FY 2017 **TRANSCRIPT**

15 March 2018

Bruce Hemphill: Good morning, everyone, and welcome to Old Mutual's 2017 full year results presentation. Here on the stage in London, I'm joined by Ingrid Johnson, Paul Feeney and Peter Moyo, who's made the journey north to be with us today. Iain Williamson is hosting our audience in Johannesburg. As usual, let's check that the connection is working and that we can all hear each other. Iain?

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

Bruce Hemphill: This morning, I'll start with an outline of delivery in 2017 and where we are now. Ingrid will take you through the financials. Peter and Paul will talk about their respective businesses, and I'll make some concluding remarks, and then we'll take questions.

I stood here two years ago and talked about the outcome of the strategic review that I initiated when I became CEO of Old Mutual, and I promised you two things. I said that we would improve business performance, which we've done, and I said we would deliver managed separation by the end of 2018, dismantling an inefficient structure, removing costs and allowing our strong businesses to benefit from a better-aligned shareholder base. We're now finalising the work necessary to complete this process, and let me take these in turn.

I know that consolidated earnings won't be your main focus for these results, but we delivered a good financial result in what I expect to be our last full year of trading as Old Mutual plc. We had a particularly strong second half with good performance and generally helped by markets and exchange rates. AOP pre-tax earnings of £2bn were up 7% in constant currency and 22% in reported. Earnings per share were 24.3 pence. As a consequence of this performance, shareholders will be rewarded with the second interim dividend of 3.57 pence per share. Our adjusted net asset value at 31 December was up 6% at just shy of £12bn. Importantly, our individual businesses showed their resilience against a difficult and uncertain operating backdrop and improved their performance in the year. I'm going to leave the business CEOs to go through the results in detail, but let me make a few comments.

For our South-African-based businesses, the macro-environment in 2017 was punishing. Markets rallied strongly in the second half, politics certainly changed dramatically, and I think we're beginning to see the start of fundamental economic change, but consumer and business confidence was weak throughout 2017, which created a tough environment for long-term investments, savings and lending.

Against that background, our businesses did well. OMEM continued to grow AOP at 5% and an acceleration from the first half. This was achieved through committed focus on what it describes as its battlegrounds, including cost management, and turning around previously underperforming businesses. The Mass and Foundation business continued to grow and was the largest contributor to profit in the year. We're starting to see operational improvements in Corporate and Old Mutual Insure, and there are positive signs in the Rest of Africa. Nedbank continued to grow headline earnings from managed operations with excellent credit performance and a good outcome on costs. Asset growth was challenged by the macro, but Mike and the team are focused on this and on non-interest revenue, both of which are important for longer-term growth. Going forward, additional earnings support will come from the turnaround at ETI which is starting to come through.

Turning to the UK, the 2017 macro was characterised by strong equity markets but a weak currency, considerable political uncertainty around Brexit and the General Election, and various regulatory and legislative developments which impacted financial services. Old Mutual Wealth did very well on NCCF and at the year-end assets under management and administration were close to £140bn. We've made heavy investments in getting this business to where it is now and I think the business model is working. It'll take time for this to be seen in the margin, however, but there is a clear opportunity for operating leverage to drive higher returns in the future. So, good performances by the businesses, which are well-positioned to improve further once independent.

Turning to the managed separation, as I said in August, any external process is inherently unpredictable and has unknown factors and risks that need to be managed, so we can't know with absolute certainty what might emerge. You will have seen our announcement two days ago about one such risk where a claim has been lodged against us in a US court in relation to a pre-existing head office legacy item connected with our disposal of certain US assets some time ago. We believe the court action is without merit and we're working hard to resolve the issue.

So, we're getting on with the remaining preparations that are necessary to complete the managed separation, and this is where we are:

The businesses are now ready for listing. Operational readiness is complete, with the necessary functions and skills established. Strategic focus has been tightened and business portfolios adjusted. Standalone balance sheets have been finalised and dividend policies have been agreed. Boards and management teams are in place, albeit that OML still has a CFO handover to effect, and new governance processes appropriate for listed companies have been established.

In terms of the plc head office, we're making good progress towards closure. We're on track to deliver the target of around £95m of annualised net cost savings, and headcount has reduced significantly. We have a clear wind-down plan for the remaining activities and people, and only a skeleton staff will remain post year-end. We've improved the quality of head office NAV, converting a considerable amount of uncertain assets to cash. With the proceeds of asset realisation, we've materially reduced holding company debt, which has already delivered a benefit in reduced interest charges.

We're well-advanced with the regulatory and tax approvals that we need, with clearance from the Competition Tribunal and the tax authorities, and the Financial Services Board approval has been obtained in principle. We now have to address any remaining issues, complete the remaining external and internal administrative processes, and obtain the required shareholder and other approvals. Once this is all complete, we'll be ready to go with the actions that will materially complete the managed separation, which we expect to happen on schedule by the end of the year.

At present, this is what we are expecting will be the steps to completion but, as I've said, the outcome and timing of the external processes cannot be guaranteed. We will publish shareholder documentation. OML and Quilter will hold capital market events. We will seek approval at shareholder meetings and we expect that the legal process of separation will include inter alia a UK Court-approved Scheme of Arrangement process, which will facilitate the demerger of Quilter, the creation of Old Mutual Limited as the holding company of Old Mutual plc, including its residual assets and liabilities, and a reduction in the capital of Old Mutual plc. We will list and demerge Quilter and expect to couple this with a secondary offering of up to 9.6%, and we will list OML and delist the shares of Old Mutual plc.

We will, of course, ensure that we continue to meet the existing plc's ongoing responsibilities and obligations throughout the process, and the final step is in relation to the Nedbank stake and, as we have already said, OML will maintain its current stake for a period after listing to give its own share register time to settle. Going forward, it will retain a strategic minority holding of 19.9% as the foundation for the continued partnership between the two businesses, but anticipates distributing the remaining stake to its shareholders. The timing of any distribution will be determined by the OML board, but is expected to be within approximately six months of the OML listing. With that, I'm going to hand over to Ingrid to take you through the financials. Ingrid.

Ingrid Johnson: Thank you, Bruce, and good morning to you all. I will begin with the income statement, but in the interests of time on a busy day, I will highlight just a few points. The full detail is contained within my Group Finance Director's report.

So, starting with finance costs, these were down £22m reflecting the plc debt, repurchase and redemption activity. Plc corporate costs before recharges at £58m were down by £21m, of which almost half is due to the reduction in head office staff. As explained before, certain costs previously incurred by the head office on behalf of the businesses and then recharged to them are now incurred

directly by them. This totalled £20m in 2017. Other net shareholder expenses are broadly flat year-on-year but are made up of a number of moving parts which have netted off. I remind you that from 2017, one-off managed separation costs are now taken outside of AOP. Tax of £477m reflects the increase in AOP and the effective tax rate of 23% was broadly flat year-on-year. Total AOP post-tax and non-controlling interests was £1.16bn, up 10% in constant currency, well ahead of growth in nominal GDP. Earnings per share of 24.3 pence were up 4.9 pence. For the purpose for IFRS reporting, Nedbank, Old Mutual Wealth and Institutional Asset Management are classified as discontinued operations. However, they are counted as core operations for the purpose of AOP, reflecting our continued management responsibility and their contribution to the group result. In total, post-tax IFRS profit was £909m.

We turn now to the plc cash balance. We aligned our plc ordinary dividend to our South African sourced receipts. Our currency receipts did not fully cover central operational costs, requiring, as previously flagged, the use of plc cash. Capital flows itemised on the right of the slide netted to an outflow of £163m. Net proceeds from asset sales of over £1bn were used to repay substantial amounts of plc debt. We injected capital into Old Mutual Wealth as discussed at the half-year. There was an outflow of £26m for plc wind-down and advisory costs, and £62m for addressing plc head office pre-existing items. These were partly offset by a £69m inflow from the return of seed capital as we reduced our FX and market exposures. The closing plc cash balance at 31 December was £540m.

In order to wind down the group structure, we have had to address the plc balance sheet represented by what we call residual plc NAV. Here, I show how this has evolved since December 2015. That is before we set out on the managed separation journey. The proforma column shows the impact of certain transactions which have taken place so far in 2018, forming part of the separation process and important for the required approvals. I've talked in detail both this morning and previously about the development of plc cash and seed capital, so we'll move straight on to the other items.

We have resolved intercompany funding arrangements. These were complex and involved over 300 separate steps to unwind. The key achievement here is that we have unwound around £800m of funding from the plc to Old Mutual Wealth, mostly to support the acquisitions of Quilter Cheviot and Intrinsic. £566m of the funding has been equitised and the remaining £200m was repaid to plc in full in February, which you can see reflected in the proforma cash figure. In addition, £23m in loan notes outstanding from plc to Old Mutual Bermuda were cancelled at the end of last month.

Moving down the table, we have repaid almost £1bn of plc debt. We have also addressed, pre-funded and crystallised many other items within plc NAV, the effects of which cumulate into net sundry debtors. Before the head office line, you can see the phased realisation of OMAM shares. NAV associated with Bermuda increased over the period as the obligations have run off and due to favourable equity markets and currency. Cash of £44m was repatriated earlier this month following approval from the Bermuda monetary authority, and this is also reflected in our proforma cash. The majority of the remaining maturities will

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take place by the end of half one and downside market risks are largely hedged. Taking everything into account, proforma residual plc NAV at 31 December was £452m.

This is not the final position as it will be at the point of demerger as there will be further development in NAV as we complete the managed separation process. Very importantly, the quality of the NAV has been materially improved and we continue to manage any remaining contingent liabilities. Through the UK Court-approved scheme process that Bruce referred to earlier, Old Mutual plc will become a subsidiary of OML alongside the operating businesses. In the context of the anticipated reduction in capital, we will need to satisfy the UK Court that Old Mutual plc will continue to hold sufficient high quality liquid assets to meet its liabilities and any contingencies, together with adequate headroom taking into account relevant insurances.

Here, I show the costs of implementing the managed separation and some of the anticipated benefits. As previously discussed, the removal of plc central costs is estimated to generate net savings of around £95m per annum of operational costs by 2019 for a cost to achieve of around £130m. The reduction in third party debt was largely funded by asset disposals, principally OMAM, and the realisation of seed capital. Recurring coupon savings of some £65m per annum net to £47m if we take off remittances forgone from OMAM, which were £18m in 2015. The cost of achieving this amounts to £150m, most of it recognising the price above par at which the bonds were trading in the market. Addressing our plc pre-existing items is a key part of crystallisation and improving the quality of the residual NAV that will be transferred to Old Mutual Limited. We have estimated a cost of £130m for this work but, clearly, this is subject to us addressing any remaining issues.

Finally, separation of the businesses and the distribution of NAV involves transaction costs which we have not previously guided on as they were dependent on the nature of the transactions and the execution route chosen, as well as advisory costs which we did estimate to be at least £100m. Overall, as we complete the managed separation, we expect to use the full amount of the cost estimates we have communicated with limited contingency remaining. Our focus in respect of the businesses has been to ensure that they are set up with strong, high quality capital bases. This is crucial for us gaining the required approvals for the separation, as well as for their future business success, and this work has now been completed.

Peter and Paul will comment on their own businesses, but to make a few points from a plc perspective. In respect of OML, which is and has always been financially independent from plc, at 31 December 2017 it had a proforma solvency ratio of 167%, which is strong and appropriate in relation to stress testing and has been calculated on the latest draft SAM Prudential standards with certain methodologies still being subject to formal regulatory approval once the SAM framework is implemented. The proforma OMLAC(SA) solvency ratio at 31 December was 243%. Intergroup funding arrangements between OMLAC(SA) and OMGH and its subsidiary companies have been simplified and reduced, improving the quality of capital within OMLAC(SA). For solvency purposes, the treatment of residual plc surplus is dependent on the outcome of

the proposed court scheme. We have assumed that it is non-fungible and, therefore, the surplus is excluded from the SAM ratio. The speed of any release of any surplus from Old Mutual plc is anticipated to be at the discretion of the UK Court.

Looking now at Quilter. It is fully-funded and, like OML, is now also financially independent from the plc. It is strongly capitalised, and the solvency 2 ratio of Old Mutual Wealth at 31st December was 155%. At the end of February, it issued a £200 million tier two bond, with a coupon that is substantially lower than the last external funding by the Plc. It has raised a senior unsecured term loan of £300 million, which will be repaid in full following the completion of the sale of the single strategy business. It has also entered into £125 million revolving credit facility, and the facility with Old Mutual Plc has now been cancelled, further reducing residual Plc potential liabilities.

So the businesses are financially ready for independence, with high quality capital bases, well positioned to fund future growth plans, meet their regulatory and debt obligations, and sustain future dividend paying capacity.

Delivering on our strategy has been underpinned by the capital management policy that we introduced at the start of the managed separation, and which we intend to remain in place until the delisting of Old Mutual Plc shares. We are today declaring a second interim dividend for 2017 of 3.57 pence per share. This gives a dividend for the full year of 7.1 pence, up 17% on the prior year in sterling and up 31% in rand. The full year dividend represents a cover ratio of 3.42 times in line with previous guidance. We have been open in our intent that shareholders would forgo some near term cash dividends in the interests of greater value in the future. Nonetheless, in addition to funding our obligations and the costs of delivering the managed separation, we have paid out almost £800 million in ordinary dividends over the past two years. In their presentations, Peter and Paul will speak about capital management for Old Mutual Limited and Quilter. I am pleased to see expected dividend policies for those businesses, which are reflective of their future potential.

As we have said before, our objective for the managed separation is to deliver greater value to shareholders than is possible within the existing group structure. We have previously looked at this through the lens of adjusted group net asset value, which at 31st December 2017 was almost £12 billion. The underlying value sitting within the businesses will come through directly to shareholders on completion of the managed separation. On the right of the slide, we see the illustrative distribution of that value under the current group construct, based on adjusted net asset value at 31st December 2017. It is intended that the distribution to our shareholders will be reflective of 86.6 percent of Quilter after the intended secondary offering, and Old Mutual Limited comprising the operating businesses of OMEM, the 19.9% strategic stake in Nedbank, 9.6 percent of Quilter, either in shares or cash, and the value of residual Plc NAV.

We anticipate that shareholders of OML will receive directly a distribution of the majority of OML's holding in Nedbank within approximately six months of the listing of OML.

You have seen from these results, that the businesses are doing well and how they have been improving. We expect that additional value will be created from the businesses being run by strengthened management teams with the discipline that comes from being under direct market scrutiny, combined with a better aligned shareholder base that should over time result in higher multiples. And we expect that separation will remove the conglomerate discount that exists under the group structure. It is up to the market to assess the value that we are unlocking, but we believe that these businesses have exciting futures.

So to conclude, when we announced the strategy of managed separation, we made a number of financial promises, that we would continue to fulfil our existing duties and responsibilities within the group structure, that we would aim to balance the interests of diverse stakeholders while managing the trade-offs of value, cost, time and risk, that we would manage capital effectively, that we would address the Plc head office balance sheet, and that we would set up the businesses for independence. It has been quite a journey, and has sometimes involved what Bruce has previously and today referred to as deeply unglamorous but critical preparation work. We have made excellent progress. We are unlocking trapped value and established firm foundations for the creation of value uplift in the future. Delivering that value is now down to the independent businesses and their management, which seems an appropriate point to hand over to Peter Moyo. So thank you for your attention, and over to Peter.

Peter Moyo: Thanks Ingrid and good morning to everyone. We delivered a resilient performance in 2017, which clearly demonstrates the decisive management actions that we took in the businesses. Pre-tax adjusted operating profits increased by 5% to R13.3bn. Operating performance, pre-financing costs, at R10.9bn, was up 6% on the previous year and was in line with nominal GDP despite the tough operating conditions. This reflects significant progress from the 1% growth delivered at interims and tight management of costs over the year.

The performance was driven by the significant improvement in the underwriting experience at Old Mutual Insure and higher profits from the rest of Africa. We delivered adjusted ROE of 20.6%, which reflects the incremental equity base following the high actual investment gains for the year in South Africa and Zimbabwe, and yet this smoothing of earnings given our LTIR policy.

We continue to be highly cash generative with a strong and resilient balance sheet that is able to withstand a number of shocks. Importantly, we improved the quality of the OMLAC(SA) balance sheet by significantly reducing its intercompany loans.

Free surplus generated as a percentage of AOP was 74%, now taking into account fungibility constraints and non-insurance business working capital demands. As of 31 December 2017, OMLAC(SA)'s solvency under SAM was 243%. The SAM methodology is still to be improved by the Financial Services Board and is expected to be implemented in July this year.

As we have heard from Bruce, the progress of listing is on track, and the key regulatory approvals secured to date include, amongst other things, getting Competition Tribunal approval and reaching agreement with the Economic Development Department in South Africa regarding three critical public interest issues: enterprise and supply development, employment within our ecosystem, and our BEE ownership. These commitments form an important part of the delivery of Old Mutual Limited of positive benefits for our stakeholders.

We have done significant work in preparing the business for listing, creating Old Mutual Limited and preparing our day one balance sheet as we move towards the SAM regime. We agreed the heads of terms of the relationship between Nedbank and ourselves, and our stated intention is to retain a 19.9% stake after the unbundling. Operating targets and the capital management policy have been agreed. Our focus is now on the efficient deployment of capital and the driving of operating efficiency and cash returns.

I am pleased too with the positive momentum from our operating segments. MFC, which continues to retain its market leading position, delivered strong second half results. The 3% increase in AOP was driven by higher new business profits, better cost management and a more favourable mix towards risk business. This was partly offset by lower net positive actuarial provision releases compared to the previous year. Also supporting the performance was the growth in the loan sales for Old Mutual Finance, reflecting an increase in the number of branches and also a better collections experience as a result of the improvement in the risk profile of the loan book.

Our Personal Finance business reported an 8% reduction in AOP, which was largely due to lower net positive provision releases. The legacy book contributed around 38 percent of AOP. A key indicator of the underlying growth of the business is the open book performance. The open book reported net customer cash flows of R6.6bn. There were net outflows of R9.4bn from the legacy book. As we said to you at the showcase in November, PF remains focused on strengthening its position in the black middle income market and driving growth in its open book through digitally enabled and innovative customer propositions.

The 2% growth in the Wealth and Investment segment was largely attributed to growth in base fee income on higher assets under management, positive investment returns in Alternatives and inclusion of profits from Old Mutual International branches for the first time. Strong growth in gross flows during the second half resulted in NCCF of R14.1bn for the year, significantly up from the R1.8bn in the first half of 2017.

The Corporate business AOP was 12% ahead of prior, largely due to growth in asset-based fees and improved investment performance. This business remains the industry leader in South Africa as it improves customer and intermediary experience, and improves collaboration with our retail segments. We still have more to do to improve the underwriting performance of the book.

Significant progress was made in improving the Old Mutual Insure underwriting result in the context of a year with significant catastrophic events. The turnaround strategy has focused on the Commercial business, and we've made

considerable progress in remediating the book. The underwriting margin improved from 0.9% to 3.7% in 2017, reflecting the favourable claims, experience, net of reinsurance, and growth in iWYZE. We remain confident in achieving our target underwriting margin of 4% to 6% in the near term.

The rest of Africa segment delivered AOP which was 33% above the prior year and up 38 percent in constant currency. The SADC region, excluding South Africa, remains largest contributor to profits and grew AOP by 6% driven mainly by the higher asset-based fees in Zimbabwe and Namibia. In respect of sales, Malawi recorded exceptional growth in the Corporate life business.

East Africa also reported a significant improvement on the prior year. This followed good mortality experience on the group life assurance book and improvements in the underwriting experience in the property and casualty business.

LATAM AOP of R469m was 1% lower than the prior year, however in constant currency AOP was up 6%, largely driven by high investment returns in Columbia. Included in the AOP for LATAM and Asia are India and China, giving a total of R609m, which is flat on the prior year.

I am particularly pleased with the progress we are making with all our battlegrounds, but we have more work to do in several areas. Our objective is to consolidate and grow our market leading businesses, and to improve our underperforming businesses further. We have commenced our journey in fundamentally shifting from being a product led business to becoming a customer driven organisation. I've already spoken about our performance, which is aligned to how we have delivered on the first five battlegrounds.

Let me tackle the last three. In terms of talent, we were voted the top employer in South Africa, in Ghana, by the Top Employers Institute. Our businesses in all 13 countries, in which we operate throughout Sub-Saharan Africa, were also certified as a top employer. Testament to our attractiveness as an employer is our ability to make significant hires from outside of our organisation. Our people strategy is not only about us attracting talent from outside. It is also focused on the ability to retain the talent that we've nurtured over the years. If you look at the heads of most of our businesses, they are people that have been in the organisation for many years and have grown up within the Group. With our continual investing in our technology platforms so as to refresh and expand our customer value propositions, we are continually investing in our technology platforms so as to maintain the relevance of our customer propositions and to continue to meet the ever-evolving needs of our customers. The primary focus of the recent initiatives has been on building the protection solutions in the Mass and Foundation cluster and in the Personal Finance segments, which are expected to be activated during 2019.

Our efforts on cost optimisation initiatives across the business are relentless, and we are targeting pre-tax run rate cost savings of R1bn by the end of 2019, net of cost to achieve this. This will be delivered after the effects of foreign currency movements and inflation over the next two years. All of this is designed to build our long-term competitive advantage and drive growth, returns and cash generation.

Ladies and gentlemen, exciting opportunities lie ahead for us in Old Mutual Limited, both as an independently listed business as well as us contributing to the societies in which we operate. We have a strong business, which is well positioned in the right markets to extract additional value from our franchises, deliver sustainable profit growth and returns for our shareholders.

Our business remains highly cash generative, and importantly, we have substantial business improvement and cost efficiency opportunities. In the near term, we are targeting for Old Mutual Limited to deliver a sustainable return on net asset value of cost of equity plus 4% and compounded annual growth in results from operations of nominal GDP plus 2% over the three years to 2020. Our regulatory solvency for Old Mutual Limited will remain strong with the SAM ratio targeted in the range of 155% to 175%, with appropriate high-quality capital.

We have set out our detailed capital management policy in the business review document. We will target full year ordinary dividends that are covered by Adjusted Headline Earnings of between 1.75 and 2.25 times. We will also target an interim dividend of 40% of the interim Adjusted Headline Earnings with the first planned for 2018.

For the remainder of 2018, we expect a recovery in business confidence but with continued consumer deleveraging. The operating environment is therefore expected to remain tough.

At our upcoming capital markets presentation, we will take you through our results and investment case, and you'll have another opportunity to engage with our management team. We will also share more detail around our progress on our eight battlegrounds. Our pre-listing document will include more information about the investment case of our business, as well as its historic performance and associated risks. Thank you for your time. I'll now hand over to Paul.

Paul Feeney: Thank you, Peter. Good morning everyone. 2017 was a great year for us. We've seen excellent growth in NCCF, both with and without the single strategy business. We've delivered a stable operating profit in 2017, despite making significant investments in the business and in its growth potential. We're now ready to list the business as a separate Plc.

Before I get into our results, let me give you an update on three key items from 2017, the platform transformation programme, our voluntary customer remediation programme, and the sale of the single strategy business.

First the platform. I'm pleased to say that the programme with FNZ continues to be on track, on time and on budget. We continue to plan for a soft launch of the new platform by late 2018 or early 2019, with migration of existing advisors and customers to follow swiftly thereafter.

Next, good customer outcomes are at the very heart of our business, and to help deliver them we carry out product reviews. We've recently completed a set of reviews on some older policies in our Heritage book. We found that there were certain features of those policies that we felt did not meet today's standards. We've therefore decided to start a programme of voluntary

remediation to those policyholders. Based on the information we have today, we've made a provision of £69 million to cover the cost of this. Separately, we continue to work closely with the FCA on their investigation following the thematic review. We're still in the information provision phase.

Lastly, the single strategy business. We announced the sale of this business in December, and we're making good progress towards completion, which we expect to take place in the second half of this year. All applications for regulatory approvals have been submitted, and the separation process is progressing to plan. In preparation for our listing, we'll be publishing our prospectus, and it will provide much more detail on the Quilter business, its performance and future prospects. I really would encourage you to read that document when it's published as it will give more colour to the numbers we're announcing today.

Let's start by looking at our reported results, including single strategy, and then move onto the results for Quilter, which will exclude single strategy. I'll then move onto our balance sheet, dividend policy and our future financial guidance.

Performance on a reported basis for the headline metrics for Old Mutual Wealth have been strong, as you can see in the group's results today, and they tell a story of very strong delivery. NCCF more than doubled. We comprehensively exceeded our target of growing NCCF by 5% of opening assets. Reported profits grew significantly thanks to an unprecedented and exceptional level of net performance fees from the single strategy business.

Let's look at those cash flows in more detail. Our results for 2017 are further proof that our business model resonates strongly with advisors and customers. While all of our businesses contributed to this, there are some particular highlights.

Starting at the top, Advice and Wealth Management generated £4.4bn of net flows. The vast majority of these flows are generated by Intrinsic, whose contribution you can see on the bottom right of the slide. But let's not forget the role that the platforms play in generating flows from IFAs as well. It's important to understand not only where the flows come from but also where they flow to. Of that £4.4bn, £3.3bn went into our multi-asset business, including our Cirilium and WealthSelect funds, and £1.1bn came into Quilter Cheviot, including flows which they source directly. Together, these drove the 175% increase in flows in the Advice and Wealth Management segment.

Next, the strength of our pensions proposition has been a key driver in the almost doubling of Wealth Platforms net flows to £4.3bn. A comment on DB to DC, just one part of the pensions market, it's an important source of income, and at £1.8 billion, it represents 20% of our platform gross sales. As we said in November, it's an area where we have tight controls as we are very mindful of the potential risks here.

What I'm really excited about though is the growth of integrated flows. Our Advice business is really the powerhouse behind that. On the bottom right hand side of this slide, you'll see that Intrinsic was responsible for over three quarters of the flows into Investors and close to 20% of the flows into Quilter Cheviot. Moving onto profits, the largest increase came in Advice and Wealth Management, our faster growing segment. Multi-asset was the standout

performer here, as a result of increasing revenues driven by the strong fund flows generated by other business areas, as I've just explained, and by good investment performance.

Wealth Platforms also showed an increase in reported profit, however that's because the comparative period included the heritage fee restructuring charge. On a comparable basis, it showed a small decline. This reflects the contribution of good performance in the UK and International platforms, offset by the natural run-off of the Heritage book.

And head office reflects the increasing costs to be standalone, as well as picking up costs for things which Plc previously covered, like some brand marketing costs. Together they add up to our operating profit on what we call a standalone basis. This is the basis on which we will be showing profit in our prospectus when we publish it.

Moving down, we wanted to show you our normalised operating profit going forward, because this is how Tim and I look at the business. So we've made a few normalisation adjustments in the comparative figure, the main one being for the one-off heritage fee restructuring mentioned above. As you'll expect, there are no normalisation adjustments in 2017, and on that normalised basis we have been able to sustain our 2016 profitability, despite continued investment in the business in 2017 ahead of our listing. This investment, in readying ourselves for listing and in the growth potential of our business, sets us up well for the future.

Let's dig into that a bit more, starting with revenues. Management fees were up 13% to £591m, driven by strong flows and supportive markets, both of which increased the assets under management and administration and our prospective revenue base for the future. Tim spoke in November about the pace of revenue margin decline slowing. Our business model provides us with some resilience against particular pressure in any one area of our business, and you can see that our revenue margin for the Quilter business overall fell by three basis points between 2016 and 2017, which is a slower decline than that of the first half of '17.

Now turning to the other side of the P&L, expenses. When we look at the future Quilter business, costs have increased, but importantly they are absolutely in line with the comments we gave in November. You'll recall that Tim showed you the half year expenses and the items to bear in mind for estimating half two. If you had simply doubled half one, you would have got to expenses of around £500m, but as Tim drew out, half one costs for investment in new business and standalone costs cannot simply be doubled for the full year. As anticipated, we have MiFID and GDPR compliance costs, which were more second half weighted, given their implementation deadlines, and these are included in the £39m brick on the left-hand side of the slide. As we only completed on Caerus in June and added further PCI acquisitions in the second half, which account for a large part of the £12m brick you can see here on the right of the slide.

2017 was a transitional year and therefore the incremental recurring standalone costs of approximately £16m you see in the middle here do not yet fully reflect a full year run rate. In line with the guidance given a year ago, separation is

estimated to increase the standalone cost base by £25m to £30m per annum compared to 2016, and therefore we expect to incur additional recurring costs of up to £14m in 2018.

Moving on to our future capital structure, Quilter is fully funded and strongly capitalised, and ready for separation and listing. Now there's a lot more information in our RNS, and more to follow in the prospectus, but we have set out the key information today.

The left of this slide is the year end position, but the more relevant piece is what we've done since then, as we've put in place the necessary facilities to operate as a self-funded standalone Quilter business. Naturally, we want to ensure that we have a strong balance sheet at all times, and this is especially important when preparing to issue a prospectus, and listing a company, bearing in mind that the sale of single strategy will not have completed by then; so at the end of February, through a number of debt market activities, we ensured that we had the appropriate facilities in place. We issued a Tier Two bond for £200m, and we fully drew down on a new £300m senior unsecured-term loan. As Ingrid said, PLC have converted £566m of their loan to us into equity, and we have used our existing resources, and these new facilities, to fully settle the £200m balance of our inter-company liability with them.

So, as we stand here today, we are therefore fully ready to separate from PLC: from a balance sheet, a capital, and a funding perspective. We believe this balance sheet includes sufficient free cash to complete all committed strategic investments, including the platform transformation programme – and to allow for any further potential costs associated with the thematic review, including for any potential fine which may be levied by the FCA; in respect of which, no provision has yet been made. The impact of this prudent policy is that we will deliberately maintain a solvency position in excess of our policy in the near term.

Looking into the future, we will fully repay the term loan from the proceeds of the sale of single strategy. This will leave us with some surplus proceeds, and at that time, the board will consider a possible distribution to Quilter shareholders.

I also want to share with you the dividend policy, which will be included in our prospectus. We'll target a dividend payout ratio of 40-60% of post-tax operating profits, expected to be split one-third/two-thirds between interim and final. We expect the first regular ordinary dividend to be the final 2018 dividend.

Let's turn to the broader guidance. At a high level, our operational financial guidance is built around three main points. One, on NCCF, we continue to target net flow on an annual basis of 5% of opening assets, excluding Heritage. Two, on revenue margin, we expect the decline in our overall margin to slow in the near term, and for it to become increasingly stable - that of course assumes we deliver our core assumptions for flows and business mix - and three, on operating margin, we are targeting a pre-optimisation, and pre-interest operating margin of 30% for full-year 2020. As promised, there will be more on this in the prospectus.

In closing, 2017 was indeed a landmark year, where we took decisive action on a number of fronts. We have a clear strategy. We have a proven, integrated

model that is growing the business very effectively, and we are ready to list as Quilter PLC. 2018 will be a defining year for us, and we are excited about the opportunities ahead; and now, back to Bruce to wrap up.

Bruce Hemphill: Thanks, Paul. I'll bring things to a conclusion now, and then you can ask your questions. Two years ago, whilst I was clear that managed separation was the right thing to do, what was also clear to me was that it would be a massive task, and that there was no template for us to follow.

We said we'd do the right things in the right way, and the decisions we've made have been careful and considered; but we've needed to move at pace, because the longer it took, the more it would cost, and the more risk there would be, and the longer it would take for shareholders to reap the benefits.

We've had to do a fundamental overhaul of our businesses, tighten our focus by addressing perimeter issues, implement new governance – which required new boards, bring in new management teams with the right skills and experience to manage standalone listed businesses, address capital availability and requirements, and lay the foundations for enhanced business performance.

We've already liberated Old Mutual Asset Management, which is doing well under its new Chairman, CEO, management and ownership structure. In order to set the other businesses free, and so unlock the value, we are winding down the PLC head office, and dealing with its obligations, liabilities and risks.

A huge amount has been achieved over the past two years; we've already unlocked value, including through cost and debt reduction. We've set the businesses up to be high-performing and sustainable businesses for the long term. OML and Quilter will detail their respective investment cases as part of the listing process, but as I see it, these are great businesses that will deliver to shareholders.

We will also deliver shareholder choice, enabling them to select the opportunities and exposures that best suit their particular investment objectives, and we are almost there. We've prepared well; we're now finalising the work necessary to complete the managed separation, and we expect it to be materially complete, on schedule, by the end of 2018.

Thanks for your attention. Let's move now to Q and As. As usual, I'll take questions from our audience in London, and Jo'burg, as well as from the phones, and the webcast; and I'll ask Tim to join us on the stage. Right. Greig... Hi, you have a question?

Greig Paterson: Yeah, it's unusual – quite a few numbers, actually. Could you give us the coupon on the Quilter debt issue? Restricted advice agent numbers: could you give us the current number, and the year-on-year change... and this voluntary customer remedial programme: I wonder if you could just explain to us what the proposition is to your Old Heritage clients – and that £69 million, how did you work that out? What's the potential for it to increase, and by the way, is that part of the £209 million profit? It wasn't clear to me. And then, in a final point,

before the single-strategy sale, could you just tell us what your cash balance is at Quilter? Thanks.

Bruce Hemphill: Thanks Greig, that was fairly comprehensive as usual. I think Paul...

Paul Feeney: I'll take a few of those.

Bruce Hemphill: There are four there, I think.

Paul Feeney: Yeah.

Bruce Hemphill: So, which ones do you want to take?

Paul Feeney: Well, the coupon was 4.478% on the Tier Two bond. Year-on-year change in restricted... presumably restricted financial planners is what you're looking at? I haven't got it to hand; I think it was about 138, but...

Tim Tookey: Yes.

Paul Feeney: There you go, 138.

Greig Paterson: That was the increase, what -?

Paul Feeney: Well, now, we've ended up at about 1,500, nearly –

Tim Tookey: 1561.

Paul Feeney: 1561, so do the maths! £69 million, how did we work it out? Well, we basically took the principles in the FCA's thematic review, which they published in 2016. We applied those to our back book of policies, and policies that were on the book on the 1st January 2009 – these go back 20/30 years – we applied those principles, we looked at those, and we came up with a number, basically remediating the surrender charges for people under the age of 55 – because, if you recall, in 2016, we already took a charge for going forward for people over 55, and we applied that back in terms of early encashment charges. That was the main issue; a few other bits and bobs, and that's where we came to the number, and that includes the costs of remediation, as well as the remediation itself... and your final point –

Greg: Is that net across the 209?

Paul Feeney: No, that's below the line, because it's a one-off cost, it's a historic cost; it doesn't reflect Quilter's operating performance – and then, cash balance before the sale of the single-strategy business, I'm going to hand over to my CFO.

Tim Tookey: Thank you. Hi, Greig. So, the answer is, "Plenty," because obviously, since the year-end, we've raised £500 million through the unsecured loan, and the new Tier Two bond, of which we've repaid £200 million to PLC. So, we're net £300 million up. I don't have the exact figure for what was in the holding company at the end of the year, but what I can tell you is that, at the year end, we were undrawn on the revolving credit facility that we had from PLC, which has since, obviously, been cancelled; and we are also undrawn on the revolving credit facility that we put in place independently.

Bruce Hemphill: Right. Andy?

Andy Sinclair: Thanks, it's Andy Sinclair from BofA Merrill Lynch. Three as usual from me. Firstly, great to see a cost-reduction target for Old Mutual Ltd today. I just wondered, how do you think about the cost base going beyond this target, beyond 2019, if you can give some thoughts and context on that? Secondly, sticking with emerging markets, on Old Mutual Insure: good pick-up in results today. We've had a few false dawns in the business over the last few years; I just wondered if you could give your thoughts on what gives you confidence that we are genuinely seeing a sustained turnaround this time round? And thirdly, jumping back to the UK, intrinsic recruitment adviser headcount: we've just heard what's happened in the last year – what are your expectations for a growth target? Growth expectations for that business going forward? Thanks.

Bruce Hemphill: Pete, do you want to deal with first two?

Peter Moyo: Yeah. Thanks, Andy. On the costs, beyond 2019, firstly, I think it's important for us to understand that taking out R1bn is on its own a massive task. We are committed to it, and I'm sure we'll deliver on it. We have also said that, from then onwards, our cost management is actually going to be very, very disciplined. In fact, we will always aim to grow our costs at no more than inflation; but it does not mean that we are actually going to stop trying to take out costs where we think there are opportunities. So, we are building an organisation where cost control and cost management is actually going to be the order of the day. As far as our short-term insurance business is concerned, one of the things I've consistently said to our team is that we should be able to explain how we're delivering on our remediation - it should not be an 'act of God' – and one of the things that I'm very happy about is that we can actually

explain how we are doing, and what we are doing. So, even in last years events, when we had these catastrophes, we are actually able to say we're still going to be able to deliver a reasonable profit). One is the way that we take on our customers, where we are actually very disciplined on underwriting. It actually becomes a way of doing business in the entire Old Mutual Insure; and the way that you also manage your claims, you've almost got to think about it as part of, almost, a procurement process, where you're actually very, very clear where your costs are going to be, what you're going to do, and how you're going to interact with all the other people in the value chain; and we've got processes of doing that, so we hope that, as we go forward, it actually becomes predictable, and it actually becomes sustained in the business – and that's why we are comfortable that we are actually going to be delivering on that. You'll actually have seen that our delivery has been steady, and we actually intend to stay on that path.

Bruce Hemphill: Paul?

Paul Feeney: Okay, thank you, Andy. We're not giving a specific number, Andy, but we are targeting future growth in our advisors, from three sources: one is organic recruitment in the market; secondly, some inorganic acquisitions – we're still investing in the business, probably not to quite the same pace as we have in the past, but we are still doing that; and thirdly, our Financial Advisor School, which we are now seeing good throughput over the last 18 months. Now, that's gearing up, and don't forget, the other area that we're focussed on is productivity. It's not just about numbers of advisors; it's also about productivity.

Andy Sinclair: Can you remind us how many are in the Advisor School at the moment?

Paul Feeney: Pardon me?

Andy Sinclair: Can you remind us how many are in the Advisor School at the moment?

Paul Feeney: Well, at the moment, we're in the high 60s graduating right now, at the moment. We've got more than that, but I think we've got the high 60s just coming, so something above that number.

Andy Sinclair: Thank you.

Bruce Hemphill: Right. Any questions... Oh, there we are. A question over there.

Paul McGinnis: Good morning. Paul McGinnis from Shore Capital.

Bruce Hemphill: Hi, Paul.

Paul McGinnis: A question for Paul around defined-benefit transfers. You noted that 1.8 billion was around 20% of gross platform flows. I presume there's not really anything much on the associated outflow side, so as a proportion of net inflows, it would be even higher. I just wondered where you think we are in that whole DB transfer market - are we nearer the beginning or nearer the end? - and whether the FCA's increased scrutiny over that area might make you a bit more cautious in terms of accepting them?

Paul Feeney: We're already very cautious! Every single DB-to-DC transfer is pre-vetted by us, and the advice is also post-vetted before we take it onto our books. The majority of the DB-to-DC transfers that we accept are in the open market, through the IFA market, rather than through our own financial advisers, simply because the amount of our own financial advisers who are authorised to do that work is relatively small: a couple of hundred... but in terms of the trend... I mean, DB-to-DC is a trend. It's going to continue for years and years, in my opinion. It's a major trend in the market, it's something which we take very seriously; it's something which we risk-manage very carefully.

Bruce Hemphill: Thanks, Paul. Are there any questions from Johannesburg?

Peter Moyo: Yes, Bruce. Michael Christelis

Mike Christelis: Hi, guys. I am Mike Christelis from UBS. Three questions, if I can. Firstly, your expense saving target, a billion Rand: that seems like quite a big number, particularly when you look at where your central costs are. I mean, maybe if you can just give some guidance as to the spread of that: where is the low-hanging fruit? Which business divisions are likely to benefit the most, and how does that talk to things like the embedded value? Is any of that baked in yet, in your assumptions, and in your margins? The second question is just on the Corporate risk book. There was a comment that there's still some normalisation to come there. Can you give us a sense of how much bigger would the Corporate profits be on a more normal run rate of risk profits; and then, just in the UK and the Quilter business, the dividend policy... The pay-out, between 40-60%, just seems a little bit low to me, given the cash-generation nature of the business; the low capital requirements. I mean, maybe just some idea of what you're going to do with the cash you retain – I mean, where is the bulk of that likely to be spent? Thanks.

Bruce Hemphill: Thanks Mike. Pete? Do you want to deal with the two...

Peter Moyo: Sorry, I didn't get the first question.

Bruce Hemphill: The first one was, in terms of the 1 billion expense-saving target: it's a big number, can you give guidance as to where it's likely to be felt in the business, and to use Mike's words, which businesses stand to benefit?

Peter Moyo: Okay, thanks, Mike. As far as our cost savings are concerned, it's right across our businesses. There isn't a specific area. If you take our business in its totality, our view is that we could actually be more efficient right across the business. There are certainly areas where one can actually say it's easy pickings; I mean, we've got to look at the use of our consultants, the obvious synergies that we can actually draw by working together on the IT front – if you actually look at the number of platforms, the number of licenses that are actually spread right across the group, but everything's just starting in South Africa on its own, and look at what we can do when we actually use exactly the same platforms for all our businesses, right across, because the processes are exactly the same. What we've said is, we will actually start off with attacking those costs that do not involve people. We actually have quite a lot of those – like I said, consultants, third-party providers, our systems, and even our premises. So, there is actually quite a lot, so it's not only one specific business unit, Mike. Of course, there are some businesses where we actually think costs are really out of kilter with the business. All our business units have accepted that it's something that's got to be done. We've actually spent the last six to seven months being clear on what we're going to do, so it's actually something that is owned at a business unit level. As far as the corporate business is concerned, I can't really give you a figure of how that's really going to pan out; but suffice to say that there is quite a lot of work that we need to do on actually reducing the underwriting losses. One, we will actually look at the product constructs, we will look at how we manage not just the claims, but also how we manage the claimants. It's actually likely, in our PHI book – unfortunately, we've also see a worsening of the position in the GLA book, and some of that is associated with the difficult trading conditions, but it's actively managing each of those cases. Unfortunately, what we've also seen in that business is that we're now beginning to see claims from the high-income earners, and we're actually seeing slightly more of them, so we are also really thinking about how we look at the product. So, the first and most important thing for me is: we eliminate the losses in that part of the business.

Bruce Hemphill: Pete, just going back, there was another part to the first question that Mike asked, which was whether or not any of the targeted cost savings had been assumed in the embedded value?

Peter Moyo: Yes, some of them have; some of them have not. I don't think we've taken all of them into account.

Bruce Hemphill: Okay. Paul, the question around the dividend...

Peter Moyo: Sorry, Iain, you are shaking your head?

Iain Williamson: We haven't taken any credit for future cost savings in the embedded value calculation.

Bruce Hemphill: Tim, do you want to –

Tim Tookey: I'll take the dividends. Hi, Mike, hope you're well. On the dividend, you're asking questions about the 40-60% pay-out ratio, and what other things we're taking into account in that. Well, back in November, we said that we expected the initial dividend policy to be cautious and sensible, and as we're coming to market as a relatively young company, obviously. In terms of some of the other areas where we've taken this into account, remember, of course, that outside of operating profit, in the short term, we will have a future with the one-off costs of managed separation. I know there's a lot of material published today; when you get into the detail of our announcement, you'll see that we are expecting £36 million of future one-off costs associated with advisors and other transaction costs, which is in line with the guidance given by our group colleagues previously. That, and some financing costs, are outside of operating profit, and of course, as we said in November, and in response to Paul's question today from Andy, we are expecting to continue to have some modest levels of targeted acquisitions of distribution, and distribution capabilities going forwards. So, these are some of the things that we're taking into account in that policy.

Bruce Hemphill: Thanks, Tim. Anything else? Any other questions from Johannesburg? Iain?

Iain: Yes. Larissa's got a question.

Larissa Van-Deventer: Larissa Van-Deventer from Deutsche Bank. Hi, Bruce. Just two quick questions, please, on the cost base target: if I look at your segmental income statement, you reported just under 9 billion of costs in FY17, but over 5 billion of that was claims-related. Should we think of this as a 25% cut to your annual run rate and your cost base? And the second question is: we saw the seed money come back from OMAM – are there any other cash-flows left that we can expect from OMAM?

Bruce Hemphill: Okay, thanks, Larissa. I assume the first question is for Peter and Ingrid.

Peter Moyo: It's out of 18 billion, yeah.

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Ingrid Johnson: Yeah, so if you look in the presentation, on page 24, we've actually given you how to measure the cost efficiency leadership, and it's against our IFRS cost base, which is actually 18.4, and it's including any one-off costs. So, that should be the reference point that you then use.

Bruce Hemphill: Okay, thanks, Ingrid... and then, the second question is: are there any other cash-flows expected from OMAM? There was the seed capital question.

Ingrid Johnson: The seed capital is largely done, and it's really just around the DTA; which in fact, with the recent tax changes, we now have a liability on the DTA back to OMAM. So, basically, not really.

Bruce Hemphill: Thanks, Ingrid. Iain, any others? Anyone else?

Iain: No, Bruce. No more questions this side.

Bruce Hemphill: Okay. We've got some questions from the webcast. There's one for Peter, which is from David Rossouw at Fairtree Capital, and the question is: how would the Nedbank relationship look like? Some colour and cross-sell? OML presence in Nedbank branches? Thank you.

Peter Moyo: Thanks. At this point in time, we are not really planning any new presence in the Nedbank branches, however, what we are going to see is slightly better economics for both organisations. Certainly, when one thinks about the complex life products that the Nedbank financial planners have to sell to their customers, we expect that they are primarily going to look to Old Mutual to do that, but this is all at an arm's-length relationship. We also expect quite a lot of support from Nedbank's point of view, as far as our short-term insurance business is concerned, and the collaboration that we've had over the years as far as the use of IT and that: we expect that to continue into the future.

Bruce Hemphill: Okay, thanks, Pete. There's a question for Ingrid, which is from Naeem at Visio, and I'll read it. "Hi, there is £450 million, and the proceeds from the secondary listing. What will be done with this cash? As I understand it, this is in addition to the cash balances at Quilter, which will be distributed with cognisance of the considerations that were articulated."

Ingrid Johnson: So, effectively what we have is the positive residual PLC NAV, and as I'd mentioned, this actually goes into a UK court process; and therefore, any proceeds that we do get from Quilter if we pursue the IPO or the shares will actually form part of that in the court process – then, any release will be subject to a UK process over time. So, yes, it's separate to any cash or capital in Quilter.

Bruce Hemphill: Thanks, Ingrid. No more questions from London. We're done with questions from Johannesburg, from the webcast, so thank you all very much for your attendance. Much appreciated. Please join us for a cup of tea. Thank you.