from Ingrid about the actions we've taken to reduce uncertainties as we wind down the plc structure. We're comfortable that we have sufficient financial resources to execute our strategy but we still have to finalise the balance sheet requirements of OMEM and Wealth for their independent futures, and in the meantime, we need to be conservative with our cash.

There's a lot still to do, but we have the right strategy for creating enhanced value for shareholders. We're doing what we said we would do and we're on track for delivery in terms of cost and time with the material completion by the end of 2018. We look forward to talking to you again at the Capital Markets Days in the fourth quarter. Thank you very much for your attention. We'll now move into Q&A taking questions from our audiences in London and Johannesburg as well as those on the phones and the webcasts, but before we start, Greig, I'm going to ask Tim Tookey – Wealth's new CFO to join us here on the stage.

Welcome Tim. Thank you.

Tim Tookey: Thank you.

Bruce Hemphill: Right, Greig, you had your hand up as I was trying to wrap up, so I guess we better get the microphone to you first.

Greig Paterson: Thank you very much. Morning, Greig Paterson from KBW. Three questions. One is, I'm just trying to understand the sort of probability and quantum of a possible return of cash at the end of this process, I mean, considering that you have to invest, you've the debt, the £700 million debt, you've got to inject, I assume, some liquidity buffers into the head office in OML, etc, so just if you could chat about that.

The second point is I note – I think it was Slide 14 – the £566 million plc capital funding of Old Mutual Wealth. Just explain exactly what's going on with that, whether that's some kind of residual liability that Old Mutual Wealth will have to sort out by debt issuing or something.

And the third question – also on Old Mutual Wealth – I mean, given your current performance in terms of league tables versus benchmarks, what's the sort of expectation for performance fee for the second half of the year in terms of sterling million.

Bruce Hemphill: Okay, thanks Greig. Three questions – I'll take the first one, Ingrid, I think you can take the second one.

Ingrid Johnson: Yeah.

Bruce Hemphill: And Paul, you can take the third one.

Paul Feeney: Sure.

Bruce Hemphill: So, the first question is you want to know if you're going to get paid a special dividend? Well, I'm not going to get into that discussion. We've made it very clear that we need to convert uncertain NAV into certain NAV, we've started that process, we've been very clear that there are cash requirements as we go through this process. We are still in the process of finalising the Day 1 balance sheets for Wealth and OMEM, and so it would be entirely inappropriate to speculate on that at this stage. Right. Can we move, Ingrid, to the second question.

Ingrid Johnson: The second question on intercompany funding. Clearly what we've said is we run our subsidiaries on a group basis and Wealth was a particular beneficiary of that and what we now need to do as part of developing the balance sheets is assess those intergroup arrangements and assess what is best in the interests of the underlying business to position their capital structure for the future, so that's part of the work to still complete.

Greig Paterson: So, they have a liability?

Ingrid Johnson: Yeah, so it's part of their capital structure.

Greig Paterson: Via equity or debt, I assume.

Ingrid Johnson: So, that's part of the work that we need to do, it's worth, the business is worth an adjusted NAV of £2.6 billion, and therefore what would be the capital structure.

Greg Patterson: Presumably you've created an intercompany loan?

Ingrid Johnson: Yeah.

Bruce Hemphill: Yeah, okay, so we'll resolve that as we sort out the balance sheets. Right, Paul, the third question.

Paul Feeney: Yeah, thanks Bruce. So, first of all, Greig, the first point to make is we never plan for performance fees. We had £25 million performance fees for the full year last year, we've had £17 million in the first half of this year. That's a very strong result. I wouldn't necessarily plan for the same again. So, that's probably what I'd say on that so far.

Greg Patterson: Less investing?

Paul Feeney: Well, we can swap our – we swap over in respect of our crystal balls, but I think, you know, we had £25 million for the full year. We don't plan for them - £17 million in the first half this year – we didn't have any in the first half last year, so that's a good performance but I think if we are looking at your model I wouldn't necessarily put in the same again.

Bruce Hemphill: Okay. Thanks, Paul.

Lance Burbidge: Morning, it's Lance Burbidge from Autonomous. A few questions on Old Mutual Wealth. First one on UK pension sales – they were very strong in the first half. Can you say how much of that was from DB to DC transfers and if you have any concerns over the compliance issues there?

The second one on expenses. Can you give a sort of very high-level view as to where you are now, and I appreciate obviously there's still things in terms of the platform, but how much is fixed and how much is variable, so how much operational leverage would we see as revenues rise?

And then thirdly on the multi asset funds in OMGI, how much is fund of funds and how much is internally constructed funds?

Bruce Hemphill: Okay, thanks. Paul, I think maybe the first question is yours and then maybe the second one is Tim, and the third one I think is yours again.

Paul Feeney: Okay. So, UK pension sales. Yes, certainly we benefited a bit from the DB to DC – not as much as you might imagine. In terms of compliance concerns, I would say first of all anybody – this is a big decision – anybody who's moving from DB to DC should get advice. Anybody. At the same time, we only accept business – DB to DC business – on the following basis. One is it has to be advised. Secondly, if someone has taken advice and the advice is don't do it, but they insist on going ahead, we don't accept it. Thirdly, every piece of DB to DC advice through Intrinsic is pre-vetted by our business assurance managers before that advice is given to clients, and in our UK platform again, we don't accept what we call insistent clients, clients who either haven't taken advice or have gone against advice. So, at the same time though, pension freedoms are pension freedoms and we've seen some benefit from that. Platform fixed versus variable – this is the existing platform, obviously, so Tim?

Tim Tookey: Yeah, so as you're rightly thinking about it the costs are moving around, Lance, as you say, I can't even see you – there you are, you're over there. We've given quite a lot of information how costs have moved in the first part of the year, but I want you to understand that there's a large amount of focus which goes into the cost and the cost base particularly in this period of transition as we prepare for managed separation. And although it's not something you can see, the costs that we've incurred in the first half are actually pretty much in line with our own internal expectations. Some of that cost increase is coming from the costs that are coming down what I call from upstairs that are being transferred, and that's in line with the guidance that

Ingrid gave back in March at the time of prelims. And other parts are set out in quite a lot of detail in the BRD and I can get into specifics if you like.

In terms of fixed versus variable, that's not something we've spoken about, it's not something we're guiding on, but if that's something that's of interest, then I can take that away and think about whether we address that more directly when we get to Capital Markets Day in the autumn. What I would say is if you think about how costs interact with revenue then we've again reiterated today thoughts around operating margins guidance, short-term and medium-term, and I don't see that changing from anything that we know today.

Paul Feeney: Okay, back to the third question, Lance. Multi asset – how much was fund of funds versus – I think you mean model portfolios? Yeah? About two-thirds/one-third – two-thirds fund of funds, about one-third model portfolios. That won't be exact, but it's close enough.

Bruce Hemphill: Thanks both. I think you were first, yeah.

Marcus Barnard: Marcus Barnard from Numis Securities. Can I ask about the future of the heritage life funds within the Old Mutual Wealth, I mean you've talked about recapitalising the subsidiaries. Clearly, you've got some capital in those life books that could be released. Could you talk about just the benefits of releasing the capital versus the benefits of retaining them. Thanks.

Bruce Hemphill: Thanks, Marcus. Paul?

Paul Feeney: Yeah, sure.

Paul Feeney: The heritage businesses are, you know, it's part of our business. We manage it, you know, the clients in there are extremely important to us and they get the right outcomes from us. You can absolutely expect that we'll go to our listing with that business. And then down the line we'll think again.

Bruce Hemphill: Right, thanks Paul. Yeah?

Alan Devlin: Thanks. Alan Devlin from Barclays. Two questions. First maybe for Paul, just to follow up on the DB to DC. You said the flows weren't as big as we may imagine. Is that because you are holding them back because of the compliance concerns? You referenced or you've given the size of potential market you see those picking up in the next couple of periods.

And then maybe a question for Bruce. You know, obviously, you've mentioned the hard – the tough macro environment in South Africa. You know, how should we view that going into H2? The environment and how that impacts your South African businesses. Thanks.

Bruce Hemphill: Yeah, sure. Paul, do you want to deal with …?

Paul Feeney: Sure. So, first point. DB to DC – well, I think there is a secular trend generally on DB to DC, particularly with the extent of gilt yields at the moment, it's not surprising that we're seeing the multiples we're seeing. For us it's all about good customer outcomes generally. If we believe it gives a good customer outcome and we believe that the advice is correct, we'll accept it. If we don't, we won't.

Bruce Hemphill: And then the second question was how do we expect the macro to impact the second half in South Africa. Look, clearly the South African macro is significantly challenged as a result, I think, of some of the internal dynamics of the succession struggles that are taking place in the ANC. Hopefully those will be resolved by the end of the year. I think these are features of emerging markets and if you sit in London and you scan emerging markets, it's not as if this is particularly different. However, there is an impact on the business. I think it translates – at the moment it's translating into a squeeze on consumers because it's combined with a slowdown in GDP, and an increase in unemployment, so it impacts disposable income, and so you know, I think the continued pressure – the pressure that we saw in the first half you'll continue to see in the second half, but I don't expect to see it, you know, develop exponentially from here. Andy?

Andy Sinclair: Thanks, it's Andy Sinclair from B of A Merrill Lynch. Firstly, just following on from Alan's question on South Africa. I just wondered if you tell us a bit more about retention trends in the different South African clusters, in particular Mass Foundation I thought sales held up pretty well, so I was just wondering if you could say on retention as well.

Secondly, this thing with South Africa. Old Mutual Insure did have a better set of results this time round. We've had a few false starts though over the last few years on the recovery of that business. I'm just wondering if you could go a bit more into what's caused the improved performance this time round and what we could expect going forwards.

Bruce Hemphill: Okay.

Andy Sinclair: And back to the UK on Intrinsic. I'm just wondering if you could give us an update, Paul, on recruitment and where numbers have gone over the half so far.

Bruce Hemphill: Okay. Can we deal with the – let's deal with the UK question first, Paul, if you wouldn't mind.

Paul Feeney: Okay, sure. So, we're very pleased with where we are with Intrinsic – very pleased. We've just completed on Caerus so you won't – at the end of June – so, we're not quite in figures yet, but in terms of overall now we've got around about – in total now, I think close on 1,800 financial planners. Overall, over 3,500 financial advisors in total. So, we're very pleased with that. We're about where we thought we would be if we continued to build up our private client advisor business within that, which has done very well. You've seen a few small infill acquisitions on that side. And that's now contributing as I said a moment ago, you know, one of the largest distributors now for QC, so very pleased.

Bruce Hemphill: Okay. Thanks, Paul. Can we now go – Pete, can you take the previous – the two earlier questions, the first was the impact of the consumer environment on retention, particularly in the Mass Foundation, and then, you know, to what do we attribute the improvement in OM Insure and where do we think it's likely to go.

Peter Moyo: Thanks – thanks, Bruce. Firstly, the market has been quite challenging for our Mass Foundation Cluster. However, the business has held up reasonably well. On the insurance side we did reasonably well, came up with profits – a profit growth – of around 10% in that business. We are challenged, however, in the Old Mutual finance business and this was largely due to the DTI interest rate caps. We generally believe that that's a difficult – that's going to be a difficult market, but we do have a competitive advantage in that market in the nature of our relationships and yeah, that's really what the first half has looked like. We're still confident that we can deliver on that business.

On the Old Mutual Insure business the results that we saw are a result of deliberate management actions. On the top line it was remediating our book, making sure that we are very disciplined on the risks that would bring onto our book and on the claims management it was also a very deliberate process in ensuring that we take control of the claims process, we take control of managing the costs around those claims, and those two combined gave us a very good result. Is it something that we can expect to see going forward? Yes, because this is a result of deliberate management action.

Bruce Hemphill: Andy? You happy?

Andy Sinclair: Yeah.

Bruce Hemphill: Thanks, Pete. Any more questions from London? Pete, are there questions from the South African audience?

Peter Moyo: You'd expect Mr Christelis to have a question.

Mike Christelis: Hi, Mike Christelis from UBS. Three questions if I can, just on South Africa. I see your protection sales are down in individual space about 9% but at the same time you comment about repricing both MFC and Retail Affluent protection products upwards. I mean, can you give us a sense of, you know, what sort of repricing has been done and therefore I guess what the case count is doing, because clearly that talks about quite a significant slowdown in just number of policies.

Then just a point of clarity on your dividend comment. You mentioned the dividend – Ingrid mentioned the dividend being at the upper end of the range. Is it the dividend or the dividend covert that'll be at the upper end of the target range, just to be clear.

And then just given where, you know, where you head office cash sits particularly –

Bruce Hemphill: Mike, I think we can deal with that one – it's dividend cover.

Mike Christelis: - platform basis post Tranche 2 of OMAM. What are your thoughts around possibly looking at share buybacks, so I do see a resolution in your AGM which allows for it, maybe if you can just give some comments on that. Thanks.

Bruce Hemphill: Mike – sorry. Pete, I'll just deal with the – I'll just deal with Mike's question around cover. It is – it is the cover we're referring to. We'll come back to the buyback question. Ingrid.

Peter Moyo: Shall I then take the question on the repricing? The repricing of our corporate book related largely to our PHI book. We saw some … some significant increases. The fortunate thing we did not lose any major schemes. However, as a result of that we saw improved profitability in that book. On the MFC side, it was likely our normal annual increases in that book. On the PF side that remains quite challenging. The number of cases have come down but the average case size we have seen an increase in the average case size in the book.

Bruce Hemphill: Okay. Pete, can I move on to the buyback question? Mike, you asked a question about buybacks? Essentially buybacks are just returning cash to shareholders. We talked about a special dividend, so I'll give the same answer I gave earlier. It would be inappropriate for us to be looking at that right now. We've outlined to you that we have to stabilise and set up the balance sheets for the individual businesses to be standalone. We have commitments to meet as we go through managed separation and we're still going through that process, so it's not really relevant at the moment.

Okay. Any more questions, Pete?

Peter Moyo: Yeah, there is.

Larissa V Deventer: Morning. Peter, a question for you. You mentioned that you want to refresh your IT offering and the OMEM operations. Can you give us a sense of how extensive that refreshing process may be, and also what your budget is for that and the timeline?

Peter Moyo: Yeah, firstly from a size point of view and the coverage, it really covers the bulk of our back office operations. We have to move onto new platforms, when we have to get to that sometime around 2020 where we cut off onto the new platform. It covers, like I said, a lot of our processing, and with that we hope to start building our new customer experiences. I really don't want to go into the budgets for now. But suffice to say that we have got a third-party assurer who has said that as things stand we are within costs, we are within budget and we continue to monitor that on a very, very tight basis. We have learnt from within the group what can happen and we have put the right governance procedures in place.

Bruce Hemphill: Pete, do we have – we have a question here. I'm not quite sure who it's from. But it came over the wires. It says, "Who is Old Mutual driving for in terms of target market?" I assume that means, you know, what is the target market that Old Mutual is driving for, is looking to capture in South Africa? I mean, do you want to have a go at that? I would have thought it's kind of most of the market.

Peter Moyo: Bruce, I'd have said all of it, yeah.

But mostly that's not the way that we look at ourselves. We have a business that's very, very strong in the low income segment through our Mass Foundation Cluster, very strong in the middle through our PF Cluster, playing and wanting to be, to grow much bigger in the upper end of the scale of our wealth business, and that's the reason why we've combined the leadership of that business with the investment business because of that end of the scale. It really focuses on investment. We also on the asset management side cover literally all the asset classes and then as you have heard, we are also in the P&C business covering the personal lines, the corporate space and the commercial space, so we play literally in the entire market in all our businesses. Oh, and by the way, also with a strong lending business in the low income end of the market.

Bruce Hemphill: Thanks, Pete. Are there any more questions from your – from South Africa, Pete?

Peter Moyo: It doesn't look like here, Bruce.

Bruce Hemphill: Okay, thanks, Pete. Any more questions from London?

Bruce Hemphill: Any more questions from the lines? Okay. Thank you very much for your attendance, we look forward to seeing you in Q4.

Thanks very much.