EMERGING MARKETS, NEDBANK AND P&C INVESTOR SHOWCASE 2013 **TRANSCRIPT**

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4 December 2013

Welcome and Introduction

Paul Hanratty: Right, good morning everybody and a very warm welcome to our investor showcase here in Cape Town. Welcome to those of you who have travelled from far away and a very big welcome to those of you following us on the webcast. On behalf of the Nedbank, Old Mutual South Africa, Mutual & Federal and Old Mutual PLC Boards, welcome to the next couple of days which I think present a great opportunity for you to get to know our business a little bit better, to meet our management teams, and to understand our strategy. I'm just going to run through one or two housekeeping issues. Firstly if any of you need anything in the way of logistical arrangements the best person to speak to is Caral-Anne outside. If you need iPad, iPod, iPhone, BlackBerry chargers, we can help you with that as well. We also know there are quite a number of people who would like to go to the AXA presentation at one o'clock; again please speak to Caral-Anne and she'll make that possible. Then on Friday we are visiting some of our branches, and so please make sure if you want to go on Friday that you tick off your name on the list because space is limited and it'll be really great for us to get the logistics right. I'm very pleased to say that we've got quite a number of members of our Old Mutual PLC board as well as some of the subsidiary boards, and we've got Julian Roberts our Group Chief Executive here, Philip Broadley if he's back in the room, yes, Philip, and Patrick O'Sullivan, the Chairman of Old Mutual PLC, so welcome to all of you and please, I'd invite all of you to collar them and ask them whatever questions you would like to have answered. And a very big welcome to members of the media as well, particularly those of you from Africa, north of South Africa, you're very welcome here with us.

It's no surprise that we've decided to hold this session in Cape Town, the Cape of Good Hope, which was first sailed around by Bartholomew Dias, a Portuguese explorer. Old Mutual began life here in 1845 when a Scotsman, John Fairbairn, invited people to put their names on a list and become members of a mutual assurance society, and Fairbairn was a very important person in the Cape Colony, he was a financier and educator, he trained as a doctor in Edinburgh, and most importantly probably he was a

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journalist and newspaper man, and a big campaigner for the abolition of slavery, which of course didn't make him entirely popular with the establishment, but nevertheless in our company's history he clearly was the founder of the business. A couple of years later another mutual assurance society started and soon people started calling this company "The Old Mutual" to signify its first mover status, and I think it's a status that we've been very proud of and tried to keep ever since. The three anchor symbol that you see; one anchor symbolised the Cape colony and the three anchors came together to symbolise mutuality. This company has had a very rich history, very closely connected to South Africa's own history, and I think that the spirit of Old Mutual is best symbolised, if you have a chance in front of our main entrance you'll see a statue of Wolraad Woltemade, and many South Africans will know the tugboat that goes out, the Wolraad Woltemade tugboat that goes out to rescue ships in distress. But Woltemade - in 1773 there was a ship floundering in Table Bay and he rode his horse back and forward into the sea and he rescued 14 of the sailors, only 53 survived out of the 200 odd on the boat and he and his horse eventually succumbed themselves to the sea. So he became a very important symbol for this company and we believe we're there to meet our customers' needs in time of need, and we have an expression - *amicus certus*: a certain friend in uncertain times.

South Africa of course itself has faced tremendous challenges over the years and has innovated and found solutions, and in many ways it's a beacon of hope for other countries that face conflicts and trials. So too has Old Mutual faced many challenges, but today we stand in an incredibly exciting and strong financial position, ready to take forward the challenge of building our business on the African continent north of the South African border as well as in South Africa. And we're very excited, we think this is the moment for the African continent, it stands poised to grow, and we think that South Africa can help with that growth – utilising resources, infrastructure, skills and knowledge here, and we think Old Mutual is one of those South African companies that is in a position to help to drive that growth. We're going to have some sessions the next few days when various members of the management teams will present. We've got some stalls outside where you'll be able to see some of the businesses from around Africa and emerging markets, you'll be able to see some of the things that they do, and I'd encourage you to spend as much time as you can meeting our people and getting to know our business a little bit better.

Session 1 – Economic Briefings

Paul Hanratty: We thought we'd start this session by giving you an overview of both the South African and African economies as well as the political context within

which they operate, because I think that's a very useful backdrop to the rest of the presentations, so we've invited three economists: Rian le Roux from our own asset management business which is right here in this building, we've got Dennis Dykes the chief economist from Nedbank, and Iraj Abedian who is a very renowned political economist and will help give you a lot of insight into the politics behind the economics of this region. So I'm going to start by inviting Rian up onto the stage and Rian, we look forward to hearing from you. We will have a chance at the end to fire questions at all three of them, so you'll have your opportunity. Rian, thanks.

Rian le Roux

Rian le Roux: Good morning, ladies and gentlemen. I'm going to talk only about the South African economy. It's going to be a very brief overview. You have the slides available to you, so my slides are pretty much self-explanatory. So in a number of my slides I'm only going to highlight a couple of key issues. Now, if you look at the South African economy then in a global context we know that South Africa is relatively small. South Africa accounts for only about 0.5% of total global GDP but in an African context, of course South Africa is far bigger. South Africa's GDP accounts for about 18% of African GDP despite our population accounting for only 5% of the continent's total population. Now the Nigerian economy, if we can get my first slide please, the Nigerian economy is roughly 15% smaller than the South African economy but despite that the population is about three times bigger than that of South Africa. Now, to me that highlights two things. The first thing it highlights is that the extent of development of the South African economy compared to the rest of Africa, we are far more developed than most of the rest of Africa. The second point it makes to me is that the high growth potential of the rest of Africa, particularly coming off an extremely low base, and Dennis is going to talk more about that.

Now, if you look at South Africa from 1994, we have made considerable progress in a number of areas. Firstly, the economy is far bigger than it was in 1994, inflation has declined structurally, I'll come back to that a little later. Tax receipts have soared. Now that's partly due to the bigger economy but partly also due to a specific effort on the part of the tax authorities to improve tax compliance. Tax compliance in South Africa is very high and that has certainly helped to raise tax revenues. Government debt as a percent of GDP is lower than it was in 1994/95, but the reason is of course we know it has increased quite substantially, and I'll come back to that a little later. Employment has risen, foreign exchange reserves have risen, and the living standard measure, number of people in middle classes, that has increased substantially. It's estimated that about ten million people have entered the middle classes since the early 2000s, and that means that if you look at the living standards, that is in monthly income of roughly

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R4,000 a month or $400, and at the same level, ten, it's a monthly income of about $3,500. So it's estimated that roughly ten million people entered the middle classes over the past decade or so. Then of course we know that the government has put in place a fairly extensive social grant system where about one in three South Africans today receive a grant from government. Then of course also on basic services, water, electricity and sanitation, we know we've made significant progress on those areas. Yet, despite all of these successes that we've had the South African economy's performance since transition has actually been pretty disappointing.

On this slide on the left-hand side there I've got South Africa's annual GDP growth but I've got a five-year moving average through it and that gives you a better picture of what's really happened. On the right-hand side the same with inflation, five year moving average of the annual numbers. Now what the graph on the left-hand side tells you is that from the Second World War up to the late 1960s the economy grew fairly rapidly at the rate of about 5.5% per annum. Then the 1970s when the isolation started the growth rate dropped to an average of just over 3% in the 1970s and it would have been far worse if it wasn't for the explosion in the gold price at the time. By the 1980s of course as you can see, the economy was by now fully isolated, economic policy had a very strong survivalist focus, characterised by high tariff walls and highly protectionist measures in the economy and tight exchange controls, and the economy essentially stagnated and it stagnated amidst very violent boom/bust cycles in the economy, so the 1980s were particularly difficult. Of course, after transition the economy recovered but it did so pretty weakly, and it was really disappointing the first parts of the after transition period where growth averaged only about 3% and one has got to understand why that happened. Well, it simply happened because of all the inefficiencies that developed in the economy through the '70s and 1980s, so by the mid-1990s the economy was forced to go through a long period of deep structural change in which we actually shed a million jobs of the economy and we actually struggled to grow. But then by roughly 2003 finally the economy moved onto a higher growth plane and the period between 2003 to 2007 you can see how the growth rate on average accelerated to over 5% per annum. And it was essentially driven by three things. The first was the global economic and commodity price boom which certainly benefited the local economy. The second thing was a rapid expansion in infrastructure spend by government, and the third one was a domestic consumer credit boom. Now after the global financial crisis, the 2008/9 and the recession that followed, all three of those forces faded quite strongly, so over the last couple of years growth in the economy averaged only about 2.7% per annum including this year's likely less than 2%. So if you look at the performance of our economy compared to emerging markets for example, over the period 2009 – 2013 emerging markets on average grew at probably about 5% per annum and commodity exporters by about

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3.7%, so we basically underperformed all of them. And the big challenge for South Africa is to get the growth rate up, because the unemployment rate at 25% is still extremely high and needs to be lowered.

On the right-hand side there if you look at inflation it should be no surprise to anybody and certainly no economist to understand that if you have an isolated economy like we had in the '70s and '80s you create an inflationary environment. That's precisely what we had, very high rate of inflation up to about the late 1980s when finally inflation started to decline structurally, has declined quite a bit, but at the moment still stuck at around 6%, the top end of the Reserve Bank's 3 to 6% target range, and that says to me, if you look at inflation expectations that's also still anchored at about 6, and that means we haven't fully conquered inflation, we need to do more work at getting inflation onto a lower path.

If you delve deeper into the South African economy we know that the economy has got a number of particular strengths. Most of these things are very well known so I don't want to deal with them in any detail but I do want to highlight a couple of them and I think Iraj is also going to deal with some of these issues. The first one I want to mention is points five and six, the fact that we have a strong and well regulated financial sector, particularly the banking system, and also a very healthy corporate sector. Corporates in South Africa are generally healthy and lots of them with relatively high levels of cash. And those two things have served us well during the financial crisis as well as the recession that followed the financial crisis. So in my view a strong financial sector and a strong corporate sector are key strengths in the economy. The next point I also want to highlight, particularly the last point there, and that is the fact that the exchange rate is flexible. A flexible exchange rate is absolutely key to internal adjustment, and we've seen that whenever you get trouble from abroad or even from within South Africa the currency is always the first line of defence. That's the first thing that goes. It sends a message something is wrong but it's also part of the adjustment process. So while currency volatility is sometimes a problem in South Africa I still regard a flexible exchange rate as a particular strength in the South African macroeconomic set up.

The last point I want to mention there is, and you can look through all the other points on the slide, but the last point I want to mention is the strong and growing trade in investment links with Asia and Africa. And Africa in particular is the one I want to mention. Over the last decade or so investment by South African countries into Africa has exploded, and our trade with Africa has exploded also. In fact from the latest SARS numbers that we get on foreign trade, the revised numbers, we only have numbers for the last two months, it actually shows that exports to Africa now account for 30% of our total goods exports. And with Africa continuing to grow relatively fast I would guess that that could continue to increase as time passes.

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But despite the strengths of the South African economy we also have a number of weaknesses that we cannot ignore. On the left-hand side there are basically all the strengths I mentioned on the previous slide. On the right-hand side, this is the World Economic Forum's Global Competitiveness Index and if you look at the top there our overall ranking is 53 out of 148 which is not too bad, and certainly better than Brazil, India and Russia, but if you look at the right-hand side there that's where our problem sits, and without going into any of the detail you can summarise the items on the right-hand side there in basically three areas. Firstly it's the educational and health quality of the labour force in South Africa, that's a particular problem and that's our rating out of 148 countries. The second is our very problematic labour relations which is something we need to address if we want to raise growth in the economy, and the third one which is not mentioned specifically there but was also mentioned by the Planning Commission, the National Development Report, is the basically suboptimal performing public sector. That's an area that we need to improve, so essentially if there are three areas we need to improve in this economy if we want to get higher growth it is (1) fix the labour market, (2) get a better operating public sector, and (3) remove some of the binding constraints that still hamper the economy including the lack of electricity generation.

In the shorter term of course there are two other issues that continue to worry markets and continue to worry investors. The first is South Africa's fairly large budget deficit on the left-hand side at the top there, is the budget deficit as a percent of GDP, and you can see there from the early 1990s through to about 2007/08 we had a significant narrowing of the budget deficit. That was largely due to improved revenue collections as I mentioned earlier, basically on the part of efforts by the tax authorities, and that of course resulted in bottom left the government debt as percent of GDP falling from about 50% at the time of transition to a little over 20% by about 2007/08. Over the last couple of years of course we've seen a significant widening of the budget deficit to around 4% of GDP over the last couple of years and of course where that government debt as percent of GDP has risen quite significantly. The big challenge for the authorities is to get the fiscal situation under control.

Now we know the reason why we had the widening of deficit; it was essentially because of a slowdown in tax revenue growth, but the biggest reason was anti-cyclical consumption spending by government over the last couple of years, and that is now built into the system so it's hard to remove it. And therefore there's an increasing focus on government to get the budget deficit under control. You know the target is to narrow the deficit to 3% of GDP by about 2017/18 and government debt percent of GDP to peak at around 44% at the same time. So we need to build fiscal space and you will hear the Minister of Finance talk very often about this and I think there's a concerted effort on the part of government to actually

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get the fiscal situation under control. The other problem of course on the right-hand side is the one we know about, South Africa being classified with the so called "fragile five" partly because of the large current account deficit. We just got new numbers from the Reserve Bank yesterday, the last three years' deficit numbers have all been reduced by about 1% of GDP but this still leaves you with a big current account deficit. Current account deficit of 5% of GDP given a GDP level of 3.2 trillion rand at the moment still leaves you with a financing short-fall every year, just to cover the deficit, of between 15 and 20 billion dollars per annum, so those are large numbers. They're particularly problematic because as the IMF pointed out in their last report on South Africa, foreigners already own 36% of South African rand denominated government bonds and some 34% of the top 100 shares listed on the JSE. So foreigners already own a lot of South African financial assets. So that means we need to improve the attractiveness of the economy to attract more from direct investment. I think this is a key challenge for government going forward.

The last point on this slide I want to quickly highlight, right at bottom right there, is a particular problem for South Africa, that is the fact that mining production in South Africa has been declining for 43 years, and we know the reason for that, that's essentially the gold mining industry. Remember South Africa produced 300 tonnes of gold in 1960, development of the Free State gold fields in the 1960s caused that to rise to about 1,000 tonnes by 1970 and it's now down to 250 tonnes, so we've had increases in mining production, other areas, platinum, coal, iron ore and so on, but it couldn't fully make up for the decline in gold mining production. That leaves us with a problem because mining exports still account for two thirds of the total exports. So it means it puts a lot of pressure on industry to become globally competitive, either by producing things rather than importing them or we go for the export markets. So the current economic deficit remains a problem and something I think that investors will probably be concerned about for another few quarters.

Looking forward though, I'm not that pessimistic on the economy. I think one of the areas that we should expect some action over the next couple of years is fixed investment. On the graph there I've got fixed investment in the economy, that's fixed capital formations as a percent of GDP and you can see as one would expect in the 80s in particular, we had an investment strike. Government didn't invest in infrastructure, private sector didn't invest, but we've had a recovery there from about 2003 particularly with the expansion in government infrastructure spend. And of course when government starts to spend on infrastructure, what happens? It sucks in the private sector. So over that period when government investment was rising very fast in infrastructure private sector got crowded in and private sector investment between 2003 and 2007 in real terms rose at almost 11% per annum over that entire five-year period. So I think once you get

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government to start spending again on the infrastructure plan, and remember the plans are big, over the next three years government plans to spend about 24% of 2013 GDP on infrastructure, so the numbers are big, it will improve the capacity in the economy, and I think it will help suck in private sector fixed investment again. So I'm fairly optimistic that we're going to see a recovery in fixed investment which is of course crucial for growth in the economy, and then I also think that the weaker rand, this is a graph of the real effective exchange rate of the rand, it has fallen quite substantially, it's now as weak as it was in the crisis in 2008/9, and I think at some point or other that will have an impact on the economy. I think it will certainly start to reduce imports. Import propensity in the economy is very high, i.e. import propensity is the share of domestic demand in the economy spent on imported goods. In the 1950s and '60s when the economy grew at 5 – 6% per annum the import propensity was about 25%. It's currently about 35%. So the weaker rand I think at some point or other will start to curb imports, and I think to me if you look at the Reserve Bank's released the quarterly bulletin yesterday, the best piece of good news I saw in the entire quarterly bulletin was the fact that in spite of widespread strikes in mining and in the car industry which are both big exporters, total export volumes in the third quarter despite those strikes still rose at a rate of 14%, so it may be an early indication that the weaker rand is starting to have an impact. So I would still expect the current account deficit to narrow as we go through 2014 in particular but not necessarily the next couple of quarters. But at some point or other I think the weaker rand will have benefits for the economy.

And then lastly, ladies and gentlemen, to end my part, the South Africa economy on the demand side remains a consumption economy. This graph is real consumer spending as a percent of GDP and that has been rising ever since the late 1960s and of course it's risen partly because we've had an investment strike by the private sector and government in the '70s and '80s and also partly because net exports have not done particularly well. I think looking forward I would expect the net export part of the economy as well as fixed investment to do better, and that should hopefully create more jobs in the private sector. I think the last few numbers on total employment, particularly the quarterly labour force survey that was released recently, indicated a fairly substantial increase in private sector employment. Hopefully that is a sign of faster employment growth in the private sector which I think is key for sustained fairly strong growth in consumption spending. So looking forward I would still think consumer spending will continue to rise at relatively healthy rates, although probably not at the kind of rates of 5% per annum we had through 2003 to 2007 when we had the credit boom.

So to end off with ladies and gentlemen on the South African economy we certainly face some short-term head winds. I think the Fed's upcoming

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tapering of asset purchases holds a particular risk to the rand still, and also the medium-term challenges to South Africa are certainly to narrow the budget deficit and hopefully narrow the current account deficit also. And then the next few years I think we will see a cyclical recovery in the economy but the longer-term challenges remain to implement the National Development Plan which basically focuses on South Africa's structural ills. And if we can implement those things then I think the growth prospects for the economy will certainly improve compared to the roughly 3% potential that it's currently estimated to be. And with that I hand over to Dennis.

Dennis Dykes

Dennis Dykes: Right, I'm going to be covering South Africa and South Africa's interaction with Africa, the potential growth rates in Africa going forward, and giving you some perspective as to what we think is going to happen in the region which is potentially going to be very exciting. This graph here which I've just taken from the IMF World Economic Outlook just gives you both the history of sub-Saharan African growth versus other regions as well as what they expect going through to 2018. And it's interesting - you can see Africa certainly in the 1980s, 1990s, didn't do particularly well in amongst the bunch if I can put it that way, but if you focus on the red line going forward and certainly during much of the 2000s the only other region that was actually beating it, if I can put it that way, in terms of actual GDP growth in the actual region was Asia which of course, as we know, is the most dynamic region. And certainly most multilateral forecasting agencies expect that to remain the case going forward. So the question is, what actually changed beyond that fairly gloomy past - certainly the '60s, '70s, '80s - and then what catalysts occurred to drive the region forward?

I think it's a number of things. Firstly you had HIPC which was the debt forgiveness programme by the IMF and all the debtors, which forced down debt quite considerably, I'll show you, very dramatically, which of course in turn actually reduced the cost of credit, improved the availability of credit. It also forced better policies and economic policies are absolutely crucial to understanding why you have good economic growth. So you started to see macroeconomic stability spreading through the region and certainly an opening up of the region to the rest of the world.

The second big catalyst I guess would have been high commodity prices, so the terms of trade, which is the ratio of export to import prices, improved dramatically over the last decade or two, and I'll show you again in a moment or two's time how Africa as a region - their terms of trade improved dramatically compared to other areas. Linked to that, because just more recently we've seen commodity prices come off a little bit which suggests maybe things aren't quite as rosy, but the commodity potential is

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still a big driver of growth. China recognises that over the next few decades they are going to be a large consumer of a dwindling commodity supply and the most unexploited area of the world for commodities is basically Africa. Huge potential going forward, and consequently Chinese investment in the region both in infrastructure as well as public services across a whole range of industries has improved, and we've also seen that draw, suck in investment from other areas of the world, not least the traditional investors like, for example, Europe and to a lesser extent maybe the United States, but also other South East Asian countries, Korea for example becoming a very aggressive investor in the region.

The next point I'd just like to highlight is that growth has become a lot more diversified. Obviously very much a one-stop sort of shop a few years ago, and now we've seen across sectors like financial services, across the retail sector, transport, construction - if you look at an economy like Angola, tremendously exciting what's actually happened over the last little while. Tourism, all burgeoning very, very dramatically, and still great potential in areas like for example agriculture which I think is going to be a huge focus for growth as we go into the coming decades. The broader growth has also led to a rising middle-class, there have been quite a few studies particularly by the African Development Bank highlighting this point. It's still small, relatively, and depends how you define middle-class but nevertheless purchasing power has increased quite dramatically, and then the last point I just want to sort of highlight is the demographic dividend, if you look at population structure in Africa it's also very favourable providing of course you've got other policies backing it up.

So let's just consider a few of these points. The first one here is really foreign debt as a percentage of GDP, again highlighting its performance relative to other regions, and if you look at Africa over here you can actually see after the Latin American debt crisis in the early 1980s Africa just continued actually building up masses of amounts of debt with HIPC and with the growing exports in the region you can actually see how dramatically that debt has come down and now it's pretty much one of the pack. Certain countries like Zambia for example had debt to GDP ratios of something like 300% of GDP at its worst, so it was never going to get out of that debt trap, but now obviously it has dramatically improved access to finance and indeed a number of countries round Africa have actually raised dollar bond issues over the last couple of years, fairly significant ones at very good pricing.

The next point, terms of trade, if you look at the red here, sub-Saharan Africa, terms of trade were falling into the 1990s, get to the Asian debt crisis, that sort of period there, 1980, and you see a massive swing, in other words export prices very much outperforming import prices, import prices very much helped by the Chinese expansion and the driving down of manufactured goods prices, and obviously that impacts on the overall

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wealth in the region. This led to higher fixed investment spending, so the region still doesn't have very high ratios but nevertheless as you can see it's improved quite dramatically and also encouraging is that net foreign direct investment as I mentioned earlier on has picked up quite significantly.

Now on the demographic dividend I've just shown you some population pyramids which really just shows you from young to old, this would be male and female and percentage of total population - just to explain the graph, for the uninitiated - and if you take South Africa's case you can actually see a relatively young population marrying up to a fairly small proportion in the older age categories. If you compare it to Brazil not a dissimilar picture but slightly more proportion in the younger cohorts, and then not dissimilar to Mexico, just to take two Latin American comparisons. If you take Kenya though, you can actually see a very, very dramatic sort of pyramid which shows very young populations which obviously are going to drive population growth going forward and also drive things like dependency ratios, very low dependency ratios which I'll show you in a moment or two's time.

Nigeria, similar sort of picture. I've also got Uganda here, and then the big contrast with, for example China, which really has a significant difficulty in coming decades because it's going to have a reverse pyramid structure not dissimilar to Japan by the time we get to about 2050, and then Italy which is already in that type of situation as well, so very ageing populations which obviously impacts quite significantly on dependency ratios.

So this is the ratio of population aged 65 and over as a percentage of the total population, of the population of between 15 and 64. And Africa's the one at the bottom, the green line, and you can actually see their dependency ratios remain very, very low. If you look at more developed regions the dependency ratios look absolutely horrendous, it's times like these I'm happy to be living in Africa, let me put it this way, because obviously that has massive pension implications, health implications and so forth. Latin America less favourable as you can see compared to Africa, and the next line down there, the red one, just shows you less developed regions as a whole.

Just taking some countries, and again, Kenya, Uganda look very, very favourable, South Africa doesn't look too bad, and then across the range of other countries you can see it gets steadily worse as you go deeper into the 2000s. This obviously implies that the proportion of African population is going to rise and these, I'm just using the medium-term estimates on the United Nations population division as an estimate going forward but these are normally relatively accurate notwithstanding things that can actually change it, but you can see, Africa's population was around about 8% of the total global population in 1950 and it's going to rise to over a third of global population in the late 2000s.

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So that's all fairly optimistic. Obviously there are a number of obstacles. Infrastructure is still very underdeveloped. Road infrastructure, rail infrastructure, ports very much underdeveloped and that's hampered inter-regional trade in particular energy and transport infrastructure. Rian alluded to the fact that even in South Africa that's forming a significant constraint at the moment. There are very few development corridors, I'll discuss that in a bit more detail. The net result is that intra-African trade is only around about 11% of total African trade, so between African countries. In Latin America that same ratio is about 20%, 21%, Asia 38%, and then of course more developed areas like Western Europe is 60%. So that is a potential for very, very strong growth going forward providing Africa can get its ducks in a row as far as that's concerned. So far there's been very little in the way of regional cooperation to try and actually unblock these trade barriers and although we do have a number of trade agreements on the table, the barriers are still high.

As a matter of fact we've got too many trade agreements on the table. I won't take you through all of these but this just shows you various countries falling in various trade areas within the region. So a country can be a member of the East African community and SADC and a number of others, it's a complete mess, and the challenge is to try and actually unwind this horrible spaghetti of trade agreements, and indeed that is what is happening at the moment.

The other problem is, if you look on the right-hand side of this graphic here, it just shows you the sort of delays that you get at border posts, where typically delays of four to five days is not unusual, where there's corruption at waypoints, there's corruption at border posts, the transport itself is relatively slow, and it can mean that transporting goods through Africa may cost up to 30%, maybe even 40% higher than comparable costs in other areas, which clearly makes the region pretty uncompetitive. The good news is that the roads are being improved and that particularly for example if you look at East Africa there are a number of initiatives to try and actually unblock this and make sure that it works a whole lot more efficiently, but it will remain a challenge in the short-term but if we get that right it's going to be absolutely fantastic.

Other factors just very briefly, lack of skills hurts competitiveness, health problems obviously - AIDS, malaria, those sort of things - but again great strides have been made there and it's one of the reasons why the region is performing a bit better. Organisational capacity, that's improving. I think a big leap forward at the moment is the fact that states are starting to realise, not without exception, but are starting to realise that the private sector needs to actually become more involved, so in Nigeria for example you've seen privatisation of energy which I think is going to unlock massive growth in that economy. A key sort of blockage will have been removed when that starts to come through. Politics and policy sometimes very inconsistent

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and can be deterrents. Corruption obviously as I mentioned can be a problem, and predictability an issue, and then the fact is of course as Rian outlined, the region is relatively small in economic terms.

I won't go through all this but you can actually see, apart from the big economies like Angola, Nigeria, South Africa, most other African economies are relatively small in terms of emerging market peers.

From the per capita GDP point of view certain of the smaller African economies like for example you've got Gabon and Mauritius, don't look too bad, but often it's very much based on oil or in the case of Mauritius the financial sector and tourism and so forth, but they're relatively small economies, and again that is a constraint but also does tend to show that there's good potential going forward.

What about South Africa in the region? We tend to look at ourselves here in the south part of the continent as being a bridge, a natural bridge into the rest of Africa. There's good geography helping the country in terms of key ports and so forth, good history in terms of trade routes, infrastructure advantages which I've alluded to, ease of doing business which Rian also touched on, if you look at World Economic Forum as I'll show you in a moment you can actually see things like the legal system and so forth very conducive to doing business in this part of the world. Just quickly touching on infrastructure, and I won't go into detail, you've got it in your packs here but you can actually see the big ports, particularly Durban and Richard's Bay, located here in the south part of the continent and there are a lot of the corridors actually leading to those ports, given more limited capacity further north, and again, very much the question is how do we unlock that? How do we actually improve infrastructure further north and how do we actually open up these corridors?

As I said to you, not a bad place to do business if you look at the financial system, if you look at the legal system and so forth, very conducive to doing business and consequently a lot of multi-nationals set up base in the southern part of the continent. The number of countries are actually starting to compete on a more active basis for that type of presence. We also see that South African companies are expanding rapidly into Africa, because they do see opportunity and consequently the financial services are following those companies through the continent but if you look at South African Reserve Bank numbers from back to 1997 to the present you can actually see the trend has actually been fairly remarkable, encouraged by very favourable exchange control and other measures by the government, so obviously trying to improve that cooperation, and across a range of territories, this just shows you most of the concentration is in southern Africa at this point but increasingly - this light green area which is non-SADC countries typically we're starting to see much, much higher levels of investment. And if you look at the proportion of South African

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investment going to Africa versus other countries it's nearing the 25% of total investment, so again, South African companies putting their money where their mouths are.

Rian alluded very briefly to the fact that exports are surging into Africa. If you look at manufactured goods exports now the most significant amount of exports are going to Africa as a region, overtaking Europe in the red there, and that's across a whole range but particularly in motor vehicle manufacturing and so forth. And then just how do we give effect to all that. I think the other sort of positives, if I can put it that way, would be South Africa's political influence through multilateral organisations like the IMF, the World Bank, member of the G20, again maybe shooting a little bit above its economic weight, and then of course a member of BRICS in terms of the political formation of BRICS, and then within Africa obviously very, very active in things like NEPAD which is the new African partnership as well as, for example, this free trade agreement which is trying to actually unlock trade all the way through from Cape Town to Cairo.

Just a few financial service indicators, and again you've got them with you, but just to highlight the relative underdevelopment in the continent. So on the right-hand side there you can actually see one of the obstacles to further development at this point would be, for example, the lack of credit bureau in a number of countries, so the zeros are actually zeros there, so often knowing your client in Africa is quite difficult. But again there are moves afoot, not least in East Africa, to actually address that, and those are starting to actually pay dividends going forward. And then focusing on the left-hand side of this graph here you can actually see domestic credit as a percentage of GDP again, huge potential across a range of economies for that to improve once we start to actually see more active participation by banking institutions, but I think also the injection by a wide range of international institutions as well as South African institutions will make the difference over the next couple of decades. Profitability not bad at all but financial inclusion still very, very low and fairly weak.

So just a few concluding comments before I hand over to Iraj. I do feel that Africa has shown its potential over the last little while and that there is considerable potential going forward notwithstanding the changed global circumstances around for example things like commodity prices levelling out. There is a potential for favourable step-change, better market-based policies, opening up of the region as I mentioned, improved access to global credit, a lot more investment interest in the region and consequently I think all those are going to drive growth quite significantly. There is a lot that needs to be done, particularly on infrastructure, and the numbers bandied about on the infrastructure side very, very significant, the potential, the need for infrastructure investment of course quite considerable, but that in itself I think is going to help drive growth, and financial inclusion is certainly improving helped by technology, economic

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growth, the growing middle-class, broader economic participation, but again it actually needs regulatory help in terms of actually driving things like for example governance as well as knowing the client. So things like a credit bureau facilitating a regulatory environment would actually help quite considerably. Right, they're starting to play the music, I can hear it, almost like the Oscars, so I'm going to call over Iraj so he can take you through the next part of the presentation.

Iraj Abedian

Iraj Abedian: Thanks, Dennis. Good morning.

Yeah, thank you. I was wondering whether you'd all gone to sleep. What I'm going to suggest in the 20 minutes that I have - there's a countdown here so I'm going to sometimes go too fast and sometimes slow down, basically cover a political economy perspective that hopefully would provide context for much of what you hear about South Africa. The reality is that, at the turn of political change back in 1994/1995, South Africa was and still remains one of the most unequal societies. Therefore it was natural and will remain so for some times to come that the focus of governments and political discourse will be on redressing of what was in the past systematically an anti-majority apartheid system. It took 40, 50 and some would say to the colonial age, 200 years, to create these structural imbalances. To expect that within 20 years or 30 years you would be able to reverse them is technically impossible.

Therefore if you look at the trends you will see, and Rian also gave you some percentages - on the left, you'll see the focus has been on reducing illiteracy, providing power or electrification, water, sanitation. These are real issues of social stability which has both economic and political consequences. The focus has been - on the right you see allocation from a fiscal point of view being on education and up to now I would argue that the focus has been on access to education, not so much emphasis on the quality but rather quantity, but that was something that had to get the process going. So the focus has been on social justice if you prefer, and remains so, and politically that is the most burning issue in South Africa. As a result many commentators observe that if you look at the number of [welfare] beneficiaries, 1997 it was 2.3 million, these days in excess of 16 million. Roughly one out of three South Africans gets monthly hand-out from the government but that in a way reflects the brutal reality of mal-distribution of income built up over 200 years.

Despite that, the fact remains that since 1995/6 South Africa has done dramatic improvement in its macroeconomic, fiscal, financial and broader structural reform, possibly, and I stand to be corrected but I think it is true that amongst all those emerging economies South Africa did the fastest

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move from being totally unrated to reaching and exceeding investment grade status. It is true that over the past couple of years like many other countries we've got downgraded and we still, as we speak, remain on negative watch. The fact remains that South Africa had done what Latin America, South East Asia took 30, 40 years to do, South Africa achieved it in less than 12 years, meaning from a non-rated economy to get the macro-economic situation under control so much so that from a very rotten inherited fiscal situation back in 1994/5, today South Africa is number one in terms of its fiscal transparency and predictability. That is not just in amongst the emerging economies, it's amongst the OECD countries too. So I think that is something that should not be underestimated, macroeconomic situation was incredibly unstable, and to get that under control at the same time to redress social imbalances was the challenge that South Africa had to go through. However, in the process the fact remains that the amalgamation of South Africa which was segmented into 14 governments, 14 departments of health, 14 departments of education, 14 police, 14 of everything, had to be centralised and integrated, consolidated, the efficiency of this consolidated state remains seriously at fault. It's much like acquiring 14 companies at different levels of efficiency and try to consolidate them and try to be efficient and competitive in the market. You know in business it's not an easy thing, South Africa is still grappling 20 years later with that consolidation getting efficiency out of its public spend, which then leads to historic imbalances of mal-distribution of income not being redressed, not being redressed fast enough, and in a credible way meaning to the satisfaction of the masses. That is the key acid test of any government, it's not to keep the rating agencies happy and so on, that as far as the population is concerned is irrelevant, it's to make sure that money that is allocated to education, health, police, etc, etc, reaches where it's intended to do, but that requires efficiency. South Africa has battled and is still battling with that and therefore the triple evils of unemployment, mal-distribution of income and poverty remains very, very internationally unique, and it's a real challenge for the country.

What about the political environment? It is true that amongst all the developing countries and many non-developing countries South Africa is the only country that has braved constitutional democracy. And some would say it's either foolish or brave, the choice is yours! The reality is that that was what was hammered out as part of a diverse, highly-fractured, highly distrustful society in 1994 to 1997 - a constitutional democracy was hammered out. Having hammered it out and agreed and adopted it, to live by its rules and standards is what the challenge is at the moment. [Constitutional democracy] is a noisy business, it's evolutionary and it's relatively unstable for those who want predictability and stability a la China and the like. Well, South Africa is not China, it's chosen not to be China, it's chosen not to be Russia, it's chosen not to be the United States, nor to be Italy, it's chosen to be what it is and therefore it's learning how to live by

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what it's adopted to do. Therefore superimpose that constitutional democracy [on the historical structural issues] and at the best of times it's a challenging mix. Superimpose it on the complexities of emerging economy and then you have a very, very noisy, unnerving type of conditions for those who want to sit down and have predictability, stability, etc, etc. [Since 1994] you haven't had it; you're not going to get it. It's not good; the type of predictability that you expect in an emerging economy is not good over time for sustainability of economic growth, but I haven't had time to discuss it, we can discuss it somewhere else.

The South African history at the same time has created a society that is very active. It was active to overthrow apartheid; at the time of transition it had 158,000 NGOs and CBOs, community-based organisations. They are back in action again because that is the nature of constitutional democracy, they are not going to take it from so-called business leaders or take it from their own political leaders, they are going to come out with full force, that is the DNA of this society. And that adds the spice to the process. It's unnerving again for those who want stability but that is the nature of the society. In 20 years [South Africa] has evolved its constitutional democracy, it has maintained its stability, it has gone through against all odds through its consecutive elections without the common violence or all the other expected outcomes. [South Africa] is work in progress, all components of the society are learning how to live within the norms of constitutional democracy, political parties included, even those who championed it. ANC and the like, big business, big labour, all of them are on the receiving end of a new political dispensation that none of them knows how to live by. At the same time global and technological factors have added to the complexities of South Africa's normalisation process. By that I mean volatility that comes from the financial market, at the same time technological changes that keep reducing labour intensity in the market, adding to the unemployment, adding to the tensions within the unions, I'll come back to this point very shortly. COSATU which is the most organised and one of the most respected powerful forces of anti-apartheid in the 1980s and 1990s is now in a state of turmoil. It is because from within and from without [COSATU] is under attack. From within, the private sector production is becoming less labour intensive, more technology intensive, more automated. It has been; it will continue to be, which means a million plus jobs have been lost and all of them just about have been members of COSATU. Therefore COSATU numerically today is a much lower force than it was and it is unpalatable for an organisation that used to run the show. At the same time public sector employees have unionised therefore public sector employees, nurses, teachers, policemen and so on, these are middle-class in South Africa. They are not your blue collar type that Europe and elsewhere had. So COSATU has got a crisis of identity at the moment. From within they have lost control and sight of what it is to be a union leader. They have become policy makers, union members know it.

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[Following the recent labour unrest] the leaders have been shocked to realise [their members' sentiments] and there is a fight going on like never before. In the process, unions have splintered, eight or nine of them have emerged. COSATU is really on the slope to irrelevance politically speaking. Irrelevance - I don't mean unions are bad, unions shouldn't be, etc. Not at all, [political] irrelevance in the sense that COSATU that was in 1980s and 1990s no longer will be with us. Therefore COSATU increasingly represents the voice of the middle-class, and the other workers have to find some other home. That has implications for the alliance in the sense that it pits the black rising bourgeoisie if you like, the Marxist language or upper middle income class against the middle class which is represented by COSATU. And of course that is not comfortable, does not sit comfortably with the sort of cosy, friendly comradeship within the ANC alliance. And the fact that the economy is not creating jobs because of low growth on the one hand and technology on the other, it's not helpful for the alliance either, because the bourgeoisie sees COSATU as the enemy, not creating jobs, COSATU see the bourgeoisie as not being comfortable or favourable towards the workers, and that creates instability within the alliance. On top of it business leaders, union leaders, political leaders of all shades and grades, they are doing what in the literature is referred to as "extractive practices". For those of you who are interested, the book "why nations fail" across all regions of the globe, documents stereotypical practices of business leaders, political leaders and union leaders all combined, to extract from the society at the expense of the working class. [In the SA context] therefore, the poverty that I showed you earlier on continues. The mal-distribution of income persists and the workers know it, and they're not going to put up with it, and they shouldn't because it's not good for the sustainability of economic growth.

So these are the backdrop against which democratic dispensation in South Africa within a constitutional democracy has to evolve. I emphasise evolve because in the UK and the United States and the rest of Europe many of these governments, despite their evolution, they are now regressing in many areas. They are regressing for example in the Americas for those of you in the United States they are saying, well maybe the Chinese model is better than this wrangling in the congress all the time. Somebody at least is in charge, get done with it and move. Well, [societies have] got to choose their battles and therefore South Africa at the moment in all its compartments, unions, business and politics going through [deep soul search]. Unions are really at the forefront of this disintegration at the moment. And of course, that leads to the loss of political power, leads to noise and violence within the unions and we have seen over the past two years they have brought the mining to its knees, manufacturing, etc, etc. So if I capture the historic structural imbalances, social imbalances, industrial relations issues, logistic misalignments, then the country said, "What do we do?" We came up with a National Development Plan, a

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framework which is not a government political strategy, it's a national multiparty, multi-stakeholder platform for developing a plan, a long-term plan, a 20-year plan to deal with these structural issues. National Development Plan therefore is meant to deal with the uncertainties that have emerged in the business sector, in the social sector. But policy contestation, as I mentioned, is in the DNA of South African policy makers or social stakeholders. So new South Africa since 1995 has been really characterised by this contestation amongst union, business and government. NDP has meant to create a discourse in order to deal with these differences, because if we don't the historic capital base degenerates, the economy's growth declines. [As you can see from the chart], this is the level of lack of investment in basic infrastructure, from 1970s to early 2000s, there's a lot of backlog to catch up. And of course when contestation continues the next victim is social capital, the level of trust drops, at the moment the trust between business, labour and government which once upon a time in late 1990s was great, it has really dissipated dangerously. So NDP is an attempt to rebuild it, it's not going to be an easy ride. NDP is fundamentally a market economy logic, its approach is supply-based, get the fundamentals right and let the talents and capabilities emerge. That doesn't sit quite nicely with the Communist Party, nor does it sit comfortably with the populists who want to extract things today and not worry about tomorrow. Nor does it sit comfortably with the unions, so we're going to see more of contestation in this area but it is something that has to be done. The South African government essentially is a coalition government of the nationalists, capitalists, populists, all of them, and you can look at Europe's history to know coalition governments do have a paralysis of efficient decision making. But given the South African political history, social mal-distribution of income, all the other racial issues superimposed on it, [the coalition government] is possibly the more unstable situation.

If you look at the score card - South Africa's credit rating at the moment, the investment grade but with a negative outlook it does bring government to a reality, grounds them into what they can and cannot do which is very important. Corruption within business and government has damaged the country's brand and that's something that South Africa openly talks about. However, it's important that, despite all the complexities and difficulties, institutions such as the Auditor General and the Office of Public Protection grounded in the constitution hold the fort. They are not going to let business get away when they collude in construction or in the banking sector, nor are they going to let the cabinet ministers get away with it, so that constitutional anchor is absolutely critical for South Africa's macroeconomic stability and performance over the medium term.

Open discussion unnerves some but you cannot muzzle anybody in the constitutional democracy and that's something that I think is a good thing.

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In the short-term it creates trade-offs between growth or getting things done [and evolutionary social democracy], in the long-term it creates a platform for sustainable growth. The SA economy remains resourceful, which means in terms of its mineral base, in terms of agriculture base, manufacturing base, tourism, its geographic location, it is a very important resource. What does it mean to Africa? The South African economy is like a balanced portfolio, it's got strengths not just in mining, in other areas too, and therefore that balanced portfolio will never perform 10/12% [GDP growth per annum]. No balanced portfolio does. A hedge fund may do, balanced portfolio doesn't. South Africa is not dependent on oil or any single sector that can grow at 10/12%, it's a balanced portfolio, it will perform in good time above average, in bad time it will survive, but its balanced composition means that its ability to integrate into Africa is important.

How many of you have seen this picture? Not enough of you. Too few. It's very important to note that when we talk about Africa it's the sum total of China, the United States, the whole of Europe, the whole of India, the whole of everything that you know and some more pieces. That means that from a capital market point of view all the issues that Dennis raised about the short-fall in infrastructure, short-fall in this, short-fall in everything that you want also means that for the next 50/60 years the entire surplus of the capital market will be required in order to make up for all those short-falls, and because it's the only piece of land that's left physically and virtually underdeveloped, rest assured that the capital market will find a way to deal with all these difficulties, the same way that it worked in the United States once upon a time it was a frontier, rough place to do business, then Southeast Asia was a place not to do business, it became a place to do business, China was a dangerous place to go because it was full of communists, now the only capitalists left, etc, etc, etc.

So I have absolutely no doubt that the ability of the South African economy through its multi-sectoral approach and its capabilities to link into this massive capacity in the next 50/60 years will bring both continental and domestic growth. I've said nothing that I haven't said before, I see my time is up, and I thank you.

Q&A session

Paul Hanratty: Ladies and gentlemen, we have an opportunity now to ask some questions before lunchtime, so please just raise your hand; we've got microphones in the room. Please just give us your name and where you work and fire away. Great. Can we have a microphone in the front here?

Victoria Rosito: My name is Victoria Rosito, I'm a journalist from Zimbabwe. In the whole African mix, in the whole African economics and politics there's a country

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that does matter a lot and that country happens to be Zimbabwe. I didn't see much of it in terms of your graphs and your maps, where does that country stand? Thank you.

Paul Hanratty: Right, so who would like to answer about Zimbabwe?

Iraj Abedian: I'm happy to have a go at it. I don't know what you mean about "matters", every country matters. Zimbabwe over the past 15 years has been the epitome of how not to do things, but it's a resourceful country, it's a nation that is possibly in the African context one of the most educated, and from a relative resource-endowment point of view it's a very resourceful country. Could it be a country that matters? Absolutely. From my personal interactions with some of the policy makers and advisors for the current government it appears now that they have re-grabbed the power in the country they want to do the right thing for their own sake. It is about the economy and I think that they are focused on doing the right thing going forward.

Paul Hanratty: Thanks. Greig.

Greig Paterson: Yes. Mine's a question on the consumer debt burden in South Africa. I mean it's relatively high if you look at stock but if you consider the high interest rates it's very high on a world standard. The First World has gone through its sort of deleveraging phase, you know, the last few years since 2008. I was wondering have you got any thoughts on when South Africa is going to start deleveraging and the implication on GDP growth and I suppose ultimately trickling down to purchasing of savings products, etc?

Dennis Dykes: It depends on the deleverage cycle, we've already seen a bit of deleveraging as far as consumers are concerned, we've seen the debts to personal income ratio come down from the 84% odd to about 76%. Government side is leveraged up though, there's no question, since 2008 it's gone from about 25% of GDP on a gross level and probably will peak at a little bit over 50% which of course is very high. But I think the answer is that that rate of accumulation is slowing now quite significantly and once we start to see better growth coming through, because it's very much not just an expenditure story, it's been very much a revenue lost story, so I think that probably within the next two or three years we'll see that actually peaking out and start to come down to better levels. Of course 50% is not disastrous in itself, but it is getting towards the uncomfortable levels that we should avoid.

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Rian le Roux: I think the important thing to get the government budget deficit down is to get high growth in the economy. You can always improve government saving by raising the tax burden. The problem is you raise the tax burden and then the private sector starts to save less, so you don't help your overall saving shortage. So what we need to do to restructure the economy is to get a high growth rate, I think that is key. Just another point on the consumer debt, consumer debt levels are relatively high, but I think once you also understand that one of the reasons why the consumer debt ratio has gone up is simply because the financial system is working better, i.e. more people are getting access to credit than in the past, so it was not necessarily the same people getting deeper into debt, it's the fact that more people are getting access to credit, so the financial system is working better and while debt levels are relatively high I would expect them to not go up from here, may even go down further - it's not, I think, a major crisis. Also because given the low interest rates they look at the debt service burden, the interest burden, that's still at multi-decade lows, so as long as interest rates remain relatively flat, I'm not unduly concerned about it, but we need job growth, that's key.

Greig Paterson: I mean the stock of debt is similar to some of the First World countries that are considered basically on their knees because of consumer debt and those countries have interest rates of like 2, 3, 4% and South Africa is what, if you're a consumer it must be in the teens, so I mean the debt burden relative to the rest of the world is huge on the consumer side. Am I missing something here? You guys don't seem to be concerned about it.

Dennis Dykes: I think on the government's side that's probably an exaggeration, because the countries that are causing concern now are in excess of 100% of GDP. I mean the consumer at 76% is relatively high compared to emerging market peers but again, if you look at the States, still well above 100%, if you look at Australia, probably about 160% of personal income, the UK probably, I'm not sure of the exact recent numbers but round about 140/150%. So those numbers are considerably higher.

Paul Hanratty: Are there any other questions that anybody would like to ask? We've got a question towards the back there. Couple of questions at the back.

Eric Mismiko: Hi, my name is Eric Mismiko from Ghana. My question relates to the debt/ GDP issue. Back at home, I mean up there we have an issue with a debt burden, and for an emerging economy, a low income country like ours, it's hovering somewhere around 53% of GDP. Now, when you raise such an

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issue government will counter with, well when the borrowing is done and then injected into areas of the economy that are quite profitable there shouldn't be an issue with it. I think Dennis will help me out here. From an economist's perspective what would you advise government of Ghana, I mean like my country to do? Should they go ahead borrowing? I think the ceiling is somewhere around 60% of GDP, and then from what we see it will keep on going up. What should Ghana do? Thank you.

Dennis Dykes: Look, I think in Ghana's case obviously there's a huge infrastructure programme which is going on around oil and so forth which is obviously going to develop future potential for revenue growth, so it's not unnatural to be running large deficits and under those circumstances to be building up debt, and if you look at capital market behaviour that's basically followed it. But I mean clearly one doesn't want to get into an over exuberant situation where you start borrowing money for other reasons and running ahead of a revenue curve that doesn't necessarily materialise too quickly. So I think the basic message would be fiscal discipline across all areas, efficiency of public spending, but where the money needs to be borrowed to actually be spent productively it should go ahead because that's going to develop future economic potential.

Iraj Abedian: I think this point is very important in addition to what Dennis said, but consider a situation where public debt to GDP is 20%, and then the country has got no harbours, no roads, no railways, no good education. As opposed to a situation where debt to GDP is 65% but the money is used to build human capital and physical capital. Now the catch here is if it's used for quality education, not in the name of education, the name of education or railways and ports tender-preneurs, or politically connected guys siphons the money out. So the economics of it is very simple. Under what conditions shall the company borrow? Is too much debt good or bad? All of us have done Finance 101. The issue is what do you do with the money you borrow? Do you acquire companies that are diluting your return on equity, or do you acquire companies with that debt that improves your return on equity? If the latter, debt is a good thing, if it's the former avoid it like hell. Politicians don't understand that. We get hooked onto a ratio, and my appeal to you is, let's talk about real issues.

Paul Hanratty Right. There's another question at the back there.

Chika: My name is Chika, a journalist from Nigeria. From all the presentations, we believe that South Africa's economy is growing tremendously, but I did not see any holistic approach to integrate economic progress among all the

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regions in Africa. For instance, in Nigeria, at present I mentioned that we are opening up our economy, that the power sector is being privatised, then we have an agreement under the West African gas pipeline driven by Chevron. We have some countries within the West African subregion benefiting from that, then we have the West African power pool, then what link, how do we now, there's all the smaller countries in West Africa, benefit from what you are doing? You have a great economy, Nigeria is doing much to sister African countries, how do we now link up all of these achievements you have in South Africa down to West Africa and smaller countries like that? Thank you very much.

Paul Hanratty: That's a great question. Who wants to handle the linkages? Do you want start, Iraj?

Iraj Abedian: Linkages come at different levels. Private sector in South Africa has done a great deal to import its capabilities towards the integration of the continent, be it at a banking level, be it telecommunication level, be at construction level, be it at retail. I mean talking about Ghana - when I travelled to Ghana five years ago as opposed to today I see a different set of retail experience, for many of the middle-class admittedly. When it comes to public sector, public sector meaning government of South Africa since 1995, and I've had the privilege of being part of these discussions, I can tell you from first-hand experience that there is a great deal of mistrust at a political level on the continent, it's getting better but it's not moving fast enough. For example Nigeria where you come from was contesting any kind of South African involvement in the first 10 years. That's a political thing, that's a sovereignty thing, it's nothing to do with economics but you and I want to integrate. Otherwise, what could have happened, and still what should happen, if we get the subcontinent integrated in economic infrastructure terms in terms of energy from the Inga River from DRC, from gas and oil and all the associated petrochemical products coming from Nigeria to Ghana to Angola on the west going to the east, the petrochemical industry could integrate the continent, create massive wealth and jobs, on energy, on water, on roads, rails, everything. The issue is how do we at a public level get the politicians to sit around and put these colonial hats off? What amazes me is that all the political leaders don't like [the historic] colonial paths, including our friends in Zimbabwe, but they give their lives to protect the boundaries! Who drew [the boundaries] up? Colonial powers, and then colonial powers draw the lines that this is Zimbabwe, this is Tanzania, they never thought of economic efficiency, they never thought of welfare and sustainability, they never thought of social welfare. Some silly general from Germany sat down and said, "This shall be Namibia, and that shall be this," but the Namibian

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president and Zimbabwean presidents are giving their lives for those lines. That's the issue. So we need to talk about the real issues of how to integrate. The private sector in South Africa has gone a long way and has done a lot and they are reaping the benefits and they'll continue to do so.

Paul Hanratty: We have a couple more questions before lunch. We've got Michael.

Mike Christelis: Hi, Mike Christelis from UBS. Rian, perhaps maybe for you, I don't know if I'm jumping the gun a little bit but just to give a sense of your and the Old Mutual view of the South Africa consumer at the moment, particularly in the short-term, your thoughts on interest rates for the next 18 months and the impact that's going to have on the state of the consumer both in the middle and the mass market.

Rian le Roux: I think if you go back the last couple of years, consumer spending was particularly strong in the 2003 – 2007 period and got hit in the recession after the financial crisis. We've had a bit of a credit boom again, but consumer spending now slowing because the forces that drove it the last couple of years I think have basically been spent. The one is the rapid employment growth in the public sector, I think that is coming to an end, and secondly the particularly unsecured credit book, I think that is coming to an end also. So what you're down to going forward is you still have positive real wage growth, so that is continuing, so for consumer spending to do better or to accelerate from here, you're going to need private sector employment, and that is the key, and we're not really seeing much of that although the last set of quarterly labour force numbers was a little bit promising in that regard. So it seems to me we're looking at relatively slow-ish consumer spending growth going forward, but at the same time we're not looking at the consumer getting very hard hit. If you go back in history, consumers get hard hit when you get the double whammy of inflation rising and interest rates going up. We don't see that happening. So we see basically inflation remaining relatively flat although probably hovering just below the 6% top of the target range, and then in the case of interest rates, I don't know, Dennis, what your view is, but our view is that the Reserve Bank would probably just sit with the rates where they are, assuming inflation remains relatively well contained and the currency doesn't blow out significantly further. So we don't see interest rates rising for at best late 2014 or 2015. That still makes for a relatively slow-ish consumer spending environment compared to what we have seen the last couple of years. It's only when you get private sector employment growth, I think when you can start to look at faster consumer spending growth.

Dennis Dykes: Maybe just to add, the main catalyst for upward pressure on interest rates is really external, so when we start to see some form of monetary tightening, high interest rates over the next few years, obviously I think that abnormally low interest rates across the world, across global actually start normalising to some extent and we might just start to see South African interest rates going up. But for the moment I mean if you look at overall credit, for this stage of an economic cycle it remains very benign, and that is typically when the Reserve Bank starts to react is when they start to see a real credit growth in excess, in double digit territory, and we're nowhere near that at the moment, so I think Rian's right providing there are no accidents, particularly on the currency, they are likely to keep interest rates fairly flat going into this next year.

Paul Hanratty: We'll take one last question from the room.

Dansacos Kibimalani: Thank you. Dansacos Kibimalani from Finance Wise television programme in Namibia. I'm interested in your view on the rand. You mentioned that the weaker rand will have benefits for the South African economy, I'm assuming that's because of the curbing of reducing imports, but I would like to know whether you believe that this new level of the rand is a structural level, whether you see it remaining that way with the tapering and so on, and also how do you think it will impact other countries that are dependent on the rand as a main trading currency such as the countries in the CMA area that do not have a big internal manufacturing base. How do you see the weakness impacting those economies if you believe that it will be good for the South African economy?

Rian: I think my view on the rand has been for a long time - if you go back and you look at the history of the rand, we had a long slide in the rand starting from the early 1990s and it effectively ended in 2001 where the rand blew out, and then we had a very strong recovery from 13 to below 6, and that was driven by a commodity price boom firstly and then we had the blow out with the global financial crisis and then we had a second wave of rand strength, and that was essentially driven by the global yield which dragged a lot of capital into South Africa. I've always argued at that stage that the rand has become overvalued and at some point or other it will weaken. That is certainly happening now. I would think that going forward the risk to the rand in the short-term is still to the weaker side, particularly from the risk of the Fed tapering and eventually starting to tighten policy whether that's 2015 or not, Marcus will focus on that, and against the background of the fact that we're still running on a big deficit of 5% of GDP. As I said earlier, that still requires 15 billion dollars plus of capital inflows. So the risk to the rand in the shorter-term is still to the weaker side.

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On the positive side I think that the weaker rand will start to curb some imports, particularly on the consumer side where we've become very addicted to imports. So a narrowing of the current economic deficit and I would say the current economic deficit doesn't matter until it matters. When it matters it matters big. But at some point or other when the deficit starts to narrow I think it will start to matter a little bit less again. So my view on the rand is; I think you're probably in for a bout of structural weakness so I find it hard to see the rand firming up again to the same extent as we have seen the last two big cycles, and the reason I say that is because I don't see anything driving it fundamentally stronger. It is not a global search for yield, it is not a commodity price boom, it is not that South Africa suddenly looks particularly attractive and therefore sucking in a lot of capital, so I would expect the rand to remain relatively soft-ish. Dennis, I don't know if you want to...

Dennis Dykes: Yeah. Look, I mean our forecasts are similar, we think that it will remain relatively weak, but one note of caution is that the rand has really been driven by global factors more than local factors, and if you take for example emerging stock market performance relative to developed market stock market performance you track it against the rand, that's really been the big driver, so any sort of surging optimism about emerging markets generally tends to be actually amplified in the currency, so one can expect from time to time a fairly strong sort of fall back. But having said that, we don't expect to have a repeat of the 2001 experience or the post-2001 experience. As far as influence, obviously all the rand monetary area currencies and countries are still export orientated, they still actually have mineral sectors and so forth which actually benefit through higher revenues and can actually stimulate activity through those resource development. The difficulty of course is that it does impact very negatively when it comes to imports, and a lot of our neighbouring countries are much more exposed from an inflation perspective. So maybe less benefit but I would still expect there to be some benefit through those industries.

Paul Hanratty: Thank you very much indeed, Iraj, Dennis and Rian. We can't assume that we'll get lunch, we actually have to eat it, so we're going to dispense with the economists and their assumptions, and I'd like to invite you all to join us for lunch outside which will be about 40 minutes, but I really want to ask the journalists in the room if you could please get hold of Ryan at the back, he's the very good looking chap with the blue tie. He's going to take you to where you'll have your media briefing and if you scatter it's going to be hard for us to find you again. So thank you very much indeed and thanks very much for helping us.

Session 2 – Financial Services Sector Overview

Paul Hanratty

Paul Hanratty: Welcome back everybody. I hope you had a chance to have a luncheon and catch a few people that you wanted to chat to. It's a great privilege for me to be joined this afternoon by Graham Dempster, the Chief Operating Officer of Nedbank, and Ralph Mupita, the CEO of Old Mutual Emerging Markets. Graham joined Nedbank in 1980 and Ralph joined Old Mutual in 2001 and so between the two of them there isn't anything they don't know about our industry and businesses and the three of us will try and give you a little bit of insight into the financial landscape that we operate our businesses in and to give you an idea of where we see some of the opportunities in the businesses going forward.

In this chart which you will see various versions of in the next few days, we've just divided up the profits and the assets between the different parts of the Old Mutual Emerging Markets Group. And down at the bottom, you'll be able to see it in your packs, we've split out the earnings between the different lines of business. And the thing that I just wanted to convey with the slide is firstly the very significant scale that this business has. It's got 13 million customers across emerging markets. We managed nearly R900 billion of assets on behalf of customers and in 2012 the earnings after tax attributable to Old Mutual shareholders was R10.1 billion. We think we've got really leading franchises in banking, asset management, property & casualty and life and I think aside from being large, the great thing about these businesses is they're both fast growing and high return. So if you take 2012 as an example, the emerging markets businesses earned an RoE of 23.9%, Nedbank 16.4% and if you take the three years to the end of 2012, pre-tax earnings grew by 17% per annum compound. We think we're positioned in some great countries and markets, markets that are going to grow for a variety of demographic, economic and competitive force reasons and I think you got a little bit of insight into some of that from the economists this morning.

This is a simple chart which shows the market cap of listed financial services companies in Africa and you can see that Old Mutual and Nedbank have very large market caps, just again illustrating the strength of the franchises that we have in the African continent. The one thing I want to be very clear about though is the African consumer is a lot poorer on average than the Western consumer and in our experience it's much better to deliver financial services in an integrated way that allows you to meet a multiplicity of financial needs of consumers. It enables you to give much better economics to the customers and it enables you to get satisfactory margins for your shareholders.

This chart illustrates some of what the economists were talking about earlier today. Africa has been growing quickly and it's very likely to continue to grow

extremely quickly. In fact, in many ways you can say that Africa is in a super cycle. Now of course in many respects it's been driven by the preponderance of raw materials, commodities, but in my view, in the future it's going to be driven very much by consumer spending. And as the consumer in Africa becomes progressively better off, so that's going to drive demand for both consumer goods but also for financial services. And I think Nedbank and Old Mutual are very well placed to be able to offer African consumers services that they haven't previously necessarily been able to access in their markets because of a lack of development of those markets.

Okay, I apologise because there's a slide missing out of my pack that's gone up here, but I think one of the things and I'm sure it is in your physical pack, the thing that I wanted to also mention as a real driver of demand for consumer goods and financial services in Africa is population demographics. And it's very fascinating that by 2035 Africa will have the largest working population of anywhere in the world. And you can see in the chart which hopefully is in your pack, that China gets old before it gets rich. And actually Africa overtakes everybody in terms of those demographics, so that will also be a very strong underpin. When we look at the opportunities for financial services into Africa, we've studied the available profit pools that are out there. Oliver Wyman did a study that looked at banking revenue pools and they predict that in sub-Saharan Africa banking revenue pools are going to grow at about 14% per annum up until 2020. They see the fastest growth in West Africa followed by East Africa and then the southern part of sub-Saharan Africa. They've also identified profit pools that are very significant in relation to those that we see in South Africa. Of course chasing revenue pools is one thing but the issue is how attractive they are from a return point of view. I think it's extremely difficult to draw conclusions about the profitability of businesses in different markets and this is a very simple slide which attempts to give a high level view of the profitability of banking and its attractiveness. So there's a very simplistic line of logic that takes you from net interest margin to DAX credit losses, adds non-interest revenue, deducts costs to get to return on assets and then of course you need to apply some leverage and so on to get to the RoE. But the standout feature here is that African banks have much higher net interest margins than South African banks and certainly banks in developed markets, so what that tells you of course is that consumers are getting relatively not as good a deal as they would get in the South African context but extremely high margins. And the surprising thing is that of course credit default rates are not significantly higher than South African ones. That's of course because in many of these markets there isn't a great deal of lending taking place to consumers. Non-interest revenue does admittedly tend to be relatively low because transactional volumes are lower in these markets than in a market that's fully developed. Cost to income ratios are really a function of the high margin, but overall the return on assets you can see is really attractive in the 4-5% range as opposed to the South African range and even after allowing for less leverage you get very attractive RoEs in our view. So when you combine

the somewhat significant size of banking revenue pools, the prediction of their growth rates and you combine that with attractive returns, we do believe that banking revenue pools are an attractive source for the Group of growth into Africa.

It's a bit trickier to get data in the insurance space but here's just one example of a listed company in East Africa, British American, which has been in the press in the last few days. You can see in the top left here, their Property & Casualty premiums have been growing very quickly nearly 40% per annum. Life has been growing somewhat more slowly. We often talk about the fact that in Africa as the economy is growing and develops so the demand comes first for banking products. We think that's fairly natural. Quite often the second area of demand is in the Property & Casualty area and investment, which is something of a luxury, in reality probably comes last in that chain of development. So aside from fast growing premiums, what's quite interesting about British American is that the profitability firstly of their non-life, or P&C book is really good. And the life margins are also good. So that's just one example of East Africa to illustrate both growth and profitability.

In Nigeria, the forecasts are that premium growth both in Property & Casualty and Life should be fairly attractive. This is still a very, very nascent market. We've also pulled out the pre-tax margins of four of the larger listed composite insurers in Nigeria and you can see that there's a lot of variability and therefore it's very difficult to interpret those margins. We put that variability down to the fact that it's a somewhat less mature market than our own in South Africa in that it is actually quite a fragmented market. But we do conclude that insurance does offer attractive returns and high growth potential. Indeed our own experience with our own African businesses both inside and outside South Africa is that margins tend to be good and in the rest of Africa, north of South Africa, margins tend to be higher once your business has got to scale. Competition tends to be based much more on access to the market and access to the customer than it is on price.

We often hear that South Africa is a mature market with lower growth potential and of course you heard from Rian this morning about the relatively lower rates of growth in South Africa to the rest of Africa. But what this chart shows you is the stock of savings in South Africa and how it has grown by 10% per annum over the last five years. So we've split the stock of savings between pension funds in the dark green, and then long-term insurance, the unit trust industry and bank deposits. And it's interesting that the standout winner for growth has been the unit trust industry, 16% growth per annum in the stock of savings over that time. And you will have noticed in our own results releases every year, we have to stress repeatedly that our own Retail Affluent business is now predominantly a non-life business although the protection products clearly are always going to be life products and the savings and investments space increasingly is dominated by our unit trust wrapped offerings. That's because this industry has, and we too at Old Mutual

have, driven very hard to offer the best possible value for money to consumers. And right now Old Mutual will be launching even into the mass retail market savings products that are much more heavily orientated and geared to the mutual fund industry than the life industry, so a very important shift. We believe that both Nedbank and Old Mutual has very compelling offerings to make sure that we're able to capture the revenues and the growth opportunities in all of these areas of saving and indeed over the next couple of days you're going to be able to hear from different people working in different segments and businesses that will illustrate how we're very well positioned to take advantage of this growth in savings pools across the board.

We're extremely proud to be associated with South Africa and the African continent but also with the Old Mutual Group and I've put up here some charts that just illustrate the competitive position of each of our businesses. So starting with the life business first, you can see here that we have in 2012 the biggest profit generator of the life industry and certainly in terms of the value of new business that we put on books, we were the biggest by far, illustrating the margins and the profitability inherent in our business. We've built up an incredible business in South Africa over more than 150 years and I think the standout feature of our life business in South Africa is the strength, the size and the quality of our tied distribution. When you combine that with great products, good investment performance and some of the lowest unit costs you get a market leader. In banking you can see that Nedbank is still the smallest of the four big banks in South Africa but Nedbank has extremely strong propositions for each of the market segments it serves. And indeed whilst it's been known historically as being a great corporate bank, I think the management team there has done an incredible job to build the strength of the offering that we have into the retail market. Nedbank is an extremely well-capitalised bank, has really good risk management and capital management practices and it's today an extremely well-rated bank. And it's one of the most valuable assets in the Old Mutual group.

The asset management business in South Africa tends to be divided between independent asset managers and those that are associated with banks or life companies. Our own asset manager, the Old Mutual Investment Group, right here in this building is the largest by assets under management in all of South African fund management businesses and it has a boutique structure. We've put that in place very deliberately in order to be able to create a platform to retain and attract the very best talent. We're strong believers that excellence in investment performance is crucial to building the value of our franchise, particularly our life and unit trust franchise. We've been working very hard over the last couple of years to improve the talent and the processes in that business and I'm very confident that the solid performance that we've had will turn into exceptional performance in years to come and help to drive the value of our enterprise. In the Property & Casualty industry companies tend to be divided between those that are very focused on direct distribution like

Outsurance and then those like ourselves and Santam who are multi-distribution channel businesses. I don't think it's any secret to say that we have faced a number of performance challenges in Mutual & Federal, some of which have been applicable cyclically to the whole industry but some that are unique to our business. You're going to be hearing from Raimund Snyders about the plans, the bold and simple plans that he and his management team have to improve the performance of that business and to position it as a growth engine to couple to the rest of the Group as we move into the rest of Africa.

The Old Mutual Group strategy as Julian Roberts has laid out for you at various results presentations calls for us to build a strong financial services franchise into Africa. But to us it's absolutely vital that we maintain a strong franchise in South Africa and that means we can never sit still here. We're starting to do a tremendous amount of work to collaborate together between Nedbank, Old Mutual and Mutual & Federal to strengthen the franchise here. We've obviously secured a lot of benefits already through IT procurement, the distribution of each other's products and we've captured all of the business-to-business benefits that we can but much value still remains for us to capture. We have around 11 million retail customers and a relatively small overlap in these customer bases. So, Old Mutual and Nedbank only have a 15% overlap of customers. Indeed you're going to hear from Raimund Snyders that one of the ways in which we're going to turn Mutual & Federal around is to work very hard at developing their business through the Nedbank and Old Mutual client bases. We think that by creating propositions for our customers across the Group and rewarding them for loyalty we'll be able to get stickier customers and enhance the value of our franchise. We also think that it's possible to avoid doing things more than one time and so there are potentially more cost savings available as well.

Now, as much as we think it's important to work together and collaborate in building a South African business, it's in the area of Africa that we think it's absolutely vital that the different components of the Group work together to build a franchise for Africa. Nedbank through its very strong relationship with Ecobank in West Africa has forged the possibility of South African customers driving their businesses up into West Africa and I'm sure you all know that Nedbank has a 20% option on Ecobank. Old Mutual itself has a relationship with Ecobank in Nigeria and Ghana for bancassurance and we believe that, when Nedbank acquires the stake, that will further help to drive the relationship closer between ourselves and Ecobank. In East Africa we've just recently acquired the Faulu business which is the credit business and without Nedbank's help in the due diligence I think it would have been extremely difficult for us to do an acquisition like that. And going forward we expect them to provide a lot of technical expertise to help us make a success of that business. In Zimbabwe, we've got four tremendously strong businesses covering all areas of financial services and again it's been very useful for us in

one of the most difficult banking environments that you're likely to find anywhere to have the expertise of Nedbank to help us with some of the ALM work that we've needed to do in that situation.

We all love scorecards so we have, you'll find in your pack a very brief scorecard that sets out some of the acquisitions that we've done in the different territories and down at the bottom you can see there that out of the R5 billion that was set aside for expansion into the rest of Africa and the emerging markets business we've spent R700 million so far.

Before I hand over to Ralph, I think it's important to stress that all of this, all the plans we have, and the success that we wish for ourselves, our clients and our shareholders is only going to be possible if we have a common shared vision and if we have a particular way of working together. I know many of you will have seen this slide before, but just to remind you that our vision is to be our customers' most trusted partner. And I hope that as you get to see each of the businesses talking you'll see that that is indeed very important to each of us and I think it lies very deep in our DNA and our history as a mutual company that existed purely for the purposes of serving the needs of our customers. The thing that we're very focussed on at the heart here that I will spend a bit of time on is our customer promise, so at the heart of Old Mutual and Nedbank is enabling positive futures for our customers. And we thought very hard about whether we are delivering a loan, short-term insurance, asset management or life cover, we've thought about what the features are that we want to have in common. Features that we want to have in common are great education, financial education and advice, the very best advice we can give people that's client-centred and in their interests, not our interests. The most accessible company to its customers, either through face-to-face channels or though digital channels. We want to be the company that's known for delivering solutions that really give benefits to people that they promise to give. They're the most reliable solutions for customers.

And finally, a very important part, particularly of the Group in Africa and South Africa is being supportive of the communities that we serve. We draw our people from the communities in which we operate. And it's extremely important that we give back to those communities. So with that I'm going to hand over to Ralph to take you through an overview of the landscape that he operates in.

Ralph Mupita

Ralph Mupita: Well thanks very much and good to see some familiar faces in the crowd. For those who don't know me I'm Ralph Mupita, I'm responsible for the Emerging Markets business. We're very glad that you can be joining us here on our Cape Town campus, we have a campus here in Cape Town and for those

who travel to Johannesburg, we also have a campus in Johannesburg where I'm based.

Paul has taken us through a high level view of the Group at the aggregate level. What I intend to do in the next 20 to 25 minutes is to take us through one level of detail to look at our Emerging Markets business and give you a context of the shape of the business, some of the prospects that we see in the business that we have today and address the issue of where we see growth going forward and particularly our focus into growing our African business.

If I can start – in any business, if you want to have a sense of where it's going and what the prospects are of achieving a strategy, you've got to start by looking at the people in the business. I'm very privileged to lead a very strong team in an Emerging Markets business with substantial experience and expertise within the team. We have all the skills necessary to grow a long-term savings and insurance business and as you can see on the charts we have some people long in the tooth in the business and they help us to in terms of understanding some of the market dynamics that are happening today but may have happened years before, but also there's a mix of youth and people from a variety of industries so if you look at this team which is the team that leads Emerging Markets, we have people who come from actuarial expertise. So, of the 16 you see on the slide, six are actuaries, we have people who have IT experience, distribution experience, an equivalent number of people have distribution experience on this slide, about six people, and also people who are not just from South Africa and I think it's an important thing to think about in terms of the team that is leading the growth and the management of this business, that they don't only come from one place. So, in this chart you will see some people who, like Johannes who leads our African business, comes out of Namibia. I'm originally from Zimbabwe. We have David Buenfil who runs our Latin American business, he's based out in Mexico and we have Abu, the youngest member of our executive committee, a Ghanaian, looking after balance sheet management. So all in all, a very strong team behind the business that has very good financial characteristics, as Paul has spoken about, you get high growth, you get high ROEs, and high cash generation from this business. And this is the team that leads it.

So, one way to think about our business is to look at it at a very high level in terms of where the assets are that we manage and where the customers are, and the chart that you see on the screen we've broken the business down into regions where we have operations and businesses and obviously with South Africa being the heartland and where we started our business, that is where we have the bulk of our customers. So we have 7.5 million customers in the Emerging Markets business of which 5.5m are from South Africa and we manage about R600 billion worth of customers' assets as of June 2013. The other market where we're focusing our growth, and I'll talk a little bit about our plans to deliver growth, is the rest of Africa. We've got about 1.6 million customers mostly in SADC and about R47 billion worth of client assets under

management. Our business in the rest of Africa has traditionally been, or for long periods has been much more SADC, Southern African-based business, so the bulk of our customers currently are in Zimbabwe, in Namibia and Malawi to mention the three countries. This year we've entered two markets and as Paul has spoken about in terms of the acquisitions we've made, we've entered Nigeria and we've entered Ghana and we see some great potential in those markets and I'll talk a little bit about that.

Also in Latin America we're in three countries. We acquired, we got our presence in Latin America through the Skandia acquisition and we're in Columbia and Mexico and as you know, in the early part of this year we concluded a transaction where we took a majority stake in AIVA Distribution Partners which is a high quality distribution business that distributes international product right across Latin America and they're based out in Uruguay - for those who don't know that little dark green dot, almost at the base of South America.

And finally, we have businesses, joint ventures actually, in Asia. The first one is about 11 years old with Kotak Bank. That joint venture has recently been voted the most admired foreign joint venture in India and there we have about three million customers in total from a corporate and a retail point of view. But we don't show the numbers on the slide because we're 26% shareholder. For those who know what the FDI restrictions are in India, so we don't necessarily count the customers. But we also have a 50/50 JV in China and that is with Guodian Power Group and that business is at the very high end where we distribute products through the banks' private client offices.

So that gives you a sense of where our business is in terms of the customer solutions that we offer - in many of the markets, we provide a full spectrum of protection savings, investment and Property & Casualty solutions, more so in South Africa and the rest of Africa and much more niche solutions in Latin America and Asia. But we're beginning to broaden the product proposition, bring on our skills and capabilities from our South African base and taking those into those markets. What we like about the markets we're in is these are all the markets where we see long-term structural growth and I'll talk a little bit about in particular what we see in the rest of Africa. David Buenfil looks after our Latin American and our Asian JVs. Johannes !Gawaxab looks after our Rest of Africa business and has been looking after it for about seven years and Marshall Rapiya and Di Radley look after both the SA Life companies and investment management business respectively.

So those are the markets we are in and I think one of the ways to think about our business is to look at it in terms of the cash and profit contribution and profit growth potential. As I said right up front, we have a business here - high growth, high ROEs and very good cash generation. But it is the composite that actually brings out those financial characteristics, so what you see in this slide is from a 2012 point of view, what the profit contribution was on the y-axis,

on the x-axis we have the five year CAGR of the various business units to the end of 2012. So what you see is that the SA Retail Affluent business, the core business that we've been running probably for the last 150 years, that's where we started our business as the Retail Affluent business, generates about 40% of all of our profits. Profit CAGR has been around about 8-9%. At the very other extreme we have our Rest of Africa business, small contribution has been growing very, very quickly. At the centre we have our Mass Foundation business, very highly profitable generating very strong new business profit margins and a business that we certainly see good growth prospects going into the future and some of my colleagues later will talk a little bit about some of the trends and growth prospects we see. Crispin Sonn will cover that.

SA Corporate Investment Group. Good solid businesses that are linked to the SA retail businesses. We have a retail orientation to our businesses and much of what I'll talk about actually later you'll see that where we are very strong is at the front end of both the mass and the middle income, but our corporate businesses, we often see our corporate businesses as sources of retail customers and Bongani when he talks tomorrow, will talk about the concept which we have internally about retailisation, how do you capture a corporate member and convert that corporate member into a retail client? We still see value in our corporate business. Many people often say the corporate market is ex-growth because SA corporates are not growing. We see of a vein of opportunity to actually grow our retail business off that corporate base. And Paul has spoken about you know, the quality and the changes we're making in our investment business, OMIG, and that again is a very good business. Our Latin and Asian business we've put them together in terms of profit contribution. Small but I think we all see you know, we have belief that there's great growth prospects for that business.

So if that's the business of today, what could the business look like at the end of this decade? And we've put forward a view of what we believe the business would look like but I think it's important to articulate the vision that we have for our business which is that we want to be the leading long-term saving and insurance and asset management business in the rest of Africa with select franchises in other emerging markets and particularly in Latin America and where we can build profitable JVs in Asia, we will look to that. But our priority right now as we stand is really to build out our business in South Africa, maintain our competitive position in South Africa, and then grow out into the Rest of Africa. So casting forward and thinking about 2020, there are a couple of things that will be striking on this picture. The first is that our Mass Foundation business, we certainly believe it will be our biggest business. It will generate the most profit and the Retail Affluent business will be equally significant. We don't see a decline or degrowth in our Retail Affluent business and for those with a keen eye you'll have seen that the Retail Affluent business profit growth has actually gone beyond the 10% because we certainly see a massive opportunity in the broad middle class of South Africa. There are some - for

those who are not as familiar with the South African dynamic - there are wealth and income patterns based on racial classification. Iraj spoke earlier on about South Africa's history but you know, as we go further into the years of democracy we certainly see a wealth dynamic coming through that will come and crystallise within the middle class which is, in our own connotation, the Retail Affluent business and Iain Williamson and Marshall Rapiya will cover some detail about exactly what it is that we see that will provide the impetus and growth into our Retail Affluent business.

The other observation as you'll see that, although the rest of Africa profit growth which was in 37% in the last slide has slowed down to the mid-20s, that's still very fast profit growth in a five year CAGR and it will be contributing quite significantly to profits going forward. You'll also see that the Corporate business and the asset management business continue to be strong businesses, again to the strong front-end distribution that we have in our retail businesses in South Africa. What you also see in this chart which you didn't see in the previous chart is that we may actually have, depending on how we're growing in the rest of Africa, you know, cash absorption from our rest of African business but if that's to drive growth and underpin growth I think you'll all accept that it is a good picture. So this is the way we kind of think about our business and as we build our strategies this is the shape we would like to see the financial shape of the business from a cash profit contribution and a profit growth characteristics and my colleagues who will be talking later today and tomorrow will be able to articulate why we believe that this picture is what you will see going forward.

Any growth that we have we believe needs to be premised on a very strong South African base. It is pointless for us to be pushing forward the rest of Africa agenda and expanding into other emerging markets if we don't remain strong within South Africa. Paul has shared some of the financial characteristics and market share positions of our business and what is clear is that in the aggregate we have a very dominant market position. So our life businesses, our retail and corporate businesses are very dominant and have strong positions in their particular client segments. And we know that there are pockets within those businesses that we need to strengthen and again between today and tomorrow you'll hear my colleagues talk about what our strategies and actions are to strengthen those businesses. But if you look at it purely from a market share point of view, and value of new business market share, these are very, very strong businesses that provide excellent products to the SA marketplace. On the asset management side we have the biggest institutional asset management firm. I think uniquely we have capabilities in that asset management business that most of our competitors don't have. A set of unlisted capabilities and housing, in infrastructure, school funds, agrifunds, those are capabilities that are relevant here in South Africa, but as we progress into the rest of Africa we believe that those capabilities will allow us to start building, you know, similar size asset management businesses over

time in the rest of Africa. We work very closely with our property and casualty business, Mutual and Federal, and actually one of the biggest distributors for Mutual and Federal in South Africa is the Retail Affluent business but, as we go forward, we see a lot more collaboration and working together with that business to tackle both the opportunity we see in the Retail Affluent as well as in the Retail Mass business.

Paul spoke about collaboration and actually we do a lot of collaboration as it is right now and particularly around the retail - in the Retail Affluent space and I think Graham will talk a little bit about that as well - where we distribute investment product, single premium investment product through Nedbank Financial Planners, that's been a significant driver of our flows over the last 12 or so months and the collaboration where we see an additional opportunity is to collaborate particularly also in-between our corporate business, the SME section of our corporate business with business banking in Nedbank. But the collaboration is increasing and the opportunities that we see, we are going to continuously look for those to strengthen the South African base that allows us then to expand because any expansion that we do needs to have a strong base and we also need to have beyond just a strong base, a set of capabilities and competitive advantages that we believe exists in our business and I'd like to go through some of them in some detail and others you know, if I don't address we can pick up in Q&A. I do think the most important competitive advantage we have is our ability to build strong brands. We understand, particularly in Africa, how do you build a brand from the bottom up? It isn't all about providing billboards, and what have you, it's about being engaged with the communities that you serve, finding out what really matters to them, aligning yourself as an organisation and then starting to serve and provide products. And we've done this successfully here in South Africa, we've done it similarly in Zimbabwe and in a place like Namibia and so we believe that this is an ability that we have that we can take from our franchise today into other markets where we seek to grow. We also think that a competitive advantage we have is market understanding and I guess many of our competitors could say the same and say what's different. But I think there a couple of areas where we've demonstrated our ability to understand a market and find a way to navigate profitably in that market and a case in point is our operation in Zimbabwe, we've been in Zimbabwe for 112 years and many of you understand that Zimbabwe went through some very difficult periods where there was hyperinflation, we were able to continue to serve our customers, we had to have management actions to close off our retail business, we've opened it up now and it's a significant profit contributor to the Africa profits that you saw earlier on. But we have a management capability and teams that understand the market dynamics and are able to navigate some of the waters that others would look at and say, "Too difficult to chart". We don't have that problem, particularly in the rest of Africa. We understand the mass and middle income markets in particular and we understand them very well. Between Marshall Rapiya and David O'Brien who will talk tomorrow,

they will give you some insights into how we think about markets, how do we think about customers from a point of view of the incomes, what can they afford? What are their attitudes to finance and how best do we profitably serve them. That understanding we believe and the methodology that we use we believe helps us to look at different markets and move into them. We also understand and help shape the regulatory environment. So, we work very closely wherever we can with our regulators. We understand the differences between us as market participants and the regulators but we try and then ensure we're working in a way we would create a safe and a viable industry. And Bongani Madikiza who heads up our SA Corporate business will tomorrow talk about our view on pension fund reform and how we are positioning ourselves, many of our strategic positioning and things that we have done to date are in that particular business and are aligned from the perspective of how we interpreted where the regulation is going, so market understanding and having the people who are able to action is a skill set that we strongly believe we have.

Paul spoke earlier about distribution so there's, if there's another area where we believe we have a very, very strong competence is how we build large high quality tied agencies forces. We're able to build them in the traditional commission-based sense which is what we do mostly in Retail Affluent where we sell recurring premium risk products with a commission-based sales force that is the largest in South Africa. We also have a salary-based sales force in our Mass business - different, totally different remuneration basis that is targeted worksite that is also the largest and is the power behind our Mass business. So on the traditional distribution tied agency side we think we have that skill set and we're probably leading all of our competitors, or peers, in South Africa. Bancassurance will always be important. We have now tied up with ETI/Ecobank in Nigeria and as we've gone into that market this year, we're starting to distribute products through the bank channel as we speak and with our acquisition that we recently made in Ghana we are already working with Ecobank Ghana to look at ways of taking our product and solutions through that channel, so bancassurance skill sets are deep in our genes. We've been doing that in South Africa and we probably are the company that started the bank, the brokerage business in the 70s so that's strongly in our DNA.

We understand those traditional distribution methodologies of getting to customers, but we're also investing in the new generation distribution. If we look at what we're doing in Zimbabwe in terms of money transfer from CABS, there's a concept called Textacash which Johannes will talk to you about tomorrow, there's obviously innovation there. In Kenya we use a mobile platform to sell our unit trusts because we also understand that through the penetration of cell phones we need to start adopting different methods of distribution. So distribution in our mind is another core capability that we're going to leverage to grow out and build out our business.

The final point I would mention is financial strength and I think that probably goes without saying and covering too much detail, but it allows us also to not only be secure for our customers but to use our balance sheet to drive and generate new products for our customers.

Now, onto the point for the rest of Africa and this is an S chart or an S curve chart that talks to the insurance penetration that we see currently in the rest of Africa, some select African countries and insurance penetrations for those who don't understand that definition, it is gross written premiums as a percentage of GDP. So these are some of the African markets on the y-axis - insurance penetration, and x-axis GDP per capita and the S curve is really where - it's in a proxy for as GDP rises, insurance penetration increases and for the countries that are below the S curve, they are underpenetrated and the countries that are above... So the green and blue ones are the countries, the markets that are interesting to us or the markets that we already are in, so you'll see we're in Zimbabwe, we're already in Kenya, Nigeria and Ghana. I have highlighted them because these are markets we've entered pretty recently. And what is very clear in this chart is all the markets that we're in right now or are interested in and are all sitting very much in the low insurance penetration. Ghana is on the other side of the S curve but we still think that the opportunity in that market is very significant in the capabilities that we can bring to bear, we believe that there's a massive opportunity for us. I mean the point that there is under penetration for insurance is obviously very clear but the question is what is happening to growth prospects? So we understand right now that South Africa is the biggest economy in the rest of Africa but actually when you look at where the projections are, it's very clear who the winner is. It's certainly going to be, it's going to be Nigeria. Nigeria is going to be the largest economy almost $1 trillion economy by 2030 and all our efforts in terms of entering the market, starting to build up and align ourselves with Ecobank are to try and capture the opportunity that will come off the back of that level of GDP growth rate to tap the under penetration and the nascent nature of that insurance market.

The other markets you can see quite clearly are all growing very strongly, South Africa's growing you know, quite respectably, obviously it's slower than the rest of the other markets that are showing on this chart but what's quite clear to see is Ghana, Kenya and Nigeria all growing at more than three times where they currently are as economies by the time we get to 2030 and the panel of economists who spoke to you earlier gave reasons to why this growth should be achieved. So I won't spend too much time there.

The demographic dividends - and Dennis Dykes was at pains to go through the demographic dividend that is coming through in the rest of Africa. I mean suffice to say that behind this growth where we're seeing almost one billion people of working age, the critical thing that will make the demographic dividend turn into a massive opportunity for long-term savings and insurance companies is the policies that get implemented in those markets, so for South

Africa there is a plan, the NDP plan. In terms of setting a set of polices to make sure the economy develops and absorbs a lot of the labour and the people coming to the workforce, and we see similar types of plans being employed as an example in Kenya where there's a 2030 plan which is being implemented as we speak to make sure that the economy becomes a middle class economy before 2030. So the demographic dividend is there to be captured and it's all underpinned by the rising consumer. If you use as a measure the ability to procure financial services as people having household incomes of $5,000 per annum, we certainly see a trend where it's going to double between 2000 and 2020, sixty-odd million people or just under sixty in 2000 expected to rise to about 128,000 by 2020, so a massive opportunity around consumption, growing consumption, poverty levels being reduced and importantly increasing urbanisation. Right now there's about 30-40% of the sub-Saharan African urbanised, 60% expected in time to come.

We believe all these factors that underpin the opportunity and the growth in Africa is that the insurance market is certainly going to grow, and as you can see on the chart on the left-hand side, insurance premiums have grown, they've grown by 13%, when you look at both the life and the non-life combined, between 2002 and 2011, it's grown by 13% and if you kind of project that going forward, over the next to 2020, 2030 and 2040 you certainly see a pattern where the current 70 billion that we have moves to 200 billion worth of gross written premiums and by 2040 close to two trillion. Two trillion is in 2011-terms the size of the US, the UK, France and Germany. That's a sizeable, sizeable insurance market going to the future and if you can only capture a share of that, you'd be well positioned.

We certainly believe that we are best positioned as a company to be able to take on the African opportunity. We've been operating in Africa for over 168 years. If you exclude South Africa, in the rest of Africa for over 100 years, Zimbabwe 111 years, Namibia 90-odd years. So we think we're the best positioned for the various competitive advantages that I spoke about earlier. But also if you look at our trading and our performance to 2012, I think the results that you see here speak for themselves. The competitors we see in the marketplace in the rest of Africa are largely a combination of the domestic players but also the South African peer group which I've shown in this chart. But it's certain, given the opportunities that we see in the rest of Africa, we will not be the only ones who will be interested in capturing that opportunity. In the next three to five years I think you'll see interest from international companies so you know, right now this is the reason for us to say it's our time to go into the market and start building out franchises particularly in the East and West Africa.

If I can summarise the way we see building value, there are about six points that we believe are critical for us to build value in the rest of Africa. The first is we're taking a regional approach. We have very strong businesses in what we call the SADC markets which are Zimbabwe, Malawi and Namibia and

Johannes will go into some detail tomorrow, and in those businesses we want to maintain our market positions, continue to offer customers great value and our strategy there is very simple of investing to, you know, to maintain where our businesses' market share positions are. But importantly we want to also expand into the East and West Africa, we have very small franchises today in East and West Africa. If we look at our franchise in Kenya it's fairly small and we've just entered West Africa. Those areas we want to grow today. Importantly we believe that we can leverage the South Africa skill base, both for products, IT and processes and on the products side it's not about saying that we will take an existing product here and take it to Ghana as an example. We understand that there are local nuances that we'll need to tailor depending on consumer you know, the consumer insights that we pick up and what the people want and can actually afford. So we will look to drive what we call "business in a box" across those markets because we believe it will give economies of scale. It's important for us to create strategic alliances and partnerships - when you're far from home you need people you can work and build businesses with so in East, in West Africa we're working very closely with Ecobank and that we believe allows us to also have the market and local intelligence and people who can help you with understanding, you know, much more macro environments, socio-political environments for you to be able to run your business. Strategic partnerships are important and in particular tie-ups and link-ups with banks we believe will continue to be important, mobile telephony companies will also be important but right now we think the bank partnerships are pretty critical. In any strategy the important thing is always to try and grow your business organically, but we understand that with our African strategy we do need to do M&A to grow our business. Our M&A is actually focused at East and West Africa. If there are opportunities in the SADC regions we'll also look at them but our priorities are really around East and West Africa. Good governance, risk management and capital allocation disciplines are absolutely important. We make sure that we have the boards in country at a regional level that allow us to ensure that we have companies that are well run, that are under the auspices of our Group Operating Model which defines how our businesses are run and what risk management parameters and approaches will be taken. And I think importantly we need to proactively manage the challenges we see. I spoke earlier about Zimbabwe, we're going to have challenges once in a while in a different part of the market. It's the nature of what Iraj spoke about that you know, we do need to live or to operate in these markets where there are things that may be quite different from what we know either here in South Africa and other developed markets. So these challenges will continue as a business to manage. So that in summary is the way that we believe we will deliver value in the rest of Africa or deliver on our strategy and I just wanted to conclude before I hand over to Graham by sharing the targets that we've set for our business, our ROE targets and our rest of Africa profit targets have not changed, we're still going to continue with those changes, but we're setting

ourselves targets of growing our own customer base to nine million customers by 2015. As I mentioned for us the retail orientation and the nature of our business is that we do look to grow customers, not just assets without the customers, but the customers. Because that's where we are able to build our brand and our stickiness over time. So ladies and gentleman, thank you very much for paying attention, I'd just like now to hand over to Graham.

Graham Dempster

Graham Dempster: Thank you very much Ralph and good afternoon to everybody. I'm going to be talking to you about the primary banking entity in the Group which is Nedbank and how we collaborate with the Old Mutual. I'm also going to take you through two elements in this presentation; the first is a broad overview of the South African banking industry and then we'll drill down into the Nedbank Group and what our key strategic focus areas are.

So turning to the South African banking industry, on the left hand side, what you see there is the total advances or assets of the industry. That's 3,6 trillion rand and very interestingly if you look at the little blue segment on the left hand wheel, you'll see 10%. That represents the element of the total assets in the market that are represented by Investec, Capitec, ABL and the International Banks and so very simply what you see there is a very strong four pillar banking industry with the four large South African banks, that's Standard Bank at 26%, First Rand at 23%, ABSA at 22% and Nedbank at 19% of the total assets of the industry in South Africa. On the right hand side, we have a breakdown of the loans and advances and what you'll see on the right hand side of that wheel, is 30% and 9%, that represents retail mortgage lending and commercial mortgage lending, so you've roughly got 40% of the industry represented by mortgage lending and on the left hand side, you'll see the black and the grey that is the wholesale lending activity that takes place. So very strong wholesale lending, very strong mortgage lending as well, which is a bit of a differentiator for the South African industry as an emerging market for example relative to the lesser developed state of a property market in Latin America.

Looking then at the deposits and where the money is sourced from in terms of the industry, on the left hand side once again, very similar proportions of total deposits by each of the individual large banks and on the right hand side, you'll see a very interesting dynamic in the South African market. The very light green element of the wheel, 8% represents foreign funding. So a very small amount of foreign funding taking place in the South African industry. This is a closed loop system which clearly is a much more robust and secure system, by virtue of the fact that Rand-based funding is trapped in the South African market. And then in terms of the proportion of money coming out of the various segments, 32% comes under the Asset Management Industry. Paul talked about that a little earlier; there's a very big money market industry in

South Africa and a lot of the retail money flows into those money market unit trusts and then gets redirected back in to the banks and as a consequence of that, what you see is retail deposits as a whole – relative to the whole, represents only 16% of the total funding in South Africa.

Moving then to a profile of the Big Four Banks, you'll see that on market capitalisation, total assets and headline earnings, Nedbank is the fourth largest out of the Big Four Banks. But most importantly, if you look at return on equity on the top right, Nedbank is sitting at 16.4%, the second highest return on equity, which gives you an indication of the efficiency of capital utilisation in terms of the capital deployed by Nedbank.

Throughout the Global Credit Crisis, before and after, the South African banking industry has been very robust. The returns on equity pre-Global Credit Crisis sat on average at just about 24% and post the Global Credit Crisis, just above 15%. Very significantly if you look for example at Nedbank, in 2007 we would have had a common equity tier one capital ratio of 7.2% and if you look at us now in June 2013, we have a common equity tier one capital ratio of 11.8%. If you did an adjustment for gearing, the returns have actually held up relatively well and it gives you an indication as to how robust the South African banking industry was all the way through the Global Credit Crisis and that's because it's a regional market; well regulated, well managed. That's evidenced – earlier the speaker spoke about the World Economic Forum Global Competitiveness Report. Just to point out at the bottom left of the slide, the soundness of banks, the South African banking industry was rated the third most sound out of 145 countries coming behind Canada and New Zealand. And on the right hand side, South Africa is one of a handful or two of countries that has actually fully adopted BASEL III and for example, Nedbank would be on the advanced rating basis of BASEL III for both – for all elements, market, credit and operational elements of BASEL III. So a very sophisticated industry; well regulated and with strong capital ratios.

This is a very interesting diagram, this is borrowed from Goldman Sachs. What you see on the vertical axis is the percentage of your risk weighted assets to total assets and running on the horizontal access is your common equity tier one capital ratio in percentage terms. And the two lines that then segment that are the median that you get in terms of global banks around the world. And the median that you have for risk weighted assets to total assets, sits at just about 45% and likewise in terms of common equity tier one, you'll see the ratio sits at about 9.5%. What you want to have, if you want to be seen as a conservatively positioned industry, is high percentages of risk-weighted assets to total assets. In other words, you haven't driven down through your internal rating based models the percentage of your risk weighted assets to total assets and maybe been a bit aggressive in those assumptions. And likewise, you want your common equity tier one capital ratio to be strong. You can see all the South African banks sit in the ideal position, which is the top right hand quadrant. What you don't want to be is in the bottom left hand quadrant, for

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example where banks like Deutsche, Soc Gen, Credit Suisse would be sitting. So the South African banking industry, conservatively struck, well capitalised.

Nedbank in terms of a Group overview, we're a listed company on the Johannesburg Stock Exchange, 52% held by Old Mutual, with 110 billion Rand market cap – you saw that earlier in Paul's slide, just over 10 billion dollars. A strong balance sheet, well capitalised, sound liquidity and balance sheet provisioning levels which are seen by the industry generally as being prudent and conservatively struck. We have a strong wholesale bank and we have a very well positioned retail bank that has substantial momentum in the progress that it has been making over the last few years. And together with Ecobank, our Strategic Alliance Partner in Africa, we have the ability to service our clients across the largest country geographic network in Africa, covering 37 countries. The next largest would be roughly half that.

And then from a transformational, CSI and environmental perspective, Nedbank for the last three or four years has been the top rated most transformed top 50 company in South Africa and that's in terms of the Department of Trade and Industry Sector Codes, Charter Codes and we have held that position consistently now for a number of years. In terms of – we are known as a "Green Bank" and not only are we a "Green Bank" where we commit to the environment, we have been a carbon neutral bank, the first in Africa and the first in South Africa for some years now and we've had a very interesting business alignment with our social commitment, in that we are leaders in renewable energy in South Africa and we've had Phase 1 and Phase 2 and now recently completed Phase 3 of the Renewable Energy Programme in South Africa and Nedbank has punched above its weight in terms of the mandates that it's won by our investment bank, Nedbank Capital. We've got typically roughly 35% of the mandates that have been awarded in terms of megawatt capacity. So very strong evidence of our underlying commitment as a "Green Bank" to what we do in our own business.

We have four key strategic focus areas that we've been consistently driving in the Bank since 2010 and these have been what we have guided with the market to say, "This is our intent and we will report back to you on a six monthly basis, so that you can clearly see the progress that is being made". And I'm going to touch very briefly on each of these and then take you through an individual slide. So starting in the top left, "Repositioned Retail", we had a strategically challenged, loss making retail business in 2009 and what – through a very comprehensive strategic process, we had a repositioning which basically said, "We want to be a client-centred bank-for-all which is underpinned by very sound risk management, generating sustainable, appropriate returns on equity". In terms of growing non-interest revenue, the top right hand block, that effectively is a proxy or a measure of how we've progressed in building our transactional banking franchise. Historically, we've been very strong in lending, very strong in deposit taking. We've had 20% odd

market shares as you saw earlier, but we've had a lower percentage market share of transactional banking, which is attractive because it obviously generates non-interest revenue which does not consume capital, does not consume liquidity and as a consequence of that, ratchets up your return on equity. From a portfolio tilt point of view, what we seek to do there is allocate judiciously our scarce resources, liquidity, capital, people, to align our strategic intent with economic profit generation for the benefit of shareholders. And I'll take you through how we've actually managed to do that over the last number of years and how we'll look at that going forward.

And then in the rest of Africa, we describe our strategy as, "Client centred, risk mitigated, capital efficient and longer term, effectively looking to build a pan-African banking network to enable our clients to be banked across the continent as they increase their trade and investment right across the continent". So starting with the reposition of Retail, I'm not going to go into this in detail, but very simply if you look at what's happened here, the change and the progress that has been made in Retail has been profound and the slide here shows you the substantial progress that has been made over the last four years. Starting on the left hand side of that graph, you can see in H1 2009, Retail was loss making. At that point, Ingrid Johnson who will take over from me and present afterwards, took responsibility for this business and you can see the substantial progress that has been made in terms of both performance and in terms of client gains. So over that period, 2 million new clients have been added to the Nedbank Retail Business.

In terms of Non-Interest Revenue, that proxy for building our Transactional Banking Franchise, in 2009 we set a target; we said we want to have our Non-Interest Revenue to expenses to be at or above 85%. We chose that measure because we believed that's where the industry would converge. Some peers at that point were above because there was a lot more private equity and risk taking activity pre the Global Credit Crisis. And the other factors was that we would actually improve our franchise. And you can see the progressive progress from 75,5% through to, in the first half of this year, 88 odd %; a little inflated by some fair value gains in that six month period, but having for the first time, not yet for a full year, but for a half year achieved that 85% target and effectively driven by client growth of above 10% and cross sell improvement of clients having more than two products growing at 12% per annum over that period.

Turning to the rest of Africa, I described it earlier as to what we're seeking to achieve but very simply, we want to build the most powerful pan-African banking franchise for the benefits of our clients and the reason for us wanting to do that is that the South African clients are progressively and exponentially extending their activity across the continent in terms of trade and investment and from our perspective we want them to bank with us or with our partners, rather than with a competitor that would ultimately put your franchise back in South Africa at risk. Paul touched on it earlier that we've got some very

significant opportunities which I'll go into in more detail tomorrow when we talk about our "Rest of Africa" Strategy in detail, but we do have some very big and interesting investment opportunities in terms of the 20% rights that we have to take up a shareholding in ETI, the holding company of Ecobank and then secondly the expansion that we're doing into Mozambique.

From a portfolio tilt point of viewwhat you see represented here, is the generation of economic profit growth and return on equity enhancement over the period that we've had these measures. And we've moved progressively from virtually EP neutrality to generating EP of 749 million Rand in the first six months of this year, with the RoE extending up to the 16.1% level. And effectively, in terms of how we approach that portfolio tilt, there are elements that we want to emphasise, so for example what we wanted to grow faster is transactional banking for the reasons I mentioned earlier; Non-Interest Revenue generating non-capital, non-liquidity consuming, ratcheting up your return on equity and then selective growth, for example in Home Loans and unsecured lending. And over the last few years, Nedbank has been seen increasingly as an industry leader in terms of being able to take differentiated positions in particular markets where we believe the economics are sub-optimal or the risks escalating to a point that it's not appropriate. So Nedbank was an early caller on Home Loans to say, "This is a market that has high downside risk in terms of credit risk and things go wrong, the propensity for taking bad debts is huge, but the economic profit generation is marginal at best. It's not a product that you should be chasing, other than using it to service your core primary bank clients".

So those are our four key strategic focus areas. Significant progress in the top two, repositioning Nedbank Retail, growing our transactional banking franchise, supported by the Portfolio Tilt Strategy and then giving us this longer term opportunity to service clients and create shareholder value out of the investments that we have to participate in the faster growing "Rest of Africa" markets.

This is all reflected in the share price performance. On the left hand side you've got a five year share price relative and you can see that two banks over that five year have actually shown significant progress. That's First Rand and Nedbank, the top two definitely having outperformed over that five year period. And on the right hand side, price to tangible NAV, that's the share price divided by the tangible NAV, Nedbank having gone from 1.33 to 2.09, moving from fourth to a very clear second over that period, which is reflective of the progress in those four key strategic focus areas that I mentioned.

And then in terms of collaboration with Old Mutual, on the wholesale side we are the bankers to Old Mutual and to Mutual & Federal; we do Joint Financing Arrangements. And then on the Wealth side, there's a preponderance of activity that takes place with our Wealth Business focused on the affluent market, clearly selling a Nedbank product, ideally as a first port of call, our

Mutual product obviously where appropriate and we have very, very little leakage out of the entire Group in terms of product that isn't sold outside the Group, notwithstanding that we are offering clients choice. So clearly the range of products is seen as attractive by our client base. And there's a number of other activities that we do, ranging from our Pension Funds and Medical Aids are administrated by Old Mutual, to Joint Procurement efforts which are well known in the market where the savings have been over 500 million Rand; it's been a tremendous amount of collaboration to ensure that we actually leverage the benefit of the greater Group.

What is our focus for the next three years? Very similar to what we've been doing for the last three/four years; client centred innovation – Ingrid will touch on that a little later, a tremendous amount happening there, growing that transactional banking franchise and our market share in transactional banking, the strategic portfolio tilt which supports that, optimised to invest and you'll see that that's not just cutting costs. That's investing very significantly in the franchise and things like "The Branch of the Future" which are fundamental to positioning yourself appropriately, establishing the pan-African Banking Network that is crucial to the longer term and then a step change in sustainably building the franchise and our brand. And hopefully you'll have seen the brand positioning that Nedbank has adopted over the last few years as a "Bank for All" and in the very uplifting way that we're communicating with the market and it's definitely resonating in the market and we've got a skilled, experienced team that's driving hard to deliver value for all our stakeholders.

And I think with that, I'm going to hand over to Paul. Thank you.

Paul Hanratty: Graham, thanks very much indeed. I'm going to invite you all to have a short tea break and when we come back, if we could just keep it to ten minutes please outside and we'll chase you back in, Ingrid Johnson is going to take us through the very exciting story that Graham spoke briefly about; the turnaround of Nedbank Retail.

Session 3 – Who are our customers?

Paul Hanratty: Right, good afternoon everybody and welcome back. It's a great pleasure to be able to introduce Ingrid Johnson from Nedbank Retail. I'm not going to take long to introduce Ingrid, but suffice to say that she's been in the Nedbank Group in different roles, including in the London office for a period and she's done an amazing job in terms of driving the growth of the customer base and the RoE of Nedbank and it's a great opportunity. She has to run out

of here literally at 4pm, no matter where we're up to. So we're going to bring her up here and get her to do a presentation and she'll take some Q&A. So Ingrid, over to you.

Ingrid Johnson

Ingrid Johnson: Thank you. Good afternoon and thanks very much for the opportunity. So I think you've heard about the demographics, the continent and it all sounds fabulous. My challenge is, "How do you get customers to choose you and bank with you?" And that's always the hardest part and so the agenda for today is really touching on three aspects. And it's really around particularly Nedbank's context. Nedbank wasn't seen as the "Bank for All" and wasn't seen as the bank that you would choose to transaction bank with and so our challenge was really to learn from our history and equally to understand the trends and shaping forces and find a way that we could reconnect with our customers that they would choose Nedbank. Secondly learning from the context of what we faced, given that, what was our strategic intent in terms of actually turning around the business. And then the third was given the momentum over the last four years, that's certainly informing our future and our prospects and hopefully such that investors will look at Nedbank and say, you know it's a great place to invest.

So Graham has certainly done a nice job in framing the situation and I think it's really as a consequence of the Global Financial Crisis in 2008, the challenges in the Retail Business were revealed, as reflected in the chart on the top left. And what you could see is earnings peaked at 1.8 billion Rand of headline earnings, but notice the economic capital allocated was 5.9%. So that was a RoE of 22%. In fact if you did a post-BASEL III environment today, you'd allocate capital of closer to 11% and so the comparable RoE in today's world was actually a 14.5% RoE. And so the business then faced some of the challenges of a million job losses, prime rates escalating to 15.5% and your impairments escalated, we never had sufficient transactional banking earnings to act as a buffer to protect against the elevated impairments and we ended up with losses in the Retail Business. And this was in stark contrast to the Wholesale Business and generally where Nedbank has been strong, where you can actually see that the rest of the bank's earnings were actually very resilient through the cycle. And that really was the challenge, that given 35% of the bank's capital is invested in retail, how could we sustainably turn around the Retail Business in the eyes of our clients, our people and importantly investors?

If we then look at what are the principal causes of that- some of this is actually a lot of the choices that were made in the 90s. Nedbank positioned itself as elitist, it chose a multi-brand strategy and that in itself is Okay. The challenge however is in implementing the strategy, we decided your worth; we decided whether you belonged in People's Bank for entry level banking customers or in

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Nedbank for the more affluent. And the damage we did in the 90s was a legacy we lived with for 15 years. People did not see Nedbank as a "Bank for Me", it was for the elite and so you can see in terms of our client numbers, when you look at the main banked customers, which is really the driver of your Non-Interest Revenues, Nedbank on the far right of the chart, had main bank customers of 1.5 million, versus a very strong competitor in red and – or maybe a lighter shade of blue today, with 6 million customers and a very strong profile, representative across the demographics of society. The other challenge, when you look at our total bank clients, Nedbank only had 4 million – 4.2, versus some of our competitors at double and treble that. And likewise, the main bank customers were low. And so that was the challenge was, "How do you change perceptions when you've certainly positioned yourself in a certain way for many years?" And equally the challenge is that our positioning as Nedbank was at odds with our competitors and the demographics trends of South Africa. So we've heard a lot about the demographics and the question was therefore, "How do you position yourselves to capture a fair share of the demographics and importantly a rising middle class?" And what we recognised, there were really three big themes that we needed to implement. One was investing in the youth and entry level banking as they rise, so that you build a greater share of the middle market in time; you can see in the chart, the middle market grows to 10.9 million people in 2020 and so you want to capture that growth as it rises, because we know a searching strategy to capture someone already at another bank is very expensive.

The second is to give a positive experience with a customer, so they buy one product, they have a good experience and when they think about the next product, they choose Nedbank; so that would be a second opportunity to capture clients. And the third then was actually leveraging the strength of our wholesale businesses to capture the employees at work of the strong relationships that we have in the wholesale space. And that was really underpinning our intent to be a "Bank for All" across those four key levers. And importantly around the small businesses, because they employ 45% of the workforce in our economy, so it's very important to also invest in small businesses because that in turn fuels the growth of our economy.

So the next slide which I won't really have time to take you through, but this is what we call our "True North" slide. Internally, we have taken 17,000 people through in four months this strategic intent of what we are needing to set out to do which we shared in the middle of July 2010 and took stakeholders through that. And effectively what we've said is, "How do we compete versus our peers, given their formidable strengths?" And we chose a way of competing which was resonating with the client, through the challenges that they face every day and providing the client – and notice the word "choice", "A choice of distinctive client-centred banking experiences, that build deep enduring relationships with the client through time, through generations and through the power of the virtuous circle". But an equally important challenge

was ensuring we deliver growth and sustainable returns and optimise the use of our scarce resources whether it's capital, liquidity, risk appetite or investment and finding a way to optimise on costs. And so we were able to craft a plan in 2010 with the challenging objective that by 2014 we'd like a return on equity greater than our cost of equity. There was one very important assumption in that plan, which hasn't come true, is we thought interest rates would be 13.5% in 2013. Today the interest rate is 8.5% and Retail and Commercial businesses are very sensitive to endowment income, so that challenge certainly got a lot greater and we had to manage very carefully to invest, optimise costs and hopefully generate the Non-Interest Revenue, while building a strong foundation from a Risk perspective.

The right hand side of the slide is what we call our "Strategic Wheel" which is really the focus around, "How do you capture the clients and grow with them, while aligning on the outer layer your entire organisation to be able to deliver?" And I think that's the challenge. It's very easy to say, you know, "This is what we want to be". To align 20,000 people in Retail and Business Banking to deliver on that strategic intent is quite challenging, because they bring your strategy to life and so what I'm going to now share with you is how we went about that.

And I think the first key thing – well, so what we found is this is our intent at a strategic level and then enunciated that there were three key themes that we had to deliver on, to ensure that the returns were sustainable. And the first was about rebuilding the client franchise as a "Bank for All" and making sure that we built strong transactional banking earnings so that you had the buffer and really we're seen as the bank to transact with as well as invest and lend from. The second was building a very strong foundation on the Risk side and embedding an effective Risk culture. We won't have a lot of time to go into this pillar or the next one, but a very, very important in the turnaround was our investment on the Risk side. And then the third was actually aligning the organisation and evolving it to be more client centred and integrated away from a very product driven focus. And again, that was important to be able to deliver that seamless client-centred banking experience.

And so I'm going to spend more emphasis on the first theme but clearly it underpins the recovery of the performance. And so thankfully this is what has been achieved over the last four years. I think at a consumer level, a little bit less benign from a macroeconomic climate and I would offer principally because of the ease of credit availability of unsecured lending which has certainly helped cure some people out of their difficult circumstances, a bit like Home Loans did in 2004 through 2007, until we had some of the challenges that we faced in 2008 through 2010. And so Graham has touched on the strong restoration of earnings as well as the rest of the Group continuing to generate very good RoEs. And I think that was the challenges for the market and our clients to actually see that Nedbank is fundamentally a different bank

from what we were four years ago. And I think what I hope I'm going to show going forward is just some of the shifts that we've made.

So touching on the first one of rebuilding the client franchise, we recognised we needed to compete on delivering the holistic client experience, because it's very easy to compete on product or price or distribution; how do you connect and resonate with the client that they want to do more with you and it's a brand that you can associate with?

And, given our legacy, how do you actually change perceptions? And that was our challenge, and doing it in a way that the holistic value proposition resonates against the target markets, but also your individual disciplines, as we show in the client value proposition are also well-managed a the level of economics that you can afford, so you've also got to adjust your cost to serve. So if we touch on the client numbers, I think what I'm very delighted, Graham touched on 2 million over 2009 through 2013. These are the growth from 2009 through 2012 for the full year. And you can see in the shaded area at the bottom of the slide a 1.7 million increment for clients, which is great to see, and ahead of the population growth in our country. But equally, very balanced across all of the clients' segments, which is what you want. Clearly the most lucrative clients' segment is the middle market. It's also the most competitive, and when Nedbank was least able to compete because we didn't have all the elements in place, particularly on streamline processes and some of the offerings on the digital channels to compete with someone like FNB. What we then say, this is the client numbers, what's important is actually translated into non-interest revenue growth, which has been very strong at 15.7%. If you exclude personal loans, which has clearly been supposedly quite high growth, our non-interest revenue of 2.8 billion Rand would have grown by R2.2 billion cumulative. And that's just under 14% growth. So a very, very strong performance, and very well-balanced across the different segments, particularly in the middle market, so you can see more cross sell and benefits of clients rising, and your average revenue per customer when in the middle market is at 30% more than your average revenue transacting at a youthful entry level banking level. So that we're really delighted with. Still got a challenge going forward, in terms of addressing attrition. So how did we actually do it? It was around resonating with our clients and with the target markets and being able to connect with clients in a way that matters. So we had no client value propositions in 2009, so we've had to build each one of them to be able to connect with customers, and what I'm now going to show you is just what we are doing out there that really is changing Nedbank's in the eyes of our customers. So I'm going to start with the youth offering Nedbank for me and I'd like to play a short clip.

[Playing clip]

So recognising that 50% of our population is aged 25 or below, this is a very good investment but it will take time to come through, but it is investing for the

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future of Nedbank and we really are resonating with the target market. The next is entry level banking which we've called Nedbank Ke Yona, is our client value proposition. This is really the majority of South Africans and one that we didn't resonate with the target market, so we've used something like the Nedbank Cup to raise awareness which has been very useful in supporting football. We've been using brand ambassadors like Andile Jali, Zahara, who is a very impressive singer that emerged from nowhere and yet resonates with our communities. And I'd like to play, again, a clip that just gives you a sense of our value proposition and the impact that we're having. And Nedbank Ke Yona means Nedbank the one.

[Playing clip]

So this is all our pamphlets and you can see banking for R5. I don't think you can get cheaper than that. So I think that just gives you a real sense of what we're doing in the entry level banking, which is all an important investment in fuels and rises to the middle class. I think the next has really been the challenging market where you can see some competitors, and you may be familiar with Steve, who have been very impactful in this market in attracting customers. What we've sought to do is resonate with the clients in a way that is building financial fitness across all the value propositions, but actually talking about banking that you may not hear about, and really being real about the difference we can make in your life. And connecting with you in a client-encircled way, and in a way that will build that relationship. So we're now going to play just a reflection in terms of the middle market where we've invested for the last four years and now really, really given all the investment in the internal systems and processes and products to be able to step-change our presence.

[Playing clip]

So we're really delighted with this campaign because it's been four years in the making, building up to being ready, and we are step-changing our investments, so you will notice much louder share of voice, because what we recognised, although we were spending at a group level in keeping with our competitors, we were overweight sponsorship and specifically above the line. We were only spending a third to a half what our competitors were spending, so our voice was getting crowded out. So we've step-changed our voice and have got some fantastic vignettes of how we make a survey life happen. So, through the rest of the presentation you're going to see some of those coming through. And then I think also important to note, seniors' market very important. The great source of deposits, and also we need to honour the longevity and commitment that they've shown with our organisation. The professional market, Nedbank was always very strong. We've been rebuilding our capability, big opportunities, still a lot to do. And then our small business offering, we've got a very strong commercial banking, business banking, but not necessarily had the strength in the small business, and particularly

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because you unlock the virtuous circle of the individual in the business was one that we needed to emphasise. And so this just gives you a sense of how we're actually leveraging the links with our wholesale business and how we've evolved business banking's business model where we delivered – if you look in that wheel on the right-hand side – we actually only used to deliver and focus on the business owner, the suretyship and the actual business. And we've changed the delivery model to focus on the employees, the key individuals, as well as dependants. And so, taken our same 2,200 people in business banking and expanded their focus. And the right hand side shows the impact that we're having in terms of attracting employees through the companies that we bank, and you can see the step-change in the top right of the chart from doing almost nothing to 66,000 transactional accounts and generally they are better quality. And likewise with card acquiring, unlocking 40 transactional specialists, cross-selling through 400 bankers and accessing very attractive business accounts. So again you can see the transactional card acquiring sales off a zero base. So having captured a holistic client value proposition, what I'm going to just touch on very briefly are the elements that you also need to make sure are robust.

And if you look at our distribution, Nedbank was very weak and underrepresented relative to our peers. Our ATMs were a third that of the size of our peer group networks, and so of the R1.3billion investment over the last three years we've dramatically changed our presence in terms of branches and outlets with alternative formats, up 40% cumulatively. And our ATMs up 72%, and still opportunity to do more. What's more important when you look on the right hand side is how we were very urban based. 80% of our infrastructure was servicing the urban market, so we had a lot of white space to service and attack semi-urban and rural with our micro-market strategy where we understand 213 micro-markets where you need very different placement of your formats and your mix. We've been able to expand materially into the semi-urban and rural, and that's really also benefited business banking because customers are not necessarily going to bank with you unless you can do the individual and the business activities. We don't have time to take you through the enormity of what we've done on integrated channels, and it was an accolade for us, firstly, to receive the 2013 Banker Magazine award for the South African Bank of the Year, which we were delighted with. And, within that, actually being acknowledged for the excellent work that we've done in terms of integrated channels, as well as the digital and the app that we've launched. And so we're going to just show a very, very quick sense of what we're doing in terms of our distribution in our branch of the future.

So we're just going to touch on the first clip. So this just gives you a sense of the micro-market in Johannesburg CBD, one of 213, where we actually have developed our full service branch of the future. You'll notice, those that remember Fox Street in town, we've used the external visual of our exterior

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much more effectively. There's digital banking you can do on the screen. Likewise, when you walk in store, ATMs with intelligent depositors to do third party payments we've never done before. You can see the visual coming through from our value propositions. There's no glass in front of the teller. You can actually combine sales and servicing. Those pods that you've just seen a glimpse of, is to enable customers to have a much better conversation and encourage the cross-sell. And you'll notice a lot of digital technology where customers can actually learn and interact with technology and be exposed to it, and just really have stuff available to actually chat with customers through that. Staff are very important and you can just see the great area that we give them. And then also a very effective queuing system. So clients can walk in store, we can actually share with them what do you need, educate, we'll even SMS you if you'd like to go and do some of your other shopping. And a lot of opportunity just to connect with our staff that we can educate you. We also have a kids zone where children can actually have fun and be able to do different activities. So that just gives you a glimpse of the branch of the future.

We're now going to touch on the next one, which is the micro-market, still in the CBD, which is illustrate and galleries, which is a very different micro-market again, and translating our personal loans. So if we can just play the next clip very briefly. This is, then, a very different micro-market, less business oriented, much more sales and service outlet, but what you'll notice is the same look and feel when you walk in store it's very much the same because customers move between the different parts and you want to give the same client experience, no matter what. And I think there again you can just see the ambiance and the welcome to Nedbank, and that's really what we wanted to try and give customers a sense of. I think if we can then move to the next video clip which is also, again, this is a snapshot towards other branches you are going to see tomorrow are not looking like these. This is our accelerated roll-out plan that we're going to roll-out over the next three to five years. We can just show the next clip which is, again, in retailer boxer stores which, again, is a very different format. Ten square meters in a boxer store within the Pick n Pay group. You can see Zahara, so there's a connection with our value propositions and very effective usage of our footprints, same look and feel. So a lot has happened in the integrated channel space which we can certainly touch on, and it's in our Invest Today presentation as well. I think if we then move to the next part of the value proposition, it's around innovation, so you need to be accessible, you need to resonate with your customers, but do you have what they want? Are they interested in buying what you have? We've invested a significant amount in client-centred innovation, and you can just see the rate of innovation accelerating as we really connect with the needs of clients and what they are trying to achieve and how do we make it simpler and help them realise their aspirations and financial goals? And you'll see some of the elements dotted with its value propositions, whether it's

integrated channels, the digital processes re-igniting the entrepreneurial spirit within our group.

I'm going to touch on just a couple of the innovations and the first one, which is my favourite, is the mobile card acquiring device called PocketPOS. We launched it, as you can see, in February. We launched the technology, we did a pilot in May, so still not too much activity. We then did quite a lot of work on on-boarding and commercialisation, which was challenging and the whole client experience, and then went above the line in October, underpinned by our serving positioning. And I'd just like to play the Ad for you, because I borrowed from the philosophy of Intel inside.

[Playing clip]

The other one I'm going to touch on, on the slide is on the far right, which is around the online banking. Nedbank has always been excellent in online banking and the security, particularly in the wholesale space, with our Nedbank business I think we've only had two ever fishing attempts. On the retail side, with our new technology around to prove it, again, very low fishing attempts, unless you have a sim-swap. But we've actually been able to get hackers to challenge it, and it's very, very challenging, because of the way we've done the technology. So again, we are able to position ourselves distinctively relative to the market. And I'm just going to play you our advert for online banking.

[Playing clip]

So we were also delighted to receive the accolade from the recent MTN Awards that we won the Android Consumer App of the Year above everyone. So, for a bank, that really is fantastic. So there are a lot of innovation, but again very centred around client needs and how do you integrate it into the holistic offering. But again, in terms of the value proposition, you can do all that right, but if your pricing is wrong clients are still not going to bank with you because you've got to overcome their perception that you're too expensive.

And so, on the next slide with our pricing, Nedbank's been tracking a certain bundle of pricing for since 2005, and what you can see at the start with our green line, Nedbank was always more expensive than peers, whereas we had some of our competitors very well priced. And so Nedbank took action in 2005 through 2007 and reduced pricing to get back in the game, and then was given inflationary increases and largely tracked relative to our peers. And again, it's quite hard to compare because once you have penalty fees and so forth your average pricing bundle does change. But what's interesting is some significant competitor dynamics in January 2011 through 2013, where people were either holding pricing, reducing pricing, and Nedbank would continue to increase pricing because we really believe we were giving great value banking. The reality, though, is customers don't always unpack to understand the bundle that you're offering, because we don't actually have as high penalty fees as our competitors. And so, given some of those

competitive forces, we then chose to actually hold prices and not put inflationary price increases in this round of pricing. And I think for us we're still comfortable, because we've always communicated to investors that our opportunity for growth is through more clients, so greater volume, higher quality, better cross-sell, and that price is not necessarily a lever for us in a non-interest revenue growth, because you actually also encouraging clients to transact on the right bundle. So our philosophy is our existing clients must get the same or better deal than any competitive offering, and that means you've got to be vigilant on your pricing.

And so what that's meant it it's all come together in terms of the brand perception of Nedbank, which is immensely positive, so this is a survey by Brand Finance of the top 50 most valuable brands in South Africa. The reason Old Mutual isn't on the list is they're part of the UK list and in the South African context Nedbank is at number six with a brand value of R10.9billion. Powerfully we've actually lifted our brand value 20% year on year, and this is relative to Standard Bank and Absa, just above us, going backwards by 17% and 21%, and FNB that's been very strong in the market, just lifting marginally by 6%, so I think that's very positive. And secondly, if you look then at the quarterly assessment of most liked Ads run by Millward Brown – they've been doing it for 29 years – we are delighted that two of our Nedbank savvy ads are in the top five of most liked Ads for the quarter. This is only the third time in 29 years we've been in the top five. So what it means is we're resonating with the target market, and we've seen that in terms of customer activity and interest in Nedbank. So that really leads to closing up the section on the client. So first imperative definitely showing more clients doing more with us in generating non-interest revenue.

The second key element around risk is really important because that is really the area that wipes out your returns if you get your risk wrong. And, unfortunately, it's not what you do today, it only emerges downstream in why we need to be so vigilant in the risk management environment. So if we just look at the industry level on the right hand chart, what this shows you is the South African banking industry, excluding Nedbank, and the index income statement from 2006 through to 2012, and there's no doubt that the most volatile line on the income statement is your impairment line, where you can see that increased fourfold, relative to the 06 levels, and your ROE reduced by over ten percentage points. Clearly also affected by a change in capital allocation, and that then bought us into new ROE chain for the rest of the industry at around 16%. On the right hand side of the chart is then Nedbank's equivalent. So you can see Nedbank, which is the middle green line, and I think what's important to note is if you look at the industry, we peaked in 2009, excluding Nedbank, and quite a sharp recovery in impairments in 2010 and 2011, and then impairments increasing in 2012. If you look at Nedbank's line it also didn't peak that much more than our peer group, but actually much more moderate in the recovery and reduction of impairments versus peers.

And with others the peers have actually been increasing impairments, ours are still being reducing, and that's because we were very careful in understanding risk and the need to address the coverage ratios in home loans in 2009 and 2010, address the origination, and also make sure that we were proactive in our methodologies in strengthening the balance sheet on the performing portfolio. In retail we've increased our performing portfolio in payments by R1.1billion, by ensuring that we actually change methodologies and are ready for the next down-cycle. And so what you'll notice is Nedbank's line is more moderate, but equally in the retail, which is the light green line on the right, our impairments went up fivefold, and that's what caused our loss, to actually have losses in 2009, and that's been the recovery journey that we're on to improve the quality of the risk in terms of the advances portfolio, to make sure that we're really rigorous in our understanding of the risk and the managing, as well as collections, and have a strong balance sheet ready for any down-cycle. And what we really do hope is that our efforts will mean that we out-perform our peers, relative, and our own past experiences in terms of the risk line, given that if it's that we've made.

There have been two areas that we've had a fundamental effort to change the business models. One was home loans and the second was personal loans. Home loans, it was challenging because this chart gives you a sense of the actual – the shaded area – of when you should be growing home loans and when is it dangerous to do so. This is work from Dennis Dykes, and the challenge here is that you shouldn't be growing in this red period because the macro-factors were indicating there was high risk and likelihood of loss. And this line is where the industry was growing from around R300billion, if you look at the right hand axis, increasing to R750billion in four short years. And Nedbank, over that time, when you look at this left axis, actually grew quite strongly. And that was because activity was fuelled by mortgage originators that ended up with the banks competing on the same dimensions of turnaround and price. And when that happens you erode profitability out of the industry. Nedbank actually chose, in 2004/5, not to deal with originators. The challenge was we never had a compelling alternative. What we've been working on since 2009 is actively positioning ourselves in the eyes of the consumer as the place to come and bank with and really understand your commitments, but equally be able to originate very carefully and orient origination to our interior channels and unlock the business owner within our strong wholesale relationships to do more lending. So we now do 80% of our origination from within the group, and also innovating on our online channel. So I'm just going to play you one TV advert and then a radio advert, also educating customers around home loans.

[Playing clip]

And then the next one which I think everybody's very familiar with is around unsecured lending. Again, we saw the early signals in 2011, and the charts here show our monthly move in book volumes, month on month. So what you

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can see is Nedbank's actually been reducing its growth progressively and increasingly over the last nine months, but it actually happened preceding that, versus some of our peers that have actually been only recently slow in growth. And so if you look at the top right block, market growth in the last 12 months, 17%. Nedbank negative 1.2% growth. We've been actively encouraging high risk customers away and also increasing pricing, and you can see that in the chart, how we've increased our gross operating income pricing while having reduced the credit life pricing to be able to lower the price on higher net interest income. We still have capacity within the National Credit Act because, importantly, what we tested is, given the profile of customers today, credit life is not an effect of risk mitigant against the level of impairments. I think, then, the next one is just the third pillar, which is also a huge amount of work, not enough time today to go through, around evolving the organisation to be more client-centred and integrated. And really that's enabled us to accelerate the delivery of our turnaround plan, and some of the themes, just by way of example, was new leadership team at retail exco level, 70% new, getting the best skills that the bank had. Actually affecting 3,000 people in redefining roles in accountability so we could unlock savings and improve effectiveness. We never had any retrenchments, because it was about doing the right thing. Taking our people through strategy conversations, 17,000 people in four months, to actually align them behind a common purpose, and in doing so being able to unlock cross-savings of R600million, so we could invest in Opex R800million, and in doing so our culture has actually improved to world class levels. We also do customer management practice assessments, and that has also improved immeasurably. And so that really brings me to the close, which is we constantly look in terms of what are the trends facing us, and I think a lot of these have actually been covered, in terms of customer choice, demographics and cost of regulation and the importance of cultures. All of those we've actually covered, and what we then do is say, given those trends and shaping forces, given who we are, are we building our competitive strength and are we widening the boat, so to speak, as Warren Buffett would say, and improving our sources of distinctiveness. And hopefully what you've seen come through the presentation, very strongly around the choice of client experience, unlocking the virtuous circle of the individual in the business by integrated channel strategy, leveraging digital, very robust risk management and a collaborative people-centred culture. And all of those actions will ensure that we deliver sustainable returns through the cycle. And our focus is very much around consistently executing on our strategies, which is on the left hand side of the slide, making sure that we position for the economy that we face with a skilled leadership team, highly operates on a values based measure. Really rigorous on our strategic choices and making sure we are realistic in how we compete. Thirdly, committed to building sustainable businesses and doing it in a way that can actually deliver shareholder returns in a low growth, low interest rate economy. And then ensuring we have

diligence in execution on our three themes going forward very much around client centred growth as a bank for all, making sure we continue to collaborate and innovate within the group and across the great Old Mutual group, and manage risk effectively. And do it in a way that we actually positively impact people's lives. And so I'd like to close up with how we've actually reshaped our business to actually resonate with customers in a way that actually changes people's lives.

[Playing clip]

Thank you. I'm happy to take any questions.

Ingrid Johnson Q&A

Paul Hanratty: Can we have a couple of questions for Ingrid, please?

Greig Paterson: I only periodically look at Nedbank when the results come out, and two things I've pondered recently. One is duplication of effort. You're producing life products and Old Mutual is producing life products. Should I read into this that the two groups are going to separate at some point or you will stop and then sell their products? If you can answer that one, and the second question is it's been clear to me that your advances growth has been pretty pedestrian in the last 18 months, and the benefit has been improved, a credit loss ratio. But I was wondering, is it possible to increase your advances or get them back up to a strong industry level without going back to the old dispensation where you were having unacceptable losses? To me, it increased your criterion for loans and slowed advances and proved nothing, what will change?

Ingrid Johnson: I think I'll answer the second question first, which is if you look at advances growth it comes with impairments if you get your risk wrong. So our strategy is very much transactional and deposit led, resonating with the client, unlocking cross-sell and using it advance as an enabler. We've done enough work and research where they use external consultants or internal that your economic profit you generate out of advances is neutral to negative with significant downside risk. So rather unlock the opportunity of the cross-sell, lead with that and the advances will follow and we're very comfortable with our strategy with our strategy which has served wholesale extremely well and, likewise, we are now doing in retail and very comfortable that we are open for business for the right risk customers across all the product lines but are absolutely going to educate clients where we feel it's inappropriate to take on more debt. I think, then, from a broader Nedbank group and Old Mutual group perspective, the unit that I run leverages the wealth business in terms of the products that we access and wealth in turn leverages the greater enterprise, both within

Nedbank as well as Old Mutual groups, so perhaps Paul would like to comment on that.

Paul Hanratty: So, Ingrid, this is your chance to answer questions…

Paul Hanratty: But I think in the life side what Nedbank focuses very heavily on is the credit life, which is embedded in the products, and that used to be a joint venture some years ago, but we just figured it was a lot more efficient to put it in there, and it's an embedded product, and I see no need for us to write that business in Old Mutual. Are there any other questions for Ingrid? We've got to maximise our use of her time.

Jackie Cavanaugh: You talked about parts of your cost of capital, could you just talk about where you are now, what you identify as your cost of capital and how do you embed that into the employees of the bank? Is that a KPE, are people judged on the ROEs of the products that they're selling?

Ingrid Johnson: Our cost of capital is 13%, so I think certainly what we didn't envisage was such a sharp turn in the credit cycle and interest rates being so low. So you're actually getting a rise in impairments before you're getting any benefit on endowment income, which does make it more challenging to achieve your ROE above cost of equity. So we would have loved to achieve it in 2013 for retail, and I think it was just a bridge too far, given the economic cycle. And certainly aspiring for 2014, but it still is going to be challenging, just given the fact that we also want to make sure the balance sheet is strong. In terms of our people, we set the model centrally, we then set the targets based on the opportunity across area collaboration. So we actually have 50 areas, all looking at the opportunities within the micro market and being able to set cross leads and targets, but it's based on economics that we set and all the pricing is set centrally. Any exception pricing above a certain level is also then approved centrally. So you set the rules of the game in which the team then operates. So I think we'd be comfortable that we understand, we learn every day, but you certainly are in a good place in terms of optimising the opportunity in the environments. And we also set targets differently, based on different market shares and presence, so urban, higher market share you're going to have a less opportunity, say, in home loans, but you've also overlaid geographic risk criteria that then means you either grow more or less, depending on the micro market.

Paul Hanratty: Is there one last killer question for Ingrid? Or we're going to have to let her go otherwise the BA will be held up.

Blair Stewart: Thanks very much, it's not a killer question, you'll be glad to know. Just on unsecured lending, you've consistently brought your exposure down over the last few months. I just wonder if you could expand on that a little bit, what you're seeing in the market, how concerned you actually are and the practices of some of the competitors?

Ingrid Johnson: Absolutely. We drew an analogy between the dynamics in home loans and the macro factor market dynamics to what was happening in personal loans, and the bottom line is that because you can always easily access credit, your underlying vantages as the originating bank looks more benign, because customers don't default because they can keep accessing credit from another credit provider who maybe is less stringent on the credit criteria. So, as long as I can continue to access credit I'm going to continue to be able to service my loan and I don't default until I run out of options. And although it's not affected with the interest rates rising what low interest rates have helped is effectively you could increase your overall obligation of debt with probably a low instalment because you were able to increase your loan size and tenor. And we also felt that was a practice that was inappropriate. We never did that, kept loan sizes and tenors the same since 09, but we also can see the knock-on effect into secured lending, where there's a higher incidence of earlier rear home loan customers now having a personal loan than they did before. So what we know and, particularly given the lessons of home loans, is there is risk and you need to manage it carefully and it comes around the quality of your granting, understanding the overall indebtedness of the customer. Even though we might lend responsibly as lender number two I can't stop you lending from lender three, four and five. And so we also look at your subsequent borrowing activity and that's an early trigger for us for default or for a high level of coverage. So we are delighted to be reducing our marketer, increasing risk, improving pricing and we feel we're well-placed and are relative to peers in the cycle for what's lying ahead.

Paul Hanratty: Ingrid, thanks very much. I hope Eugene is holding up the plane for you, so thanks very much for being with us and good luck.

Ingrid Johnson: Thank you, it's been wonderful.

Marshall Rapiya

Paul Hanratty: That brings me to the point to invite Marshall Rapiya onto the stage. Marshall is the elder statesman who, I can assure you, knows his customer base extremely well and has known it extremely well for many years, so Marshall

welcome, and we look forward to hearing about what you're doing in the South African market.

Marshall Rapiya: Thank you. Graveyard session. I hope everybody will still be listening. I tried to remember a joke that Ian was trying to tell me, but I forgot it, so I won't be able to tell you. So what I'm going to cover here, basically, is our position in South Africa as a life company, which is now fast becoming a savings and investment organisation. We'll talk briefly about divisions of the South African insurance market, talk about segmentation, how we get to customers, and I'll share briefly with you customer insights that we have, an innovation that we actually have in our product in order to service these customers.

And finally I will talk about the synergies that we're trying to pull together in order to unlock value within organisations in South Africa. Notwithstanding, maybe, what the economist said in the morning about loans,GDP growth, unemployment, poverty, which we actually acknowledge as the challenges in South Africa, but you still have customers out there. You still have people out there who have dreams, who have aspirations, who want to build better futures for themselves. The question we seek to answer from our side, is there a way that we can actually enable those positive futures for those customers in a way that they can actually meet their dreams and goals and aspirations? That's the question we seek to answer. The second question that we seek to answer, can we do it differently, in a manner that talks to those customers, and can we do it sustainably? If you look at, briefly, the track record in terms of where we come from and where we are currently, we still hold the number one position in terms of market share in South Africa, measured in terms of total life APE. Recently we got some accolades and we are humbled to have received that from The Sunday Times to the top brand in our stable in South Africa. So over the 170 years [Correction : 168 years] we continue in our space to be the top brand in South Africa. We employ about 16,000 staff in South Africa. We have got 5.5 customers in our base. We've got an aspiration in the next three years to entice about 7 million customers and, of course, with policy count about 8.1 currently.

This is the split of the profits structure in South Africa, based on the businesses that we run in South Africa, and my colleagues tomorrow are going to talk in detail in terms of how we'll generate the profits that we do. If we look at our numbers, 2012 we generated about R5.5billion, broken up and 49% coming from our largest and the oldest business, the Retail Affluent, of which Ian will talk to you tomorrow, and then, second, 31% from Mass Foundation Cluster, the fastest business in terms of growth. And lastly, of course, 20% coming from our corporate business, which is the largest in the industry. So my colleagues will actually talk about this in detail as to how they managed to do this, notwithstanding, of course, the challenges that we have.

So, coming back to the customer, we have got this view, then, that before you can actually talk about these numbers the customer must want to buy. How do you actually make sure that the customer buys from us? What is it that we're coming up with? To what extent do we actually understand the customer? So we have been working on-going, in terms of understanding the customer dynamics in South Africa, the shifts, and intimately trying to understand what makes this group of customer different to that group of customer. May I also share with you and say in South Africa we cover the whole spectrum of customers, in terms of the lowest customers, in terms of income, right to the top end of this structure. Briefly, in the last ten years we have actually seen a shift in terms of customer profile in South Africa. Earlier on Iraj talked about the South African history, the political history, which we all know, hopefully, that there is no way that you can avoid racial classification in South Africa, given our history, and therefore you may not be surprised that we actually talk about the demographic shifts and in our democratic shifts where we emphasise the racial classification. The most important thing that I want to talk about here, really, around this racial classification, the black people constitute the highest number, about 80% of the population in South Africa. Commercially it makes sense for us to actually understand where those customers are and where they are moving to. Now, we have seen a change, therefore, in the shifts in terms of those customers in what we call the affluent customers and, of course, in the last ten years, a strong shift in the Mass customer, from 31% to 50% in the last ten years in South Africa. Crispin will talk more about that tomorrow. And again, in terms of the product that we actually sell to the customer, we have actually realised that if you talk to the Mass customer, in terms of investment is actually looking for a goal, and not so much into investment performance. Not that they don't need investment performance, but it's a goal orientated kind of return and of savings. And, of course, we still see a need for retirement and education in all markets. I'll talk briefly about that, but if you look at the protection, we are seeing a growth in terms of the contracts in the funeral space. I need to explain the funeral and, of course, tomorrow again, we are talking briefly. Funeral is really about funeral expenses. In the event of a member dying, whether it's the member, the family or the actual participating member and extended member. These are the expenses that actually cover the funeral. And not only just the funeral but the rituals that go hand-in-hand with the funeral. It's more driven from understanding the communities in South Africa. This is what we're actually doing. And, of course, I think Paul spoke about a slight decline in the life business, which is called protection, where we heard there were 3 million policies in 2003, going down to 2.6, where customers are moving more to non-life.

So this is, kind of, a profile on the changes in South Africa, in terms of the insurance market. It's a very important slide. What we do seek to do, not only to understand this customer that we're talking about. The question that we keep asking ourselves, can we create customers for the future? If we look at

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those graphs we talk about those who earn below R3,000. Now, we call them foundation, some people call them entry level, others will call them bottom of the pyramid. These are the customers whom, we actually believe they are the future of our customer base in South Africa. 30 years ago what we now call the core mass in South Africa were people earning in that range.

So we are actually putting together a business solution for those customers, but most importantly is the growth between 2011 to 2017 of the Mass customer, including the middle income customers. You can actually see, then, that the middle income customers are actually growing faster, and we actually know that those are customers who you can really make money from. So, in the future we can actually see a nice trajectory of growth of the customers in the low end, and the Mass customers still growing slowly to the future and, therefore, the middle earned income customers. And that middle earned income is actually driven by the demographics that I spoke about earlier on. The black customers. Actually the wave of those customers coming into the middle and the upper end of the segment in South Africa, and this actually gives us the opportunity.

This is how our segmentation has evolved. In 2003, broadly in South Africa we said this is the retail Mass customers earning less than R12,000, and then we said the other end is retail affluent. I know some of you have challenges with Ralph and say you guys call yourselves affluent, you're actually not affluent, you're actually middle income, this is not affluent. And today I've got to agree with you that, of course, we were actually in the retail mass and in the middle income, and this is where we come from, and in terms of our history this is where we actually understand the customer better. But, as a result of the ongoing research that we have been doing, trying to understand the customer that we are trying to serve and the evolution of those customers in terms of the demographics that I spoke about. We have now refreshed our segmentation and we've now come up with this segmentation. Broadly, you've got the foundation market and then you've got the middle and the upper mass, which actually forms the Mass customer. Then the middle to high income, people earning about R40,000 and up. And, of course, your top, real wealth customer who are earning R80,000 a month income and, of course, investable assets in excess of R5 million. Broadly, this is how we have refreshed our segmentation. There are many ways in which one can actually look at segmentation, but we have decided to look at three lenses in terms of segmentation. First of all we look at the income, as you can see. We also look at the behavioural aspect of the customer and attitude to finance. And the third aspect we actually look at the value of the customer. The value in terms of the customer today and to the future. Broadly, this is how we have actually segmented the market. And tomorrow David O'Brien, those of you who would like to understand the detail behind that, he will take you through the detail in terms of how do you derive value, how do you establish value, how

do you attract the customer? That's the detail that he will actually talk to you about tomorrow.

Briefly, just to give you a high level flavour of who these customers are, and these are what we call heroes. You're going to see them outside there now, in terms of their behaviour, in terms of their attitude to finance and, of course, in terms of their incomes. Because this actually gives us an understanding intimately of the nuances in each segment, so that you are able to respond with the very proposition that actually talks to those nuances. This is the work that we've been doing in the last couple of years to come up with these heroes; Your rooted hopeful, get rich quick , disengaged dreamer, constrained provider, comfortable spender. Behind that is the whole history, in terms of understanding that customer. And people will talk about persistency, and I'm sure we'll talk about it tomorrow. Talk about persistency when it comes to mass market. Yes, there will be challenges because of the economy in part. But, behind that it's not a wholesale kind of thing where people say people in the mass market then don't actually go out to cancel policies because they don't have money. Actually there is a behavioural thing behind that. This is where Crispin and his team are actually targeting those customers, understanding that behaviour aspect at the same time what support is required in order to enable those customers to actually sell. This is the work that we are actually doing. Roughly, of course, these are the customers that we actually have, and your rooted hopeful and we have about 1.9 million In South Africa which we will actually stay and distribute here, and your disengaged dreamer and all those types of customers in the mass affluent. And quickly moving to your comfortable spenders and we actually know the numbers and we actually know what kind of solutions we need to bring to those customers. To more confident planners as you go up the rung of the structure of the segmentation. And, of course, getting to the careful controllers who are those people who can actually do things better without needing support.

So this enables us to come up with a proper and appropriate value proposition that talks to the customers that we are trying to serve. Besides the ongoing investigation and understanding these customers that actually led us to the segmentation that I have spoken about, six monthly, in the last three or four years, we do conduct a survey out there, actually in partnership with the treasury of the South African Department of Finance, just to test the customers in terms of where they are when it comes to financial services. What is their attitude now? What has changed? What is their level of confidence and what is it that we actually need to refine and focus in terms of our CVP going forward. These are just snippets of what the customers in the last three years have been saying. You can see a trajectory of customers because of the economic challenges that you have. The high income people actually saying we're cutting down on luxuries. So you can actually see the trend, July 2011 to July 2013, that you can actually see that as customers actually saying I

need to tighten the belt and make sure that I am still able to afford what I wanted to actually provide myself with. At the other extreme, the middle and the lower income customers have a similar kind of trend on the expense control that people are actually going through. Some of you will be part and parcel of an engagement in terms of – I think it's about lunchtime – financial education that we actually do across the breadth and length of South Africa. This is a team dedicated to go and talk to customers about basic themes like budgeting, right to up to the end of, up to things like estate planning and all that. So, this is the team that is divorced from our advisers who actually do similar kind of things and some of you might want to listen to our team that is actually doing it. And this enable us to actually make the customer understand the financial services better.

Positive mindset about finances, notwithstanding the challenges that we're talking about, you see a trajectory of customers out of ten who actually are confident in terms of making financial decisions and the satisfaction of current financial solutions. Expectation of financial situation improving in the next six months, you see a positive trend in terms of what the people actually say. And if you compare to the previous year, it is actually getting better. These are real customers that we actually talk to every six months.

Right. At the end of the day, what do customers spend their money on? Broadly 2010 it was education. An important thing in South Africa and of course I think everywhere. But you can actually see in 2013 a slight decline on education but up in funeral expenses, up in debt payment. Again, that is also important. There are customers out there who actually pay their debt given the challenges they are actually going through. Sometimes we have a broad brush and say customers just don't pay their debts. So this is what it is actually giving us, but more importantly if you can still recall my earlier slide when we talking segmentation. What does this tell us in terms of the product that we actually sell, the services that sell in the various segments that we spoke about?

You can see under R6,000 in foundation market that these are the kind of preferences in terms of what the customer is actually buying, if you go to end of that slide you can see that people who are earning R40,000 and above for them retirement is important. This actually give us an idea in terms of sharpening what we need to actually deliver to the customers in line with our segmentation to the future. This is actually what we want and this is the kind of thing that helps us in getting to understand the customers closely. So what? How are we doing so far?

This pyramid is just a sector of the previous section that I spoke about in terms of segmentation. You have got the bottom of the pyramid, your foundation. You have got the mass market, you have got the middle income and then you've got the wealth proposition. What the slide is really telling us here is that mass market, this business, with a 20% penetration and a very good share of

the wallet and we expect then Mr Sonn to continue driving that trajectory. If you still remember Ralph Mupita's bubble of where we see this business going, this is where we actually we need to continue on that trajectory.

Now on the foundation, we started that business about seven years ago, we are now at a point where we want to say, "Well now we can up the game in terms of the foundation and create the market of the future". And I think earlier on someone talked about financial inclusion in South Africa. Now this also talks then to this bottom of the pyramid in South Africa as we do business in this space we are actually enabling financial inclusion in South Africa so that more and more and more people can actually come into the mainstream. Now that's the business of the future that we're actually building.

In the middle income, though you look at, you can see a 25% and it's broadly, that is broadly what we could call white middle. Now, the opportunity that we have there is to first of all that white middle where we've been to increase the old mutual share of wallet there but most importantly is to capture then the customer, the black middle income who actually coming up in the mainstream and those who may actually then graduate from the mass customer space to the middle and of course Andrew Bradley has some work to do at the top end. We've come up with a proposition to actually really, really, really compete in that space which is true, your observation in the past where you said, "You guys are actually not in the wealth space". We are now in the wealth space, we actually acknowledge that there's a lot of work, a lot of work that we need to do and tomorrow Iain is going to share with you how we actually plan to displace those guys who are actually sitting there at the top. This is what is actually the slide is telling us.

The other important theme of course is that you almost have a ladder here of ensuring that we're able to graduate some of the customers who are in the lower rank to the next rank and we have a capability that tomorrow David O'Brien will talk about this to, how then do we drive the customers, those who will move up the rank, so that we keep and retain those customers. We are sitting pretty nicely here because in the mass market we have kept those customers. We need to make sure that those customers who move up to the next level in terms of their income we actually retain them within the business.

There are challenges that we face. There are challenges in terms of the expectation of the customer and in terms of what they are going through. In the funeral expense for example, one of the challenges that we are facing can the funeral expenses keep up with the rate of inflation so that this actually covers the entire funeral and those who actually include the rituals that take place, that are associated with a funeral. And Crispin will talk about that. Can we have a product that if I come in as a mass customer I continue with that product if I become an affluent customer and then some day in the future I'll be a wealth customer. In other words, can we come up with modular products that the customers can actually walk through the various

stages? Now, this is the kind of innovations that we actually are working on, the guys will talk about tomorrow. You've got economic uncertainties. People are looking for guarantees. And what are we doing in order to make sure then that they have those guarantees? I don't want to steal the thunder for the guys who will talk about what we're doing in order to make sure then that we deal with these challenges.

This is my last slide. I spoke about, earlier on, about what each segment is actually doing under each managing director. But at Old Mutual over 170 [Correction: 168] there is a lot of wealth that sits inside Old Mutual that we are working on unlocking without even really going out and really looking for customers. We are also in the next three years we have committed serious profit numbers there in terms of what we're going to get out of what we call "synergies". Two types of synergies that we actually chasing. It is the growth synergy and also it is the efficiency synergies internally. Growth synergies we actually ourself. We know that in the public sector over the last ten years the public sector has actually grown and I think Iraj spoke to that. Not only have they grown but in the top end we have actually are aware that the income of the top, the top people who are employed in the public sector whom we'll call "affluent," their incomes have actually surpassed those of the private sector. That's a second opportunity. The third opportunity. We do know that in the public sector what we take for granted in the private sector, things like group life cover, they actually don't have that and fourthly, we know then that a Crispin's business is actually very strong in the public sector in terms of penetration. Penetration is more than 60%, we actually can leverage the relationship that we have and take the affluent guys into that space where we and work together? And get to the private sector. And I hope you won't tell our competitors what we're trying to do here. Now this is what we are trying to do. We have pulled together our distribution for the tied distribution under one person who's going to drive, we've got in excess of 8,000 guys on the ground under one person. In the mass and also in the affluent. Can we actually work as a coalition in order to get to the public sector in a manner that will talk to the customers and also then be able to enable then the retail affluent business? This is what we are doing in terms of the growth synergy. Retailisation, well, Bongani's going to talk about the retailisation. Basically that is the corporate business that has got almost a million customers in the various funds. What we are trying to do again, we're saying, "Can we start establishing a relationship with the end customer within the various funds?" This is just talking to trustees. And in so doing, make sure then that we are able to service those individuals in those various funds. Where are we? What are we look at? Where are the shortfall in terms of retirement? Cross sell, up sell, this is what we are trying to do in the retailisation. And we are developing this into a core competence. Once we finish with our own funds we will actually go to external funds who are also looking for the retailisation capability. We do believe that we've got strong capability on the ground to enable that retailisation to succeed but tomorrow we'll talk about that.

Customer engagement and digital. I spoke about earlier on. Are we able to track the customers? Are we able to actually establish that relationship on-going and David O'Brien will talk about that.

Last but not least, distribution and servicing infrastructure. We come from a history where we were doing our own things in our own silos and as a result we developed our own infrastructure to support our own silos. The question we are now addressing. Are there areas where we can smash some of these and have seamless kind of support across the business by so doing improve efficiencies and cutting down costs? The serious money that we have committed to the board in the next three years in terms of how we're going to do it, in the support area, IT? Can we actually do something there that will actually cut down costs but at the same time improve efficiencies across OMSA away from the silos? This is what we are currently doing. So in a nutshell this is who we are in South Africa. This is how we're going to compete. We do believe in that. We will continue to be the number one, a top brand in South Africa given what we actually do. I've not spoken to you on how we are growing this brand. But I can actually tell you then that with about 8,000 advisers that we have on the staff, these are the people who actually grow our brand on the ground. With the products that we actually have and of course the business that we run, we are actually then able to to run our brand to be stronger. So this, I think I should stop there. And maybe take then any questions.

Q&A session

Paul Hanratty: Marshall Rapiya. Thanks very much Marshall, what we're going to do is - can you stay on stage? Graham Dempster's going to come back up and Ralph is going to come back up. And so, ladies and gentleman we now have an opportunity to ask some questions of Graham and Ralph and Marshall and we also in case they're unable to answer some of the questions have Crispin Sonn from the Mass Foundation cluster and Werner Alberts from Old Mutual Finance and Iain Williamson on standby. Is Graham here? Okay I think Graham deserted us temporarily. Marshall, come and sit here.

Marshall Rapiya: Sure.

Paul Hanratty: Right, shall we get the ball rolling? Some questions? Greig.

Greig Paterson: Ralph I think I've spoken to you about this before. I think the stat you quoted me last time was that 65% of the mass premiums are collected via Persal. And obviously that's a very efficient system. I was wondering if you can just speak around how, I mean, and my sort of question is as you go into foundation etc,

etc, won't your cost-to-income ratios deteriorate quite rapidly because you're going to have to come up with more expensive ways of collecting premiums and the persistency issues etc. I know you've been working on that. I wonder if you can just give up an update on how the progress has been, because I think down the road you'll have, you know, much more non-Persal business if your plans come to fruition. I was just wondering how you're going to solve those challenges of cost-to-income ratios.

Ralph Mupita: I'm going to pass the question onto Crispin but suffice to say our foundation market business is actually very, very small at the moment. So it's not a substantial scale business. It's a business where we're still exploring what is the efficient distribution and delivery model in the same way we started our mass business in late 70s. But your point about the mix of collection methods - maybe Crispin you want to pick that one up?

Crispin Sonn: Sure. So we do have - the dominant force of collection is through payroll deduction that because we have such a heavy penetration into the public sector. That's worked incredibly well. There are two things that are challenging in that space. There's a limitation of 15% on collections in the public sector so to the extent that an individual in the public sector takes on other services that comes into the deduction service on persal, they bump into what is called a debit order facility so we can't collect it off the payroll. By and large in the public sector though, we are incredibly effective in collecting business off the payroll. We have also started looking, as the public sector gets heavily penetrated and increasingly competitive, we've started looking into the private sector market, large employers where we've tried to work with large employers to encourage them to develop payroll deduction facilities. That hasn't always been as effective as we'd wished in that private sector employers aren't excited about taking on the complexity of payroll deduction. So we have developed a private sector proposition which is - Marshall spoke about our financial literacy and education - it spearheaded into large employer groups and on the back of that, we demonstrate to large employers the benefit of having financial planners onsite to help their customers. So that has started shifting our debit order business. And in debit order we've also had some successes. We were early users of NAEDOS, non-authenticated early debit order systems, so we are able to use payroll collection facilities even in debit order but that used to be an advantage for us. Now everyone's using that facility so that advantage is also eroding. And then to the point that Ralph already spoke to in the foundation market, although we are a very small player in the foundation market, we don't sell on a one-on-one basis, we sell through larger burial societies, so our collection point is one-to-many as opposed to one-to-one. We collect through

aggregated societies and organisations. They do the collections which allows us the efficiency and we get some of the cost advantages of that.

Paul Hanratty: Right, before we take another question, I'm terrified that Graham is going to fall off the stage.

So, we should, please won't come next to Marshall. Come, we need you up that end. That's, I'll take the chair. We might get another rude question about selling Nedbank if I don't.

Graham Dempster: Thanks Paul.

Paul Hanratty: Thanks Graham. I feel a lot safer. Sorry Marshall.

Marshall Rapiya: Yeah, can I just make one observation again, I probably went through very quickly in terms of my presentation here. Sometimes there is an assumption then that in the mass market it's either stop, it's a stop order, government and if it's not there there's nothing. It's actually, it's fallacious to think that way. I think Crispin can come up with a lot of examples. Understanding those customers, understanding those customer behaviour, you have got many customers in the space who actually continue paying without a stop order facility mainly because they actually understand what they are looking for, secondly we have come up with a better proposition that talks to those customers. So, our routes to actually understanding customers intimately has enabled us to actually identify those customers who don't need a stop order facility to continue paying, and that is why we go through the route of understanding those customers.

Paul Hanratty: I'll take our next question. Risto?

Risto Ketola: Hi, it's Risto from Standard Bank. You guys have great productivity stats in the entry level market in terms of age and productivity, but the one thing I notice lately is that in affluent market you've fallen quite far behind your peers like Sanlam and Liberty in terms of per-agent productivity so I mean, would you agree with that statement? And then secondly, if you do I mean what do you think is the cause of your agency productivity issues in the affluent market?

Paul Hanratty: So Iain Williamson is the managing director of the affluent business and Iain do you want to comment on that?

Iain Williamson: I can do that. So, two things. I presume you're talking primarily to the tied agency productivity. On the tied agency side, in our minds we segment our force into two pieces. We have approximately 2,700 advisers currently in the tied agency force and about 1,000 of those are what we would call established financial advisers, so they've been with us for more than three years, we've put them through training, they are at a point where we would regard them as, you know, fully productive and fully able to operate out there under our licence where we are comfortable with the way that they do business and that they've been ingrained into the Old Mutual ethos, if you like. Those advisers have a productivity of around about 12 cases a month that they typically sell as their average. It varies quite a bit. That's the average and that's managed to a target. The balance of that force is what we refer to as our academy advisers and it's obviously then a large number of advisers that fluctuate slightly from year to year, but right now we're sitting on probably of the order of 1,500 academy advisers. So those are advisers with tenure less than three years that typically join us with no financial services experience. So we're literally training them from scratch and obviously you've got entry level requirements in terms of who will accept into that programme, but the productivity there is then lower. So if you look at the average you're going to see a number that looks quite a bit lower than our competitors, because I don't think there's anyone else that has that same commitment level to training new advisers from outside into the industry, so that's the one factor. The other side of it which is a management challenge for us is that our case sizes are on average also lower than industry case size and that's again impacted partly by the academy advisers but it's something which we're addressing around making sure that - and what Marshall spoke about just now - really understanding the target segments, who we are approaching with what value proposition, and starting to enforce that so that there our tied advisers actually engage with the right part of the market to start to lift those case sizes. So that is an opportunity for us actually from where we are today.

Paul Hanratty: And a question at the back?

William Elderkin: Hi, it's William Elderkin from Goldman Sachs. Two questions. Firstly going back to slide 68 where you show African banks are highly profitable, could you just talk about the sustainability particularly of the African banks' ROE and implied profitability on a medium, ten-year view and the kind of factors that we should be thinking about there relative to the other geographies and areas you pick out on the slide? And then completely differently, in terms of the distribution or arrangements or effectiveness with Nedbank as a sales channel for the insurance business in South Africa, could you give a sense of how important that is, is that something that will change and what issues do you face there?

Paul Hanratty: Okay. Graham do you want to answer this or do you want me to answer it?

Graham Dempster: You have a go and then I'll add on anything on top of it.

Paul Hanratty: Okay. So, you know, for us as a business we're very, very focused on two specific areas within Africa and we will talk about them tomorrow. We've identified East and West Africa as areas that are, we believe, got good long-term growth potential, they're also significantly sized markets. So for both ourselves and Nedbank, you know, those are areas that we're going to have to, you know, develop in the longer run. In the SADC region, I think it's fair to say that between ourselves and Nedbank we've got some pretty good positions already and it's more a question of adding smaller building blocks to the jigsaw. You know, in West Africa, Graham has spoken about the fact that we, Nedbank has an option at ETI which is the holding company for Ecobank. That's clearly a very significant option because Ecobank are one of the largest banks in West and Central Africa. So that's an important thing. We've entered in a very smaller scale now in Faulu which is a really small credit provider in East Africa. I think the issue of margins and profitability I think is a very difficult one because we don't yet in many African countries have the facilities to disperse credit. And part of that has to do with legal systems and Graham, you're probably much better placed to talk about this, but it's unlikely I think in the longer term that it's going to be possible in some of these countries for banks to take in deposits, pay very low yields to customers and effectively invest a lot of those deposits into, you know, government securities and so on and effectively not take on a lot of credit risk. So I would imagine something like these kind of margins will come down but at the same time and Graham you're going to have to help me here, because you're the banker, but our expectation is the things, transactional income will increase very strongly over time. And of course leverage can also increase because a lot of these banks are quite under-levered. So you know, it's quite a complex answer as to what you might, you know, what might happen to ROEs and returns. Can you help me Graham because you're the…

Graham Dempster: Yeah, I think typically because the countries are at an earlier stage of development of their financial services systems that you've actually got less lending in those markets than generally speaking. That probably informs the reason why those credit loss ratios are set at the 1-2% because you typically take savings in from the retail market and you extend the lending into high quality corporate entities where the probability of default is low. So that is why you're getting that low credit loss ratio and clearly as financial services and lending deepens, you're going to get a more classic credit loss ratio that

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would be reflective of retail lending credit loss ratios as well and at the moment, because you don't extend your lending to the same degree that you would have in a more mature market like South Africa, what you have is, as Paul described, a low loan-to-deposit ratio and a lot of money placed into treasury bonds such as government stock which has pretty much no default probability and therefore the amount of capital that consumes is very negligible and it ratchets up your return on equity. So I would anticipate that as those markets mature, credit loss ratios would go up. I agree with Paul, I think that non-interest revenue will increase. You may find some pressure on the underlying real cost to revenue ratios when you actually start to strip out that low loan to deposit ratio and, you know, that's going to have some sort of an impact on the return on equity as you go through. And typically, one of the biggest risks that you have in fast-growing banking systems is the potential for bubbles. So you have to be enormously careful as loan growth starts to accelerate that the credit decision-making that needs to go with the development of those markets is strong enough to protect you against any unexpected surprises. But they are early stage evolution of markets.

Paul Hanratty: I think the second question which was about how important, if I understand it, is Nedbank's distribution to us on the insurance side. I'm going to ask Iain Williamson. Is it fair, Iain, to ask you to what extent your bonus depends on Nedbank's performance?

Iain Williamson: So, it's a pretty big percentage of our broker, what we would refer to as our broker sales. Nedbank are probably one of our biggest broking partners and I've got slides tomorrow to give you the numbers of exactly how much Nedbank financial planners do sell for us. The vast majority of the sales in that world are onto our wealth platform, onto our platform business and you're looking at an APE number for the first half of this year in the order of R250 million but most of that is not in the life wrapper, so you won't see it in our VNB numbers, it's in the unit trust and LISP wrappers and most of it is lump sum business so you can broadly translate that R250 million into R2.5 billion of flow that's come through in a half year from the Nedbank planning stable.

Paul Hanratty: And I think just to sort of flesh out, I think sort of the growth in the retail business that Ingrid put up is clearly very helpful to us because you saw how a number of years ago Nedbank Retail was a relatively small retail player and I think the growth from that over time is going to be really helpful to Iain's business. David, talking of Nedbank.

David Danilowitz: Hi, David Danilowitz from Nedbank Capital, I'll not ask Graham a question, it's easier.

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Paul Hanratty: This is your chance.

David Danilowitz: A question maybe a broad-based question to Marshall or Ralph on pension fund reform which is a very broad-based question but I'm just trying to assess your thinking and maybe to try and be a bit specific, so there's a lot building, we've seen a lot of flows moving on the retailisation theme, I see that's obviously continues to be a theme and I think that will continue but certain segments of the economy you might actually see a reversal, you might see institutionalisation so compulsive preservation, fees under pressure going forward. How do you want to be positioned in this space and clearly it's a very fluid environment so I'm not expecting final judgements, but where do you see the moving triggers, how do you want to be positioned, do you partake in consolidation if that takes place, do you want to be, you know, prefer to stay in your space and see that coming towards you?

Ralph Mupita: You're taking up Bongani's presentation tomorrow. You're taking the thunder out of his presentation. Bongani, do you want to give some highlights on that question?

Paul Hanratty: Do we have a handheld mic there? Right.

Bongani Madikiza: Right, thank you.

Paul Hanratty: This is Bongani Madikiza from the corporate business.

Bongani Madikiza: Thank you Paul. I think tomorrow we'll cover the discussion a bit broadly. What is key though is that there are specific things that the government is looking at, so reviving savings we support because we think that will help the industry to grow. And we must participate in that space and there are specific things that I'll talk to - what we're doing in that space. And then there is a cost issue that government is also talking about. We cannot be able as an industry to operate properly if we do not understand and manage the cost issue properly. So we are clear in our minds - what are the things we are doing including getting out of standalone admin and making sure that we bulk up our umbrella offering. That in our strategy is the correct way to respond to the challenge that the government has put up. The retailisation story that we speak about is not only a business imperative, it is a customer imperative. All the customers, as you rightly will see - they end up making the investment decisions at an individual level. You need to be able to help them make

those decisions at an individual level. If you are unable to deal with that level of detail and using the base that you have of advisers, you are not going to win, so all of that to us forms the core strategy of how we respond to the challenge, and we believe that it positions us much better than our competitors.

Paul Hanratty: All right, great, I think we'll have, there's quite a section tomorrow on that David so let's have another go at it tomorrow. Michael.

Michael Christelis: Just on slide 153 it is, you paint quite a rosy picture of the financial situation or for want of a better term, wellness of your consumer, yet, you know, one of your big competitors locally has on various occasions shown quite the opposite, that financial wellness, as they put it, has deteriorated quite dramatically in the South African space. Do you think it's, I mean is it - firstly, you can't both be right unless you're both talking about very different consumers. Is that a consumer mix issue or you know, what could they be missing or what do you think you could possibly be missing in this?

Paul Hanratty: Marshall?

Marshall Rapiya: This is a snapshot. This is a snapshot of our survey that we actually do every six months to very specific consumers and these are actually kind of a team of responses that we are actually get from those customers as we actually interview them. Now, it could well be a, how they feel about the actual lay, you know, where things going forward, and maybe at a practical level you could be differently but for me the important thing, how they feel about it going forward and then how do we enable them to make sure then that we are able to assist them to actually achieve their goals.

Paul Hanratty: Is it fair to say I mean this is the consumers' own interpretation and they might actually be living in a fool's paradise?

Marshall Rapiya: Yeah, as I said these are some of the… you know.

Paul Hanratty: I guess one's got to be quite careful Michael in comparing surveys, because I guess you've seen charts on you know, indebtedness levels of consumers, how Nedbank's pulled back on their unsecured lending. Werner Alberts is here form Old Mutual Finance, he'll also be able to tell you where they are, they've been pulling back and slowing down and being much more conservative so clearly, as a business, we do believe that consumers are facing headwinds

and all the economic data would suggest that. But I think what's great is that at least people are still optimistic.

Marshall Rapiya: But if you've got an optimistic consumer, you actually have a better chance to come up with a solution than someone who's actually just negative.

Paul Hanratty: Blair.

Blair Stewart: Thank you very much. Just a couple of questions. Ralph, on slide 82 and 83, you showed the evolution of the various businesses. I just wanted to ask a couple of things on that, maybe this is going to be picked up tomorrow but I noticed the corporate grows from not a lot of growth to quite a lot of growth in the next slide and I just wonder what's going on there. And secondly I think the Rest of Africa goes from cash generating to cash absorbing so again I just wondered what the driver was there in that period of time. I think I'd be a bit disappointed if the rest of Africa wasn't generating cash. And secondly, on slide 156, you talked about the addressable markets. Do you want to do this first and then go back?

Paul Hanratty: Let's do this one first Blair, we'll give you a shot at a couple of questions so no problem there. Ralph do you want to?

Ralph Mupita: So, Blair let me take your first question. On the corporate side and Bongani will talk to you in a bit more detail... In our move from dealing with standalone funds and transition to umbrellas there's a massive cost that we, cost that we believe we can save from our business that lifts the profits. So we drive a lot of efficiency in our business in anticipation of retirement fund reform. So quite a lot of that is efficiencies at the back end, admin, IT, and we're working through that particularly over the next two to three years. So that will drive the corporate business and also I think in as much as, you know, there isn't that much growth in the corporate market, there is still enough growth that for us particularly with our propositions that we take to market, with profit annuities, that we feel we will remain profitable. On the Africa slide I think if you remember, Blair, I said depending on what types of acquisitions or businesses we're writing in the rest of Africa, it may be cash absorbing, but in the balance of our portfolio of businesses and South Africa it will continue, we believe our business will continue to be very strongly cash generative. It will be a function of whatever acquisitions, if we make acquisitions, that are you know, absorbing any cash.

Blair Stewart: Yeah, I didn't realise it was including the M&A spend, that's great. On page 156 just the addressable markets slide, I think that sums to about 17 million, if I'm not wrong. And you talked earlier about having 5.5 million customers. I don't know if maybe comparing two things that are very different there, but if you go through that triangle and multiply by your penetration I think there's some sort of disconnect that I must be missing within the two. I'm sure I'm missing something obvious.

Ralph Mupita: So these are retail customers - in the 5.5 million we also have our corporate customers, so whenever we have a corporate member we have contact details on given our drive to drive retailisation we count them as a customer. So our 5.5 includes actually corporate members.

Blair: So the follow up would be how many retail customers do you have? Do we just need to multiply these numbers across?

Ralph Mupita: The retail customers we have in our business, we have 4.4 [million] in South Africa.

Paul Hanratty: No, I agree with you the maths doesn't add up so I think let's just take that offline and deal with it before we get into trying to do mental gymnastics. We'll take two last questions before we wrap up. Ah. From a person here in the front.

Roderick Wallace: Hi, Roderick Wallace, S&P Capital IQ. Maybe a bit of a general question. We've heard quite a lot today about the opportunity and new underpenetrated markets. I just wanted to get a bit of an idea of what you see the main challenges and risk in these markets whether it's actuarial or maybe recruiting people or fraud or, you know? What can go wrong I suppose.

Ralph Mupita: Well I think the first point is these markets are nascent and small so the depth of skill and capability and infrastructure that you may be used to in South Africa and in developed markets will be different, so you picked up on a couple of them - people, so we have in this building over 100 actuaries and I think in the whole of Nigeria you will struggle in markets to probably find 20 actuaries, so skills are going to be an issue. And we're going to have to build the skills in countries that we go to so it will be important for us to find the young talent or people in the diaspora to come and work for us, or we utilise and work with our people from here into those markets. And interestingly in

our acquisition of Oceanic General, we've taken one of our senior executives in our Zimbabwe general insurance business to actually run that business and drive it, so talent is going to be an issue. IT systems and support will be an issue, so we need to build up and have an organisational structure where we're able to support on that side and also processes and systems and governances that you will be used to think as normal in many environments, we'll need to institute those and bring them to bear. So when we acquire businesses or we go into new markets one of the first things we do is actually bring through what we call our Group Operating Manual which governs our governance processes from the Plc down and we drive the right governance structures so for us there's only one right way of doing a particular process and the way that is risk in it we need to manage it in the same way we do it in Kenya as we do it here in South Africa. So governance, improving that, you know, IT, actuarial, distribution skill sets as well. Those things are things that I guess it's natural that as we're coming in we're helping to develop and drive the industry.

Paul Hanratty: Right, do we have one last question that we can allow?

Alan Devlin: Hello, Alan Devlin from Barclays. A quick question on distribution. I think you said earlier that you've got the largest number of salaried tied agents in Africa, and also the largest number of commission tied agents in Africa. And they're very different business models. I was just wondering if you'd give us a view on, you know, which, if they're focused on different parts of the market, different segments etc, I'm interested in an overview of how much of your distribution is actually through tied agents versus through third parties, IFAs, banks etc? Thanks.

Marshall Rapiya: In South Africa, we have tied distribution of our 8,000 sales force. 50% of that is actually salaried and the other one is commission and then you've got an IFAs, it's about 7,500 in South Africa that are IFA in South Africa so you have got salaried distribution force of about 4,000 roughly and then commission who are also tied, about 3000-4,000 and then you've got the IFAs who are about 7,000 in South Africa. That's our distribution network in South Africa.

Iain Williamson: I'll give you some more detail around that tomorrow as well.

Paul Hanratty: Yeah, I think we'll cover some of this in detail per business segment tomorrow so if you still have some questions we can you know, we can pick it up tomorrow. I want to thank the panellists very much and I'd like to thank all of you as well for paying attention. I'm sure some of you are still suffering from

some jetlag. The plan now is to go on our way to our hotels. If you're coming to dinner this evening at Old Mutual House which will I'm sure be a fantastic experience for you, please could you be in your hotel lobby at 6.15pm, 18.15, to get a transfer to Old Mutual House where we will have a nice enjoyable evening, very good guest speaker, you'll have an opportunity to ask some questions of one of the key figures from the Reserve Bank and also to spend some more time with the management and then tomorrow morning there will transfers back from your hotel to here and we'll start the day with a session on Africa and we can get into some of those areas which you were asking questions about. So thanks very much.

5 December 2013

Session 4 – The Africa growth story

Paul Hanratty: Good morning everybody and welcome. And I hope you had a good evening and didn't drink too much South African wine, so that we're ready to enjoy the day. I'm going to just kick off the Africa session by introducing you to the different speakers that we've got today. But just to remind you that what we spoke about yesterday with the economists and, I think, some of us, was to indicate our appetite for Africa, the fact that we think the African continent itself is on the verge of an economic boom, that we think there's a great opportunity for financial services, although much of it is still nascent, and that we do see large and profitable revenue pools available to us. Old Mutual, and to some extent Nedbank, already have very longstanding and old operations in many African countries, so we do already have a base to grow off. A country like Zimbabwe, our business has been there for over 100 years, so we've got in many ways a great legacy to build on. But as I said yesterday, it's absolutely vital for us to work together, Nedbank, Old Mutual, Mutual & Federal, to try and integrate the offering that we bring to customers, because in Africa the economies of scale are extremely challenging. When you hear first from Johannes, Johannes lives in Namibia. Namibia is the same size as France and Germany put together and it's got two million people. So if you think of the economics of running a business in a country like that, most of which is a pretty big desert, it's really tough, and so it's very important that you get the economies of scale right.

Just to remind you that, in what we call the Southern African Development Region, which is SADC, down here, we have obviously very good entrenched positions in most of those countries, not so much the Portuguese-speaking ones, although you heard from Graham how we've entered Mozambique through Banco Unico. I'll focus very much though on filling in the jigsaw pieces down here, and then up in West Africa, as Graham mentioned, we have the

option for a 20% stake in ETI, which is the holding company for Ecobank. And we have a bancassurance agreement between Old Mutual and Ecobank in both Ghana and Nigeria, which are the two big English speaking markets in West Africa. And then East Africa, we have at this point the Old Mutual business, which has been there for very many years. It's had its ups and downs with various versions of nationalisation and privatisation over the years, but it's a fully-fledged insurance company. We're the number one asset manager there and we've recently acquired a small credit business, Faulu. So with that I'm going to hand over to Johannes !Gawaxab, who is Namibian. If you can pronounce his name correctly, you could win a prize, for all the clicks and exclamation marks in it. He'll explain to you how to pronounce it and see if you can repeat it. It'll be your trick for your trip to South Africa. And Johannes has been with us for a number of years. He first ran the Namibian business. He's now running our African operations. He'll then hand over to Tava Madzinga, another Zimbabwean, who is now Chief Operating Officer for Africa, reporting to Johannes. Then we'll hear from Mark Weston, who is driving the commercial and African piece of Mutual & Federal, the property and casualty business. Mark's been a banker for 25 years. We've converted him to an insurance man, so he'll tell you about what's happening there. And then Graham Dempster, who you met yesterday, the Chief Operating Officer for Nedbank, will come back and talk about Nedbank's African operations in a bit more detail. So Johannes, over to you.

Johannes !Gawaxab

Johannes !Gawaxab: Thank you Paul and good morning to you all… My name is Johannes !Gawaxab. So the exclamation mark in front of my last name is not a typo. It denotes one of the four clicks in my mother tongue. So it's Johannes !Gawaxab. That's a Namibian name. I would like to start out by reminding ourselves about the African opportunity. The macro picture painted remains an aggregate basis, compelling, and prospects for the continent look better than early indicators. African economies are set to grow significantly. There is a demographic dividend in Sub Saharan Africa and this is underpinned by the rising African consumer. We believe, in Old Mutual Africa, that insurance growth will follow, given low levels of penetration and welfare provision. African insurance premiums are forecast to grow from 70 billion US dollars in 2011 to 200 billion by 2020.

What I'll set out to do is to take you for a quiz. Thereafter talk about our business in Africa today and share with you how we approach growth in Africa. A key priority for Old Mutual Group is to become the African financial services champion through our coordinated insurance and banking strategy. But first, before I get to that, let's do a little quiz to see how much you know about Africa.

Without using your iPhones or smart phones, name the countries marked A, B, C, D, E, F. As I go on, would you mind shouting out the countries?

[Asks questions and crowds shout out answers]

That's Uganda. So many people think Africa is one big country, so we have got a diverse continent of 54 sovereign countries.

Next, let's go for quiz two. Match the GDP figures and countries, ranking them from the largest to the smallest.

[Asks questions and crowds shout out answers]

Let's go for quiz three. That's forecast GDP growth from period 2011 to 2017. Which country has got a growth of 12 percent for during that period?

[Asks questions and crowds shout out answers]

Obviously South Africa is probably going to get to two percent this year but for the period 2011 to 2017, that's the forecast growth.

Let's do the last one. Which country obviously has got the biggest population in Africa? That should be obvious to most of the people, particularly if you know the flags

[Asks questions and crowds shout out answers]

I think it's a very knowledgeable audience that we have got, isn't it? [Laughter]

Let's now look at our business in Africa today. I think Old Mutual is well positioned to benefit from the growth in Africa, with a footprint in eight countries. Ghana and Botswana are the most recent inclusions, through the acquisition of Provident Life and a combination of M&F Africa into Old Mutual Africa. We are well positioned relative to our South African peers in the rest of Africa. We have the highest APE margin and operating profit in 2012, as you can see. This is a growing business with strong returns. At the end of 2012, the Rest of Africa generated profits of 1.4 billion rand. Total assets were about 45 billion rand. Net assets were 5.3 billion and funds under management were about 38 billion, as can be seen from the slides that Paul presented yesterday.

Many people are asking, can we make money in Africa, has it demonstrated any track record? Can you prove to us this African strategy of yours has got any track record? If you look at that, that's only for the life business. We have come a long way. Old Mutual Africa was formed in 2006 by bringing our Namibian, Kenyan and Malawian businesses under one roof. Since then we have added five new countries. We have set up a central team to assist the countries and we have – as you can see from that slide, we have grown AOP. We have grown life sales and we have grown non life sales significantly over the past six years. Katie will give you later during the day the exact numbers, but you can see, we actually make money in Africa. You know, Patrice was asking, "Can we really make money in Africa, Johannes?" Patrice, there you

see, over the past six years we actually have got a solid track record, but we've demonstrated that we can make money on the continent.

Today our life business is number one in four of the seven countries in which we operate. Ghana and Nigeria, are recent acquisitions for us, and although they are still small, currently they have massive potential to grow, with a combined population of 190 million people. People are always talking about Nigeria and say, "Johannes, there are about 163 million people, but only 40-50 million of them have got disposable income." That's true, so our target for the Nigerian market is not the entire 163 million. We have targeted a specific group of customers and we believe we can exploit that opportunity. In Nigeria we acquired Oceanic Life, which is now fully integrated into Old Mutual Africa. In Ghana we have acquired Provident Life and we are in the process of integrating the business. Our Kenyan life business is number eight and we are ramping up our retail distribution to take us to become one of the top two players in that country. Zimbabwe and Namibia are by far our largest and most profitable countries, with more than one million customers across the two. Zimbabwe is quite important for Old Mutual Africa at this point in time because they generate the highest – the contribution from Zimbabwe in terms of our profit is the highest in Old Mutual Africa.

Property and casualty on short term, or general insurance, as it is known in South Africa, is the largest insurance opportunity in Sub Saharan Africa, accounting for more than 90 percent of gross written premiums in some countries. We decided earlier this year to integrate Mutual & Federal's African businesses into Old Mutual Africa, where they will benefit from the local knowledge of Old Mutual Africa, as well as the focus that we have got on the continent. The M&F business in Namibia, Botswana and Nigeria are thus in the process of being integrated in Africa. Oceanic General in Nigeria was acquired to give Old Mutual exposure to that large and growing market. So we have completed the integration of that business and we have started actually rolling out our proposition in that market with our general insurance business.

For those of you that are not astute enough, there is some breaking news, if you have seen it last night or this morning. I am pleased to announce that our acquisition of a majority stake in Faulu Kenya has received required regulatory approvals. The deal has been approved by the FSB of South Africa and the Central Bank of Kenya. With its wide distribution network across Kenya and the similarity it has with the customer base of our foundation market in South Africa, this partnership that we have got with Faulu represents a significant opportunity for the development of our business in East Africa.

I think what's quite important is our Zimbabwean business is an integrated financial service business, with a short term insurance business as well as a bank called CABS and short term business, known as RMI. The Zimbabwean business has been very successful in what has been a very difficult market over

the past couple of years. As Old Mutual Africa, we have a preference for an integrated financial services model, given the limited scale you heard from Paul earlier, the opportunity it offers in terms of value and service to customers and the quality services to our customers and returns to our shareholders.

Now let us watch video clips to give us some insight into three of the businesses that we have got. Let's look at our Namibian business, the Zimbabwean business and our Kenyan business, so that we can hear from the people running that business.

[Start of video]

[End of Video]

Johannes !Gawaxab: Thank you. As you have heard from the Namibian video, we are number one in terms of market share in Namibia. In terms of levels of penetration of insurance in Namibia, it is very similar to South Africa but slightly lower than South Africa. Many people do not know, in Namibia we are in the top five most profitable businesses for the past three years. So if you look at the entire businesses in the country in terms of profitability, the Old Mutual business is one of the top five in the country. So we play a big role in the economic transformation of that country. We'll not only optimise our current operations in Namibia but we will also grow, through new strategic initiatives and innovation. We have started a new innovation called New World Distribution that's a new path taking us to the customer. So that's what we're going to do in Namibia. We've got every intention to dominate that market for the foreseeable future.

As you have heard from our Zimbabwean business, we are the dominant insurer in Zimbabwe with the number one position in the market. Our business is an integrated financial service in Zimbabwe, having a life business, a general insurance business. We have got a bank. We've got an asset management business and we've got a massive property portfolio in Zimbabwe. The economy in Zimbabwe is slowly recovering from the years of hyperinflation and we are playing an active role in contributing to its rebuilding the economy, with large focus on infrastructure, housing and the youth. So our community involvement is quite significant in the life of Zimbabwe. We'll grow further in this market through digital innovation, accessing the informal sector and rolling out a retail offering. In Zimbabwe we are a clear market leader, where we focus on extracting the full benefits of the integrated financial services model.

Future growth in our business obviously will come from the east and the west, as you have heard from the short clip on Kenya. Kenya has leapfrogged the world in terms of mobile money. You have heard from Dumo, our Chief Operating Officer, that there are about five million people already in the

mobile money net in Kenya. To grow in this market, we are developing our digital offering I-Invest, and developing a way to access the informal market. The new acquisition, Faulu, will assist us in getting through to the informal market in a big way. As I said earlier, there are similarities between our mass foundation market in South Africa, which you understand quite well at this stage, and the customer base of Faulu in Kenya. So we are quite excited about this Faulu opportunity that we have got.

In Nigeria it's all about optimising our bank assurance of Ecobank, rolling out our retail offering and exploring options, because the business we have got currently is subscale. What we need to do in Nigeria is to explore options to give us a business with the necessary scale. In Ghana the game plan is quite similar. What we need to do in Ghana with the acquisition of Provident Life is to accelerate growth. We're going to do that by basically doing two things. We're going to ramp up distribution significantly, and to that end we have decided to triple our tied agents in Ghana. We have signed last week an agreement with Ecobank Ghana and we have got the distribution to access the market in Ghana.

If one considers the competitive landscape in Africa, the reality is that we are competing against South African players by and large. Although there are local competitors, mostly we are competing against the Sanlam, Liberty and the MMIs. Competition is principally around distribution, it's around solution and in some places, like Nigeria, we are competing on price. We are not playing that game in Nigeria in terms of price, because that is something that's not sustainable, but competition in most of the markets, based on distribution and based on solutions. In the space of distribution, people basically compete on three things. That's on scale, productivity and the quality of the business you are writing.

Shall I get back to the slides? Let us now look at our approach to growth in Africa. Now expanding our footprint in Africa is a strategic priority for the group, as I said earlier. The investment thesis can thus be seen as expansion plus growth for Old Mutual Africa. Expansion is primarily focused on East and West Africa, where we have made significant progress thus far. On the growth front, we are driving cash flows and operating profits in our established markets and we are also focusing on customer acquisition, partnerships and innovation, as we have heard. In this regard, we have got three important innovations that many people are not aware of. We have got mobile money transfers in Zimbabwe. We have got something we call Textacash. We can provide more detail outside or after this. In Kenya we have got an innovation called I-Invest. In Namibia we have got New World Distribution. All of those are aimed at accessing the customers and making it easy for the customers to interact with us.

What we have – that's probably the most important slide, if you have to take away a slide from this presentation, because we have got an aspiration to

become an African financial services champion. The way we do is basically we've got a three pronged strategy of realising the vision that we have got. The first one is to grow organically and inorganically. Clearly, if we need to grow organically, we need to accelerate that growth with some inorganic activity. The way we're going to measure that growth is through the premiums we get in the business. The second big one is to acquire customers. We need to access the customers that we have got and to do that we need to nail our distribution. The tied distribution channel that we have got, the bank assurance that we have got, the brokers that we have got, we simply need to make sure those channels are optimised for us to access the customer base. Old Mutual is also not a well known brand in East and West Africa, so we need to build the Old Mutual brand. We have started building that the past three months and the first signs that we are getting, in terms of feedback from the customers, is quite encouraging, because it's a brand that's quite aspirational, it's a brand that's being trusted and it's a brand that's being supported by a very strong balance sheet. And what we are getting back from feedback from those markets is quite encouraging at this stage. It spells good things for us in terms of acquiring customers in that market. To achieve our target customer growth by 2020 we are also focusing on understanding the needs of the various customers that we have got.

We need to absolutely make sure that we position our business for the future, so the IT platform that we have got, the IT infrastructure, needs to be – as an enabler, to lead the strategy, it needs to be resilient, it needs to be robust. It needs to be scalable and we are spending time – we're developing our IT strategy currently. Tava will be talking about that later. But we have got a short term strategy in terms of IT to deal with burning issues and to be able to have quick wins while we are crafting a long term strategy for Old Mutual Africa.

By 2016 we expect to have around quite a significant number of customers and also people working for Old Mutual. Many people don't know that currently we have got around 3,000 people that are working for Old Mutual in Africa. Early next year we all know that we'll have about 5,000 employees. And over the next two, three years, we are probably going to have a significant number of customers in Old Mutual Africa, and employees working for us.

In order to ensure that our inorganic growth is successful, we have strict investment criteria which govern our acquisitions. Below are some of the key criteria that we have got for acquisitions. Firstly, we look at strategic fit by answering the question, does the investment build on our aim to be a top two player in that specific market? Secondly, we do a financial assessment to determine if the investment is attractive in terms of ROE, timeframe and the risk that we are taking in that market. Thirdly, we do an operational assessment of the key non-financial criteria, such as reputation, law and regulation. Finally, but most importantly, we assess the cultural fit. Culture is the most critical

element. It's non negotiable. There must be a strong fit for the deal to go ahead.

Paul alluded to the slide earlier, but over the past 12 months we made significant progress on our strategic initiatives. We have acquired businesses in Kenya, in Nigeria, in Ghana, and we've spent about 700 million rand on those acquisitions. This came out of the five billion allocated for expansion in Africa by the group. If Nedbank's acquisition in Mozambique is included, a total of 925 million was spent on inorganic activity in Africa. We are making good progress in integrating short term operations in Africa under the Old Mutual umbrella. We have started building the Old Mutual brand in East and West Africa. As I said, the initial reaction is very encouraging. We're continuing to expand distribution through bank assurance agreements and partnerships, and we're continuing to strengthen the foundation from which we can propel growth on the continent.

Before I hand over to Tava to talk to us about the key enablers that we have got in Old Mutual Africa, it's important to share with you how we intend to win and what are the five things that we have decided are quite important for us in Africa. The first one is we need to invest in talent and teams. The second one is to complement our distribution channels with partnerships and innovative distribution channels to enable us to jump the curve. We need to focus on our customers and secure access to the informal market. If you look at the informal market opportunity in Kenya, Nigeria and Ghana, it's been ignored by most insurers. We have started a piece of work with understanding that market, the needs of that market, and if we crack that code there's a great opportunity out there for Old Mutual, and we believe we can crack that. We need to build the Old Mutual brand in particularly East and West Africa, and if you need to operate in Africa, you need to demonstrate long term commitment to Africa. There will be headwinds, operating in Africa comes with its general challenges and complexities, and we shouldn't panic if there is because it's part of the area in which you are operating at this stage. We'd like to believe that the time for accelerating growth in Africa is now. As Old Mutual we have got the capabilities and the strengths that talk to the African opportunities.

I thank you. Tava.

Tava Madzinga

Tava Madzinga: Thank you Johannes and good morning everyone. In order to support the aggressive expansion strategy that we've set for ourselves in the rest of Africa, there are four things that are top of mind for me as the Chief Operating Officer for African operations outside of South Africa. The first is a firm understanding of our customers, and this allows us to roll out products and services that are relevant to our customers and to also allow us to understand

the nuances in those particular markets. The second is to ensure that our operating model, which we call business in a box, is fully equipped to drive operational efficiency, to drive speed to market and to also de-risk the business, and this also means allowing us to drive robust IT platforms. And I'll talk on this in a little bit more detail. The third, as we've seen from the videos, is to drive our digital proposition into the rest of Africa. And fourth is then to build a brand at a country level, regional level and also at a pan Africa level.

Now if we look at our customers, we've talked about understanding our customers, so how have we gone about this? We've spent time in the markets. We've gone to Nigeria, Lagos. We've gone to Kenya in Nairobi. We've spent time in the markets observing, understanding our customers and asking them questions, how do you save, how do you deal with issues to do with risk. And so in Nigeria we've observed that they use isusu's to drive savings. And also people are saving in East Africa. People are using what we call chamas, which is informal way to actually save amongst themselves. And so this has been part of our research in terms of understanding our customers. Then after understanding our customers, we've also then put in front of them an example of a product and asked them, how do you feel about this particular product. How would this work for you? And so in Lagos people will tell us, "Tava, my brother, this will not work here." And so that's given us good insight in terms of what we think can and can't work. And from that research, where we look at the retail side of the business, there are two main categories the informal sector and the formal sector. The formal sector is what we largely define as people with regular income. These are people, teachers, nurses, people who work for government and corporates. And then the informal sector, as we've seen from the video, these are people with less regular income and normally are traders.

And across the segment of retail, there are certain characteristics that we are finding that people want from a brand such as Old Mutual. The first thing is trust, and that's a big one, because, as we've seen, some people, some companies, have not paid their claims and that to some extent has tarnished the name of insurance companies. In terms of accessing customers, you've got the generic attributes that you need, which is convenience. But I think more specifically in terms of the underlying products, where people are looking to save, what they are looking for is the ability to save in a very flexible manner. And so when people are putting aside contributions, what they also are looking for is the ability to then borrow against those particular contributions. Another important characteristic is that people are looking for certainty. And so issues to do with investment volatility are not something that our customers are looking for.

And so if we look at our corporate segment, which includes SMEs, what we find there is that people are looking for deep industry knowledge, demonstrating thought leadership. Again here, a strong brand is absolutely critical. And as Paul and Johannes have alluded to, the one stop financial

services shop is something that customers are certainly looking for here as well. But I think both across the retail and corporate segment, demonstrating commitment in those markets is absolutely critical, and Johannes has talked about this. And here we are talking about being active in the communities that we are involved in as a way of showing that we are deeply committed and also as a way of building the brand. So this is how we've gone about trying to understand our customers.

Now across our businesses in SADC, East Africa and West Africa, our businesses are at different levels of maturity in terms of financial integration and also in terms of distribution maturity. If we look at our SADC region, we are able to offer across the whole financial services sector, so we offer both life savings, lending, P&C and asset management. So this operates as a very neat ecosystem feeding on each other to support our customers both in retail and also in corporate. When we look at West Africa, in Ghana we've acquired Provident Life and that allows us to offer life insurance. In Nigeria we're able to offer both life insurance and P&C. In West Africa, with the lending acquisition that we've now completed, it's that we are also able to offer lending, life, savings and asset management unit trusts, and also asset management.

And so that then takes us to how do we distribute, and here we focused on three key areas. The first is building on our competence coming out of our core market here in South Africa, and that's really around building tied distribution agency forces on the ground. And so we are strong on this in Namibia. We've also built this in East Africa, in Kenya, and we plan to take this also to Nigeria. The second is bancassurance and this is important for us because brick and mortar are absolutely critical in terms of driving trust. And so here we're looking to leverage our partnerships in West Africa through Ecobank, in Ghana and also in Nigeria to then access customers. So we've started off with very simple product offerings, credit life, and then looking to roll out into the branches our retail offering. Bancassurance, depending on the region, works in slightly different ways. And so if you look at East Africa we've found that the banking legislation has loosened to some extent to allow us to use in-branch staff to sell our life insurance products. Whereas in West Africa what we find is we'd need to look at putting our own advisors in the branch to drive our retail offering. And then the last one is then taking advantage of our digital proposition and then I will give a bit more detail on how we are planning to use this into the rest of Africa.

Now the Business in a Box is our operating model and you can think of it almost as our blueprint in terms of how we operate when we're thinking of entering a new country or expanding our proposition in an existing country. And so at a very basic level it's a set of standards, a set of products and a set of IT systems that we would use in terms of a new country or enabling a new proposition. Now I will give you a couple of examples here to put this into context. When we were looking to roll out our unit trust offering in Malawi, for example, and also start offering asset management we took the same platform that we use

here in South Africa in OMIGSA, same platform that we use in Kenya, same platform that we use in Namibia, same platform that we use in Swaziland. And that's what we use to roll out into Malawi so we can offer customers there unit trusts and asset management. And what that enables us to do is to be able to launch new products in a new market very, very quickly. And so we are not having to go through an entire process of rebuilding IT system, testing it, building the products and then ultimately rolling them out. So we are using a very tried and tested approach to develop a new product offering in a new market. And so that approach gives us speed to market, obviously also reduces the risk in that market, and also gives us scale of being able to use the same system across different countries.

The second example I will give you is our retail platform in Kenya. This is a cloud computing based system which we run out of Cape Town into Nairobi and so our branches in Nairobi are connected to this system via the internet. And so rolling out three or four more extra branches is as simple as actually having an internet connection, a stable power supply where we use generators and inverters. And so that way we are able to roll out a lot faster in terms of our branch network. And then we are able to use the same system even as far as Mexico, and so when we developed a product, the Parents Cover for our customers in Mexico we are able to use the same platform to then quickly redeploy that into the rest of Africa. And so those are two examples of what we mean in terms of our underlying blueprint that we are using to do business. And so you can think of it as the way we operate, the way we do business in the rest of Africa. And a critical part of our Business in a Box approach is really about leveraging our capabilities here in our South African businesses where we know we are strong in IT, we know we are strong in asset management and so this is a big part in that we are not having to reinvent the wheel, we re-use what we already have in the Group.

Now, I think we've heard a lot about mobile in terms of the level of penetration and so if we look at our three key new markets, Kenya, Ghana and Nigeria you will see that mobile penetration is well above the 60% level. Internet penetration, to some extent, is still a lot less. And then if you look at the use of smart phones you will see that it varies across those two markets. But I think overall there has been a huge drive in mobile penetration into the rest of Africa. And so whether people are using the basic phone, a feature phone which has some data enablement or at the top end your most sophisticated smart phone, penetration of mobile in Africa certainly cannot be ignored. But I think the question for us is, 'Why is this important to us?' And this is very important to us because we fundamentally believe that we can use mobiles to drive our products and services into the mass market where we may struggle to drive traditional distribution. And so as far as the customer is concerned, these products need to be very simple. We are dealing with products that you have very small premiums and also a very paperless service. And so we've read about i-INVEST in Kenya, we've read about Text-a-Cash in

Zimbabwe. So if you look at i-INVEST from the back office perspective, what i-INVEST allows our customers to do is to move money between M-pesa mobile money and our unit trust. And so the offering to customers has allowed them to interchange where they are putting their money and also if they are in any investment by our underlying money market fund. Once they have put their money in our underlying money market fund our platform then allows them to then switch to other funds such as a balanced fund or an equity fund, depending obviously on their level of financial sophistication. And in rolling out our products such as i-INVEST we've had to engage the regulators in-country in terms of allowing us to be able to roll out a digital offering, because if you think in terms of traditional normally you have to take a form and you have to sign it and that's how you normally think about how you get to know your clients requirements. And so we've had to engage the regulator to say, 'Can't we do this in a better and certainly a more efficient way?' And so he regulators have been very encouraging and supportive of us rolling out such an initiative. The reason is because most of the regulators in government are looking at enhancing or improving financial inclusion within their communities.

And then a second aspect of this is then how the IT works in terms of the back office. So if you are registering on a mobile phone normally you would have to produce an ID. And so the conversation we've been having with the Births and Deaths Registration is that we've asked them for access to the underlying data. And of course when we went and asked them for access they were very suspicious in terms of "what do you actually want to use this data for?". But I think once they understood what we were trying to do, that we were then able to where somebody is trying to register on a phone, we'd simply with an their ID, were able to access the births and deaths registration, pull out that person's data and so we're not needing to ask you for your name or your address when you are trying to register on the phone. So that information is coming straight from the government database. And so that's had knock-on effects, or positive knock-on effects for the rest of our business where we are able to use that same system in terms of underwriting or other parts of our life business. And of course much wider than ourselves as a business in Kenya, it's also then allowed the industry to make use of that underlying system. And so that's a little bit of innovation which is allowing us to access customers in a much much easier way. Of course the business itself needs to be largely automated, be able to handle large amounts of volumes at cost because we are dealing with small premiums where we are looking at, we've talked about textacash where you can buy pay as you go life cover for as little as one dollar. Similarly, for i-INVEST you can invest as little as one dollar. And so we believe that this is certainly in an initiative that can allow us to access a much wider range of customers, particularly in the informal sector.

Now, we've talked a little bit about brand and Johannes has alluded to SADC where we have an established set of businesses. And so for West Africa and East Africa we've actually done the work to try and understand, does our

brand resonate with our underlying customers. And in both West Africa and East Africa we've found that our brand is not well known, it's not strong and how have we measured that? We've looked at the statistics such as spontaneous awareness, ad awareness. And so if you compare that to the SADC you will find that our brand in the SADC is very trusted, very well known, easy spontaneous awareness, but less so in East Africa and less so in West Africa. And so we have really gone about thinking about how do we build the brand in West Africa where we are unknown and how do we support the distribution initiatives in East Africa where we are certainly a little bit more known. And so in West Africa we've started by engaging our local partners, our local stakeholders as a primary means to getting our brand known within the community. And then as we've developed our distribution we will then look at saying, 'Then how do we support customer acquisition by a much more aggressive below the line and above the line strategy?' And then also looking at brands that we've also acquired several companies. And so we've had to think about how we transition those brands to the Old Mutual brand. And so this has also been a critical aspect in terms of how we drive the brand into those markets. And then across the whole of Africa is then to say, 'How do we actually drive a brand that is consistent across the whole of Africa?' And here we are looking at a big idea that we roll out across the whole of Africa, which is a pan-African brand campaign.

And so in conclusion, yesterday we looked at the demographics, we've heard the statistics and Johannes talked and Ralph and Paul have talked about our strategy and our approach into the rest of Africa. And so we believe that these four key pillars which is understanding our customers, then allows us to build solutions which are applicable in those markets, we certainly can't ignore mobile and then we need to think about how we build the brand. And so what we are really looking to do from an operational perspective is to make sense of our environment, take what we know, deal with the infrastructure challenges, take our strategy and turn it into operational reality. And so what I believe what we are doing there is really exciting stuff, we are making a difference in the communities that we live in and I think certainly over the next 10 years or 20 years we will be a significant business in West Africa and in East Africa. Thank you very much. I will now hand over to Mark who will talk us through the P&C aspects of our business.

Mark Weston

Mark Weston: Thank you very much. And so good morning. As Paul introduced me earlier, I'm actually a banker, I've done 26 years of banking and 23 with the Nedbank Group. But you may wonder why didn't he actually say where I'm from? I've got a very dodgy accent. So where am I from? I'll give you a clue, normally when I do a presentation like this, say it's a country that's famous for two things, sheep and rugby and I don't want to talk about sheep today, okay? Now I'm actually originally from New Zealand and I landed in South Africa in 1996 and absolutely passionate about the country and actually about the

continent. So I say to various people I've been to 23 of the 54 African countries, done a lot of business during my time at Nedbank. But I promised my Irish colleague that I wouldn't mention any rugby stories today because it is his birthday. So that's me. I joined M&F on 1 August of this year and I'm responsible for commercial in South Africa, distribution and the rest of Africa. And just to tell you what I'd like to talk about, whether it's called property and casualty or our short term, or general insurance as it is in South Africa, I want to talk about the size of the prize in the rest of Africa, where we make our money today. The potential in Nigeria, I've just come back from my eighth visit to Lagos, I spent a week up there visiting the markets and in fact I'm going back up there, I think with Tava and Offong? the week after next to appoint our CEO of our business. But it's a massively exciting market.

And then what are our plans for the future? As you have heard, in South Africa the short term business is branded M&F, it's got a deep brand recognition and huge brand loyalty actually and Raimund will be talking about the M&F business generally this afternoon. But in the rest of Africa, for very logical reasons, it's branded Old Mutual. And as Tava said, if Old Mutual was hardly known in the rest of Africa, Mutual and Federal is just non-existent. So it's an absolute no-brainer that it's all under the Old Mutual name and it's actually on an integrated basis. So I'm talking about the P&C business in the rest of Africa. So, what is actually the size of the prize here? And what are we looking to do over the next 8 to 10 years? Okay, as you can see the Mutual and Federal, the general P&C business about a 1 billion US Dollar premium. You look way to the right over here at the end of this period, you're talking 9 billion Dollars. Massive, massive growth. And where is that growth going to come from? An element is going to come from South Africa and Raimund will be covering the strategy around how we get to those numbers. But significant growth, both in West Africa and in East Africa. Why? I think you would have heard already and you've seen the stats, really strong growing GDP growth, very large populations, currently very, very low levels of insurance penetration and massive infrastructure development that's going in. Big, big positive set of dynamics across the board generally. And given that up until 23 November this year, in the short term business we had no operations in West or East Africa, that's got to mean an acquisitions strategy. So acquisition, a successful acquisition strategy for us is critical for achieving these numbers. Currently as we speak we have no general insurance licence in East Africa and as I say, we acquired one on 23 November of this year in Nigeria.

So people may or may not be aware of this, there's a lot of information on this slide. If you take Morocco as an example, currently we've got 2.8 billion of premium. Of that premium, the total that's non-life is 68%. So the vast majority of insurance premiums, outside of South Africa, is actually in general insurance. If we take any of these markets, Egypt 55%, Nigeria 71%, Kenya 66%, Ghana 60%. If you project that out to 2020 what you are seeing is massive, massive growth in the premium pool in a place like Nigeria. It goes

for 1.9 billion US Dollars and it's stretched to 7.2 billion US Dollars. And the percentage of that that is non-life is 73%. Okay. You take Kenya, it goes from 1.3 billion to 2.9 billion. And the percentage that is non-life 94%. Okay. And the last one is our key focus area, Ghana, a very small market comparatively at the moment 300 million US Dollars, growing to 1.6 billion US Dollars. Now you focus on the growth rates, the compound growth rates over that period and I've very helpfully circled it since I last saw these slides. Ghana, massively growing economy. I've also travelled a lot to Ghana over the various years. I think the last quarter of 2012 its growth rate was 13.7%. And their economy is just, all the classic signs of can't get a hotel, construction cranes everywhere, it's just pumping that economy. And 24.8% anticipated compound annual growth rate. Kenya, 15.6%. And that's before the oil streams that they've discovered come on board. And Nigeria 18 and a half percent compound annual growth. Just out of interest, you take a place like Algeria, which is a very big market, 1.5, but it's only growing at South Africa type levels, 2.8%. So we're really focusing on the markets that we see great potential, that culturally fit with us in terms of being anglophile and where there's very, very strong growth.

Okay, so moving on to where we make our money today. And these figures are only as at 30 September, so we haven't acquired our Nigerian business then. It's about 750 million Rand. Namibia is our biggest market, followed by Botswana, or actually Zimbabwe and then Botswana. But very, very interestingly, I couldn't quite get the slides in the right order, if you look at the percentage that's actually commercial/corporate versus personal. In the short term market in the rest of Africa, very much a commercial/corporate business. Very, very much. It's not a personal business. It reflects the kind of activity that's going on in the economy. So whether it's 75 or 80%, this is the element of personal in Botswana, tiny, tiny, tiny. It's a mining, agricultural type of economy. Namibia, again you saw on the video, a massive mining development going on in that economy, driving. And that's driving a lot of the demand for insurance premiums.

So where do we make our money? The first slide was underwriting premiums. This is actually where we're making money in underwriting results. Unfortunately this year Namibia which you see in the previous years, which was our most profitable market, has had actually three very large claims. Unfortunately again, that's the nature of short term insurance, you have cycles. I've learnt this new term now that I'm in insurance, cycles. Soft cycles, what have you. But the premium growth is holding up, we've just had one or two claims. Namibia, hopefully we're through that cycle. But the key point is as Johannes has said, strongly profitable markets in each of these, even when they've had bad claims history as we have in Namibia this year.

Okay, so Nigeria. Now Nigeria is an interesting place. I actually really like the energy, I hope most people here have been to Lagos, at least. It's the only place I've ever been to where you go to like the airport shop in Abuja and

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you go to the bookshop, it's the only place I've ever been to where there isn't anything other than the Richard Branson, How to Succeed in Business, the Stephen Covey, The Secret of Success or everything. It's just an economy that wants to make money, very, very entrepreneurial. You do not see Hello magazine, for example. It's bizarre. It's bizarre. But that is the entrepreneurial spirit that you see in Nigeria. So the business that we acquired and we acquired 70% of the business. I think it was great that ETI kept the 30% that they owned so we have a joint interest in making this business successful. It's got currently about a 1% market share, so it's a tiny little player. That 1% market share is equivalent to what we have in Botswana currently, plus minus. Given the growth projections that various people are putting up there, if we can get to a 5% market share that will be a two and half billion Rand business. If we get to a 10% market share, I don't know if people know but there's about 45 plus insurers in Nigeria. In some ways you could say it's a bit like the banking sector used to be before the various challengers and consolidations. Lots and lots of tiny little insurers, no real kind of dominant market player, so really it's a significant opportunity. If we can get to 10% market share, that's 5.2 billion Rand's worth of premiums. Big, big market.

So how are we going to approach the Nigerian markets? Leveraging off our existing broker relationships. The large brokers that operate in this country operate across the rest of Africa. They are very keen to work with us. Very, very keen to work with an insurer that they know and that they have long-standing partnerships and they can trust. The market in Nigeria does not have a great record or perception of actually paying claims. Targeting existing clients who have operations in Nigeria. I've got a fantastic executive assistant, Nomxolisi, and she did some research for me while I was on leave the last couple of days. There are over 90 South African entities currently operating in the rest of the continent. Whether they be the famous ones like Tiger Brands, MTN, SAB Miller, the construction companies, the financial services, South Africans are spreading into the continent and they are familiar to us and we are familiar to them. Now I had meetings in Lagos, honestly it was the best reception I've ever had. People want to work with an insurer that they know and will pay their claims and they've got some kind of linkage back into the mother ship. Very, very strong messages. Rolling out our systems. M&F, as I'm sure you will be aware, has had its challenges but one of the great things of me coming into this role now is a lot of the infrastructure and things that needed to be done are actually fixed. We've got a great system called TIA, already rolled it out into Namibia, we've rolled it out into Botswana. I sat with our IT guys a couple of weeks ago and I was saying, 'When can we get that same system in Nigeria?' And I was thinking maybe the end of the year, that kind of stuff. Statistically, the operation there at the moment is one-ninth as efficient as our Zimbabwean operation. That's paper-based. That kind of lack of technology is not unexpected but that's where we can add huge value. So our IT guys said, 'Oh, maybe June.' They are expert at rolling these things out and they've now got capacity to roll out the same

systems, now think of the advantages of that. We can put in all our standard operating procedures, we can actually see the risk pools in exactly the same format, whether they're in Lagos or whether they're in Johannesburg or whether they're in Cape Town. So that ability to introduce that technology, which doesn't exist in their market, and actually see the risk pools, huge, huge attraction to us.

And the last thing is really around the standards of governance. You know, we're a FTSE listed company, I think in the top 30. Highest, highest ethical standards and I heard that repeatedly. People want to deal with a credible counter party that stands up for the right way of doing business. Very, very strong message I received while I was there.

You would have heard this already and you will hear it again, I am sure, this afternoon, where are our focus areas. West Africa, Nigeria and Ghana, East Africa, through Kenya, through the whole East Africa community and then add on acquisitions in Southern Africa as and when appropriate. And I think this is my last slide. Now can people actually see that's a bicep? It took me a long time and when we did the dress rehearsal I hadn't actually realised it was a bicep so they've gone away and made the clarity. If you see … and there's the continent of Africa in the middle, flexing Old Mutual's muscles. So what are we trying to do in the short term business in the rest of Africa? It's largely a commercial/corporate entry point, following our clients, working with the intermediaries that we work with. And actually I failed to highlight it on the slide earlier. In the rest of Africa there's virtually no direct insurance, in fact there isn't in most markets. This is an intermediated model completely, you are working with brokers. It doesn't yet exist, it's either brokers or bancassurance, so there's no out-ssurance or whatever iWyze equivalent. Following our clients. Our clients are going here, they're looking for protecting their assets and we want to follow them. We're taking our technology and our skills. It's interesting we got our risk insurance experts to have a review of the reinsurance and treaty programme for the Nigerian operation. It's too late for this year but we can add significant value in terms of the skill that we can do it and the economies of scale of a large purchase. I haven't really touched on agriculture but clearly agriculture in the rest of Africa is a big opportunity. I think that's common cause but the soils in Zimbabwe and Zambia are something like 9 times more fertile than they are in South Africa. So recently we bought a business on 1 August called Agricola in South Africa. We've got a crop business, we do livestock farming, financing. So the big challenge for us is how do we take that skill and technology we have domestically and introduce it into the rest of Africa where clearly there's a demand, not only for commercial farming but small scale farming as well. And how are we going to do it? There's absolutely no debate. Use of the Old Mutual brand, we're working with the brokers that we already have relationships with and through our corporate relationships. The fact that ETI have sold only 70% and kept 30% of the business in Nigeria and we have the overall alliance operation means

bancassurance is critical for us, particularly in West Africa initially. And actually what we are doing is working much more collaboratively with the rest of the group. Okay, that's it from me. Over to Graham. Thank you. Thank you very much.

Graham Dempster

Graham Dempster: Good morning. We're talking banking again. What I'm going to cover in this section is very simply a very high level overview of the profile of banking in Africa and then drop down into Nedbank Group and its strategy for the rest of Africa.

What are we seeking to do? We referred to it yesterday, we want to build a pan-African banking network to be able to service our clients that are extending their trade and investment activity across the country. That is our basic objective that we are seeking to achieve. If you look then, we touched on this a little bit yesterday, the profile of banks in South Africa, you will see on pre-tax profits in US Dollar terms the business has grown from 1.3 billion Dollars of Nedbank size through to 3 billion Dollars at Standard Bank, reflecting their larger emerging market profile. And then equally on the total asset side, total of assets in Dollar terms running from 80 through to 180 billion Dollars, to give you some sort of perspective of the size of the South African banks. Turning then to the top 10 sub-Saharan banks, and looking at their pre-tax profits, predominately Nigerian banks that you will see on the top of that graph with profits running from round about 100 million Dollars pre-tax through to 658 million Dollars and total assets from 6 billion Dollars through to about 20 billion Dollars. I have highlighted Ecobank, ETI there in the blue to give you some sort of sense as to their relative size. What's important when you look at the total assets of the banks in the rest of Africa, typically they would run at a loan to deposit ratio of around about 50-odd percent. Whereas the South African banks would be running at 90-odd percent. So if you put the two groups of banks together and you have the same scale, you get a sense of the size of the South African banks relative to the size of the next 10 banks that are operating in the continent. And quite clearly, if you look at the asset size, the 80 to 182 billion Dollars and the 20 billion Dollar level of the banks operating in the rest of Africa, and bear in mind they have a much lower loan to deposit ratio. The largest ETI with a 20 billion Dollar asset base, that would give you a sense that those advances books set in somewhere in the order of 10 billion Dollars and you will see that the advances books here would set somewhere in the order of 80 to 100 billion Dollars. So a factor of roughly ten times or eight to ten times the size of the South African credit extension activity relative to the average of the credit extension activity of the next largest banks in the continent.

Once we get a size of the actual country coverage that is shown right at the bottom, it might be a little bit small, I'll touch on that in the next slide.

We've broken down banks on the continent into three broad categories. On the left hand side the South African banks and with their clients and their momentum of trading and investing broadly across the continent and that moving up exponentially, you will see that those networks are starting to become quite substantive. You then have in the middle the international banks, and for example Standard Chartered there, quite a good profile. They tend though to focus on the corporate market and the high net worth individual market to service multinationals. And that would be the typical profile that you would have with the global banks. And on the right hand side you will have the regional banks. Once again a significant profile or representation from the Nigerian constituency. And if you look at UBA Bank in the red, they have a country coverage network of 20, so quite a significant profile that UBA has built up. But typically they would sit in a particular region and focus their efforts in that region specifically.

Many people have presented over the last day and a half have talked about the exponential growth and revenue potential. This slide just looks at sub-Saharan banking revenues currently sitting at 36 billion Dollars, projected to grow through to 87 billion Dollars if you use a 10% annual compound growth rate. That's the growth rate that McKinsey & Co's in one of their studies assumes to be the most likely and clearly if it wasn't 10%, and it was 15% that would give you a significantly larger pool. But the growth both in the light green on the left hand side which is retail, and the dark green on the left hand side wholesale, growing at significantly strong compound annual growth rates.

If we now drop down into what is Nedbank seeking to achieve? Described yesterday, we've got a client-centred, capital efficient risk mitigated longer term approach. Banking is complicated, you take a lot of sovereign risk and you're in for the long term. Once you buy a bank you've got that bank forever and you never get rid of a banking licence unless you've paid off every single cent of deposits. So when you make a decision to go into a country you're making a decision to go in forever, effectively. And so when we look at this approach, we've taken the map of Africa on the left hand side, and you will see that dotted diagonal line going from left to right, that signals that strategies that we have in order to build the pan-African banking network. Below the line, the area marked A, that's SADC, the Southern African Development Community, the 14 countries there, plus East Africa, that is where as you see on the right hand side the T-shape there, Nedbank aspires to have universal banks managed, owned and controlled by Nedbank. So we're currently in 5 countries, we anticipate expanding to roughly 10 in the three to five year period. Above the line, the area marked B, that is West and Central Africa, very large area, very far away from home, complex language, cultural and legal challenges that we have there, our preferred approach given the risk that is embedded in banking is to operate on a partnership basis leveraging local knowledge to mitigate risk. And therefore you will see on the T-shape on the right hand side, that's our alliance approach, principally in

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West and Central Africa and that's where we work collaboratively through a strategic alliance with Ecobank.

Turning to what we've done with Ecobank, just to give you some sort of sense as to what we sought to achieve, and it's really reflected in that top bar, where we say what we are trying to do is provide a seamless, one bank customer experience across the largest network in Africa. Whether you're dealing with Nedbank or you're dealing with your partner Ecobank, a client should have a very similar client service experience. It's a massive challenge, it's not easy to achieve, but that is the aspiration. So to give you a little bit of history of our relationship with Ecobank. We established the Ecobank Nedbank strategic alliance in 2008 after a year's dialogue and engagement as to what our individual strategies were, how complementary they were and how we could actually work collaboratively together to enhance the customer experience and to benefit both institutions.

After a year's engagement, getting to know and understand each other, how we operated, what our aspirations were, we signed the strategic alliance and we had a very successful three year period of working 2009, 2010 and 2011. And during 2011 we were working continually with Ecobank, they had indicated that they were seeking to take advantage of the distressed bank environment in Nigeria and seek to do a transformational acquisition of one of the large distressed banks. And that presented them with an opportunity that they would never have been able to achieve if there hadn't been a systemic crisis in banking in Nigeria. And the 13th largest bank in Nigeria, that was Ecobank's subsidiary, by virtue of the dislocation that was taking place in the market was able to buy the 6th largest bank. So it was a shark swallowing a whale, very big transaction and clearly they wanted to be able to demonstrate that they had the capacity and strength to be able to execute on that transformational deal. Given that we had had a very constructive relationship with them, the first people that we spoke to was Nedbank to say, 'This is what we're seeking to achieve. Are you able to give us support?' We provided a 3 year term loan, 285 million Dollars at that point in September 2011, and simultaneously secured subscription rights together with take up of 20% shareholding in Ecobank in the third year of that term loan. So we've been working now pretty much for five years, we have a strategic alliance committee that works on a quarterly basis chaired by myself and the deputy CEO of Ecobank. We have all the lines businesses of both institutions at those meetings quarterly. And below that we have our weekly or bi-monthly meetings, depending on the nature of whether you're looking at investment banking activity, retail banking activity, IT support, client value propositions, branch efficiency, we have regular meetings falling below that. The level of clients that have actually started to utilise the network has been growing consistently over the years and we now have more than 60 of our corporate clients banking with Ecobank in one form or another utilising the extensive network.

Our rights to take up the shareholding have kicked in already and we have the ability through to the end of November next year (2014) to be able to execute on those rights. Certainly, what our message to the market has consistently been is that it is our current intention to take up those rights, although we have not yet made a formal decision and need to go through our formal processes and regulatory approvals to be able to achieve that, and we certainly won't be talking timelines in the public arena.

Ecobank itself has been building its franchise, just to give you a little sense. You saw the relative size of Ecobank with a balance sheet size as large as any other in the continent, outside of the South African banks. For example, in Nigeria it's a SIFI, a systemically important financial institution, it's one of only six in the country. It has over 600 branches in Nigeria, it is a very extensive network, not dissimilar to the size of Nedbank's branch network in South Africa. It has 9 million clients in total, 6 million in Nigeria. Very, very big business. And it's a top 10 bank in Africa measured by the Banker magazine in their annual measure of banks they use capital levels as a measure, Ecobank sits at number 10 in the banks in Africa, ranking behind the large South African banks, a couple of the Moroccan banks and a couple of the Nigerian banks. The earnings for the nine months through to September 2013 are up 74% and their return on equity is above 15%.

In terms of, I want to describe that we want to have Nedbank universal banks, managed, owned and controlled in SADC in East Africa and so what we have adopted is a two-stage approach here. We want to run a standardised business operating model. Most of the countries that we are operating in are relatively small, difficult to get economies of scale, we have skill shortages and risk is embedded in those businesses so the more you can standardise the business operating model, the more you can actually mitigate risk and delegate responsibility to the teams operating in the field.

So we've established a standardised business operating model. It's premised off a model IT bank system that we are developing at the moment and will be rolling out into our five existing countries; that's Namibia, Lesotho, Swaziland, Malawi and Zimbabwe, that will take us roughly 24 months to roll out. And at the end of that we will then have the capacity to extend the products, policies, processes and procedures in all those businesses. Interestingly enough, the IT system that we have chosen is a system called Flexcube, that's an Oracle based system and it suits our service open architecture platform that we have in South Africa. And Ecobank is using the same system as well. They've got very strong IT capabilities, over a two year period they've migrated the entire three plus country platform from the Globus Tinimus system onto the Oracle based Flexcube system, multi-currently, multi-country. And it gives us the capacity in the longer term to be able to have very good communications between the two IT platforms. That is the first principle that we have in terms of that standardised business operating model that we are going to run into all of our countries, progressively up to 10. And at the

beginning of May at the Q1 trading statement we announced that we had entered into a transaction to acquire an initial stake of 36% in a Mozambiquean business called Banco Unico. Very interesting business, established 24 months ago effectively by a Portuguese entrepeneur by the name of Americo Amorim. He is Portugal's wealthiest man and he made his fortune in the cork industry, diversified into oil and gas, he owns 38% of Elf and he has also been a serial founder of banks. So for example, BCP in Portugal, Banco Espirito in Spain, banks in Brazil, Angola and Mozambique. And we identified that from an Africa point of view that Portuguese speaking Africa that it was an ideal partner for us to work with and we've been working with him for about 24 months, coming to terms as to what may make an initial attractive entry point. We agreed Mozambique was the first point that we should work together and while we liked Mozambique it's a fast growing GDP, it's contiguous to South Africa, it's a 50 minute flight from Johannesburg, SMEs are pouring over the border, the franchise businesses are expanding, the engineering businesses are establishing themselves very strongly with the infrastructure development that's taking place in Mozambique and they've have got a very good dispensation towards encouraging South African businesses to participate in the economy. So we liked that. We believed that it was also an ideal platform for us to build a model bank that we own and control and use it as a model to build and roll out to other countries. And we have a pathway to control. So we've got an initial 36.4% but within a few years we will naturally move to a control scenario, we have management control from day one. We are waiting for final regulatory approval to execute on that transaction. And from our point of view the Amorim, strong partner, shareholder partner and very interestingly the management team that's working with us has established this bank together with Amorim ran the largest bank in Mozambique very successfully for ten years. So very powerful management team that was brought on board.

We would describe our strategy in the rest of Africa as taking a differentiated position. Fundamentally we believe in partnerships when you actually enter in to territories that you don't know well and where your business is managing risk. So from our point of view, to be able to work with a group like Ecobank, a top 10 bank in Africa in West and Central Africa, where they've been operating for over 25 years, have detailed local knowledge of the markets that they're operating in, really good client relationships and if you look at their management team, the management team at senior ranks represents 29 different nationalities, African nationalities. That is a scarce resource to be highly respected and regarded. And therefore we get, through a partnership based approach we get deep insight and local knowledge. From our point of view local knowledge is understanding not just the banking sector but how the country operates and from our point of view as well we embrace local shareholding.

So we want to be seen as a local bank operating for the benefit of the community at large. We've done BEE deals in Namibia, we've got local shareholders in Zimbabwe, we've got local shareholders in Swaziland, we've got local shareholders in the bank that we're moving into in Mozambique and we think that provides you with a competitive advantage. All of what we're seeking to do is to provide our clients with a one bank customer experience across the largest geographic banking network in continental Africa and all of what we're doing is ultimately to provide shareholders with economic profit value by virtue of the fact that we are investing our capital judiciously. The transactions that we are looking at much will be earnings accretive and ROE generative. And therefore, if you go and do the mathematics and you can do your own extrapolations on for example, an Ecobank transaction we believe that that transaction is struck in a manner that when we execute it should be earnings accretive. And it should also be ROE accretive or at least neutral. And when you look at the price to book ratios that people won't want to actually secure in selling businesses or banks in Africa, is very difficult to get an ROI in double digit figures. But we are very focused on shareholder value creation so we will do our deals in a very measured way and create value for our shareholders. And on that, I will hand over to Paul.

Q&A session

Paul Hanratty: Graham, thanks very much. Well just stay up here because Johannes and Mark and Tava, do you want to come and join us on the stage. We've got about 20 minutes for questions so I think this is a great chance to get your questions on Africa going.

Greig Paterson: Yes, good morning everyone. Two questions, one is we've just heard a statement you were saying that the price of bank acquisitions are very high in Africa, on the life side you've made a whole bunch of acquisitions, we've had no numbers to give us a feel for the IRR, the economics, the split of profits. You're dealing with banks who own the customer - I wonder if you can give us some numbers, some kind of reassurance that you're not paying over the odds like we usually see in bank insurance deals and ultimately there won't be economic value accretive. And the second point is, I think it's slide 172 you showed that massive growth, am I correct in saying that most of the recent growth is in Zimbabwe and there's been some new, we were speaking about it last night, there's been some changes or proposed changes of the ownership. You've never been able to get money out of Zimbabwe, I don't think, in your entire history. Can you give us some chat around that please?

Paul Hanratty: Okay. So Johannes, do you want to take the question about the prices we've paid and the kind of returns we see on the assets?

Johannes !Gawaxab: Probably the easiest one is the last one - we've never been able to take out money out of Zimbabwe. That's not true. We've been paid dividends from Zimbabwe the past last year, paid dividends amounting to 30 million Dollars. So if you said we have not been able to that's based on incorrect information. We have been. And that's in terms of profit contribution the best business we currently have in the Old Mutual Africa stable. In terms of price we have paid for the businesses, I think the best placed person to answer is Katie.

Paul Hanratty: Okay. Well let me answer it then. Save Katie getting up here early in the morning. So we've acquired extremely small businesses so far in Africa, basically we've acquired the licences; it's been our entry point. In fact in each of these markets in West Africa when we tried to acquire licenses directly, which is what we try to do, the regulator pointed us to a list of firms to acquire because they were clearly trying to drive consolidation. So the prices that we paid have been literally insignificant and it's there's no impact at all on our ROEs from these things. So it was just an entry point for us and we'll build and grow our business. I mean as Mark showed you, we can get exponential growth using our bancassurance relationship. Our partner, ETI, has a 30% stake in the business so they've paid their 30% of the price of the asset and they'll get 30% of the dividends out of the business. So I think it's a very sensible arrangement. Is there …

Greig Paterson: You said you paid 900 million Rand. I mean what's the IRR expected on that? And on the Zimbabwe side, aren't they proposing to re-indigenise the percentage ownership again coming up and that's the primary concern I had.

Paul Hanratty: Okay. So let's start with the two questions. So I think our long term expected returns on the assets that we've purchased will be in line with the IRRs that we are setting generally for our African businesses. So we'll expect in the long term firm returns well above 20% and that's consistent with the risks and the returns that we earn in South Africa. If we talk about Zimbabwe, Johannes maybe you can explain the indigenisation situation?

Johannes !Gawaxab: Yes. So what is happening, in terms of the laws of the land we all know it's a 51% compliance. What we have agreed with the Government is to do a 25% indigenisation. So we have done 25% to staff, to pensioners, to client pensioners, people who used to work for Old Mutual and we have set aside a fund, a youth fund to do good in that society and to help with creating jobs for the youth in the country. So we have done 25%.

Paul Hanratty: Maybe if I can just add to that, essentially our clients and staff had their savings absolutely decimated through the hyperinflation period. And so for us, the opportunity through indigenisation has been to create an unlisted vehicle - the Zimbabwean businesses is unlisted - people can trade the counter but in an over the counter market. And we basically have replaced the Old Mutual plc share as the reward mechanism and long term incentive plan for senior staff with the local stock. And we have given pensioners in particular, who suffered terrible hardship, shares. So we've done our indigenisation, I believe, in an extremely good way because in fact we faced the challenge of what to do with our customers and our pensioners in any event.

Johannes !Gawaxab: What many people are not aware of is in Zimbabwe is that you don't have to necessarily give equity away. In terms of the law of that country you can actually do good in the society and get credits for indigenisation. So you have heard that we are big in doing infrastructure development, we are contributing. I think Jonas was talking about - we are building something like 50,000 houses. You can actually get credit by doing good in that society and contributing towards infrastructure development. And that's sort of the response that we are currently engaging the Government on.

Paul Hanratty: Great. Have you got some more questions? Johny, let's take Johny at the back.

Johny Lambridis: Perhaps just following on Greig's question, I don't want to hamper the point but again you've got to spend 5 billion that is the target, you've spent R900 million. You've now alluded to an ROE or an IRR in excess of 20%, yet when I go through the Old Mutual annual report it does look like the executives' incentives are linked to customer numbers in Africa and that makes me worry about how that R5 billion would be deployed and will the shareholder see a good return on that money.

Paul Hanratty: Okay. So we've got to try and join a couple of different dots here. I think firstly we have set aside, we have assets available to invest R5 billion. Sorry Johannes if I am stealing, do you mind if I answer it. Sorry.

We've set aside assets of 5 billion to invest. There's certainly not cash burning a hole in our pockets and I think as Graham mentioned, we're very focused on making sure that when we do acquisitions they make financial sense. But for us it's also very important that they make strategic sense and it's very important that there's a cultural fit. Because the challenge of taking on new people and new business in markets that are, in reality, pretty different to the South African market, it's very important that we get a cultural fit. We reward our management team throughout Old Mutual Emerging Markets. Basically

the pool for bonuses is created through economic value add, so it's the excess of profits over the cost of capital on the capital deployed. So the management is incredibly heavily incentivised to deliver economic value add. And it's precisely the same in Nedbank, the driver of the pool is EVA. And so these management teams, trust me, are incentivised to make acquisitions where they believe that they can create value above the cost of capital. But yes we have incentivised at the plc level to drive customer numbers. So I think there's two things. We have to create scale and size because that's our ambition. On the other hand there's a constraint on delivering a cost of capital. There may be times in the short term when you do acquisitions where initially you're going to earn less than your cost of capital, but you're going to have to see that return coming through over time. So I think there's tension in the system that will create the right result. Does anybody want to add anything? Okay, Brian did you have a question?

Brian Mushonga: So you expect growth in Nigeria. Is that organic? Or do you see yourselves being a consolidator? That's the first question. And you hinted at Zimbabwe being a sort of ideal integrated model, would you look to roll out a similar model, including banking, outside of Nedbank, to the various African countries?

Mark Weston: Maybe I can take that one.

Paul Hanratty: Yes okay.

Mark Weston: So initially I think it's significant upside just by being Old Mutual actually in the market. Our brand and our reputation will mean that we will get significant upside, I am very, very confident about that having spent time there. But, for the right acquisition I think we can add on. But the cultural fit, there is going to be consolidation in that market, there is no doubt. Absolutely. The Nigerian regulator introduced, who is also very progressive, introduced a no premium no cover at 1 January 2013. It's made a significant difference. So a large number of the smaller insurers have yet to file their annual financials so it's a really interesting dynamic that's going on in that market.

Paul Hanratty: So Mark's talking about the P&C business. Johannes, do you want to come in, or Tava, on what we're doing in the life business. Because actually there's I guess a somewhat similar story.

Johannes !Gawaxab: I think the key strategy for the group is to build an African financial services champion through co-ordinating the insurance and banking strategy. That's sort of what we are saying. If you look at Nigeria, the immediate price, the quick win, if you look at the asset pools that's in the P&C space, so that's what we are doing immediately. If you look on the life side, there's enormous opportunity, the level of penetration is below 1% in the life side, it's actually 0.9%. So we currently have got a bancassurance agreement with Ecobank. We are planning to roll out a retail offering next year because the opportunity is great. As Tava has alluded, we have done a lot of work to understand the needs of those customers and we are about to finalise that and come up with a solution that can meet that need.

Paul Hanratty: Johannes, why don't you just talk a little bit about the credit life and the group life through Ecobank, though, because that's an immediate opportunity that's very similar to the one that Mark's talking about.

Johannes !Gawaxab: Yes. We've rolled out credit life and group life with Ecobank and the way it works it's focusing on the mega cities, it's embedded in the offering of Ecobank. So the collection is through the Ecobank system and the payment of claims is through one central point in Ecobank. So that is an immediate opportunity on the life side that we have started. But if you really look at it, apart from the credit life and group life, the big opportunity for Old Mutual is on the P&C side, over the short term.

Paul Hanratty: And do you want to talk about the integration of bank and insurance? Your plans there, which I think was the second part of the question?

Johannes !Gawaxab: I think as Paul alluded to earlier, if you look at the African market there is limited scale. So we've got a preference for an integrated financial services model because it's an eco-system on its own, where small, little operating subsidiaries are feeding from each other. In Nigeria at this stage we have got a bancassurance agreement. What we need to do is to make sure that we optimise the bancassurance agreement. We have got the P&C business currently under one management. We're sharing services that we have got, and we are leveraging the centres of excellence within the group that we have got for both our life and non-life side. Tava, what do you want to add?

Tava Madzinga: I mean, I think if you look at it from the customer perspective, then I think in terms of the customer's needs, you'll find that your customers are starting with the requirement for credit first, and so if we start by offering our customers that access to credit we're then able to give on the back of that roll out our life

insurance and also the rest of our services in terms of P & C, and then eventually we'll be looking at providing our life insurance, so just from a customer perspective in terms of what customers are looking for, it makes sense to have that end to end operating model in terms of providing that full suite of services.

Paul Hanratty: Risto?

Risto Ketola: Yes, morning, I've got two questions. The first one's a bit of a lengthier one. You mention that you want to build traditional distribution in a lot of these African markets and the question is how many agents have you got at the moment in the various markets, what are your targets in terms of agent numbers, and then quite importantly what are the total agent numbers in those countries because in a lot of these countries, you're basically building a tied agency alone in some ways? The second question is shorter. It's under short term insurance. Now I was looking at the West African market. The majority of that risk is oil and gas which is not an area that M&F has any expertise in from South Africa, so I'm just wondering how comfortable, I mean these numbers are small in a group sense, but I mean how comfortable is the Group to go and insure oil rigs and stuff that you haven't really done before?

Paul Hanratty: Thanks very much. Is it Tava or you, Johannes, on the distribution forces, the agency forces?

Johannes !Gawaxab: We actually have got the numbers, so on the retail mass side, we have got a current force of about 300 people, and in total…

Paul Hanratty: Let's go country by country?

Johannes !Gawaxab: Country by country. It's by and large a Namibian play on the Retail Mass side, so we've got 300 advisors in Namibia on the Retail Mass side. On the Retail Affluent side, we've got about 400 advisors in Namibia, and then we have got in Kenya, this is where we have got another big group of 80 advisors on the Retail Mass side, and the Retail Affluent side we are approaching about 500 advisors. Then we have got, Zimbabwe is very much a Corporate play at this stage. We are rolling out our retail advisor force, so the total force is below 30 that we have got currently in Zimbabwe. In Malawi we have got about 30 advisors, Swaziland we have got about 25 advisors, Nigeria it's very much a bancassurance play that we have got. Where do we want to take that? It's quite an aggressive growth that we are planning in terms of the advice force in Kenya and Ghana. In Ghana we want to triple the advisor

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force of 115, we want to triple by the end of 2014. The other big one is actually in Kenya. If you look at the total force in Nigeria itself, you'll be surprised at its enormous tied agents that that country has got. There's one specific company that's listed in the stock exchange that got 5,000 advisers so in the country itself the advisors are in excess of 15,000. I hope that helps.

Okay, and the second question was?

Paul Hanratty: So are you going to go out on oil rigs?

Mark Weston: Well, the way I would describe it, it's a bit like if you're in South Africa and you don't do mining, you can't be taken seriously, so you're absolutely spot on. Currently M&F doesn't have that expertise but I'm kind of wearing my Nedbank hat a little bit, we also didn't have an oil and gas business two years ago and the continent is about oil and gas. The next five, ten years is massive, whether it's Mozambique, East Coast, West Coast, so what you have to do is you have to go out in the market and you have to acquire that skill. Now you absolutely don't acquire it in the South African market, so our oil and gas team used to sit with me in Nedbank in London where we hired industry experts so you do it carefully, you get the skills and the reality is most of that is actually reinsured into the London market anyway, which is the global centre for the oil and gas industry. So if you look at the net exposure that's actually being done in Nigeria, it's actually very, very small. The approach is, as a pan-African insurer, you've got to acquire the skills that you need to.

Paul Hanratty: We're going to take one last question before we have tea. There are so many people. John, you haven't had a chance yet. Sorry, he had a chance yesterday.

John Hocking: Just a question on the bancassurance, seeing how important bancassurance is to the strategy, can you talk a little bit about the economics and how the commission rates work, and how that works even if you don't have the agent forces at the moment, how do you think about the commission rates and how do those compare across countries?

Paul Hanratty: Who's going to take this? Come on, guys, don't be chicken.

Tava Madzinga: I'll take this. So I'll talk to you about what we are planning to do with Faulu which is a very similar bancassurance model, and so if you think of Faulu we own 67% of it, and so we've gone beyond simply looking at it from a commission perspective, and so we're looking at offering the whole suite of

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products into Faulu and beyond just a simple distribution, so it's literally embedding it into Faulu so with each loan that goes out, we put in our Credit Life, then beyond that is then to look at offering our savings and risk products directly into the bank, and so it's not just a simple distribution, it's a fully integrated way of working, and so we move just beyond a simple distribution agreement.

Paul Hanratty: What about Nigeria which I think is probably even more interesting for John, because there with the Ecobank relationship, so clearly they're getting 30% of the underwriting profits, but we're paying normal market-related commission rates, if I'm not mistaken, are we not?

Johannes !Gawaxab: We've got Offong in the room so we can get Offong to answer that question.

Paul Hanratty: Can somebody get a mike to Offong?

Offong Ambah: Thank you Paul. In Nigeria we offer two products. We offer the Credit Life product and the Group Life product. The Credit Life is sold through the bank and this is through a centralised risk management system, so when the loans are booked in the bank, at the central point the Credit Life is applied and then the premium comes to Old Mutual and 6% of that premium is given back to Ecobank. On the Group Life, since the Group Life is done literally through all the brokers, we do not have any control. However if Group Life business is introduced to Old Mutual through the bank then 1% of that premium is paid back to the bank. I hope that helps.

Paul Hanratty: John, I hope that gave you a little bit of the flavour. Larissa, just for you, we're going to let you the last word.

Larissa van-Deventer: That's very nice, thank you. I was very interested in the comments you made around distribution in Africa and about how you want to grow the distribution force, so down here we're quite used to commissions being a big part of the upfront cost. How does it work in Africa and recognising the long term potential, are we looking at a fixed cost element near term, or are you able to manage on a variable cost basis?

Tava Madzinga: I think it works very, very similar to how we've actually done it here in South Africa, and so we are running pretty much two models, and so Johannes has alluded to our Retail Mass model and so that would be looking at a retainer-

type model very similar to our mass market model here in South Africa, and then our Retail Affluent model would then be largely commission-based, and I think that what we are finding is that using our capability here in South Africa is that we are able to quickly roll out that model into both Kenya and also into Malawi and other places which we are hoping to do like Nigeria. The critical aspect for us is less about recruitment, and so we are able to recruit huge workforces in these markets and using our principal risk management processes from here, we are also able to retain those agents. I think where we have been having to pay a lot of attention is getting the level of productivity for those sales agents up to levels that we're used to seeing here in Southern Africa where you've got productivity levels of five deals or more per week in Southern Africa and when we are in East Africa, we're finding that the productivity levels, because the sales forces are new, are not yet at those levels, and so it's going to take us some time to build sales forces that can compete or are at the same level that we have here in Southern Africa.

Paul Hanratty: Right, thanks for that. It was a really interesting question. Well, why don't we take a tea break and if you get a chance you can ask more of your questions over tea. Thanks, Graham and Mark, Tava and Johannes.

Session 5a – How are we meeting customer needs?

Paul Hanratty: So welcome back, everybody, and before I introduce Crispin Sonn and Iain Williamson, I thought maybe just from the last session, hopefully we'll have a chance again, I think there probably is a bit of an appetite to get a little bit more into some of the questions there, I thought that maybe from the Old Mutual perspective, I should just emphasise that it is our intention to increasingly drive coordination and cooperation between Nedbank, Mutual & Federal and Old Mutual. Certainly in the SADC region, which for those of you not familiar with our terminology is sort of the bottom part of sub-Saharan Africa, it's very clear already that we can drive much more integration of our operations and extract many more synergies, and we're going to be pushing hard to do that with the management teams. In West Africa, I think you've seen that bancassurance is very important to Old Mutual both for Property & Casualty and for the life business. We have a bancassurance arrangement with Ecobank. Nedbank on the other hand have a relationship with ETI and the option to take a stake, and certainly from Old Mutual's point of view, we believe that that's a very important strategic option to be exercised to strengthen the relationship and the integration of our business in West Africa. In East Africa it's only Old Mutual that's currently there. We don't yet have a P&C or banking business but certainly over time I believe the intention of the group will be to do more of that, and actually the Faulu acquisition was to give us

effectively control of a credit provider in the bottom end of the market which would give us the ability to access a different client base. So I think it might have been Brian who might have asked the question of what our intention was for integration, and I don't think we maybe covered that as well as we could have. So I'm going to start by asking Crispin Sonn to come up. Crispin is the MD of our mass foundation cluster, and Crispin, it will be a great pleasure to hear from you about what you're doing to drive our business.

Crispin Sonn

Crispin Sonn: Thank you, Paul. Good morning everybody. I look after the Mass Foundation Cluster. I'll explain to you in a minute what that is. I don't have ads or video clips like Ingrid had. I have one exhibition which I'll talk to you a little later, that I'll refer to. The mass foundation cluster basically is what we refer to as the core retail mass business, which historically was referred to as group schemes. It includes iWyze our short-term partnership with Mutual & Federal and of course something many of you have asked about, our lending business. I refer to it as Old Mutual Finance. And then we also have the entry level business referred to as the foundation market, hence the name mass foundation cluster. We will come up with something sexier in due course, but that's a little bit of a work in progress.

That's just the agenda of the things that I'd like to talk to you about. I think it's worthwhile talking about the background and the history of our business, how this business evolved and what's in our DNA, some of the financial characteristics and performances, the products we sell to customers. A big issue in our business as many of you have asked me over dinner last night is the focus on retention and then of course Old Mutual finance, iWyze, and then some of the challenges and future growth levers. Marshall has spent quite a bit of time talking around the market, the market we serve, the size of the market, but that's just to give you a little bit more granular detail about this market segment that we serve. So the foundation market and the entry level market as we refer to it across South Africa is generally considered to be about nine million individuals, nine million individuals in that market segment and those are people who earn between 1000 and 5000 rand a month, small incomes which requires us to be quite innovative in the way we serve that market and the products we make available and I'll talk about that a little later, and that's the big dark green bubble on the left hand side.

In the middle the light green bubble refers to the 5.4 million customers which is where our retail mass market, our core business, our advisors and our broker division and our direct business is focused on, and that's our 5.4 million opportunity. That's what we believe the market opportunity presents. And then the black bubble is the income segment between 16,000 and 20,000

rand a month income and there are about 400,000 individuals in the market that we try and service. The bar graph literally just demonstrates to you the growth in those market segments over the last few years since 2008, and I think two things worth noting is that the light green bar, so I don't have a pointer but the light green bar denotes the 5.4 million grouping, and that market has grown considerably since 2008, largely, and Marshall's also referred to it, as a function of public sector employment and public sector wage increases exceeding private sector wage increases, and the market has grown in size as well as in income. The big growth is now in the foundation market segment and we are seeing increasingly. Something I'll refer you to, and it's a worthwhile read and quite an easy read as the FinScope result, so the FinMark Trust publishes market numbers annually and recently indicated that there's about a 12 to 13% shift year on year of people moving out of the foundation market into the core mass market, so this green bubble is being fed by the foundation market, by about 12% annually.

Okay, so those are some of the financial indicators. Our customer growth we've been pretty comfortable with. We've grown at about a compound annual growth rate since 2008 of 9% in total customers. We have rebased our customer numbers in 2012 largely to incorporate customers who have paid up policies but whom we still service, we still have a relationship with and an ongoing obligation to them. But we will, in the 2013 year, we are well ahead of two and a half million customers, which we serve across the segment. At a life APE level, we've grown at about a 16% CAGR and we also are pretty much on track to meet our objectives at an APE level. We are pretty proud of our VNB achievements, and the 2010 to 2011 jump has largely been the result of positive interest rate impact on our business and then in 2011 we started including our Credit Life business in our VNB numbers, and that's given us a 37% compound annual growth rate at a VNB level.

Our net client cash flow continues to grow. We sell small recurring regular premiums which means we don't have big lumpy single premium business coming through so it's fairly smooth. We add about 500 million rand to net client cash flow on an annual basis and that is just purely based on the fact that we are selling these regular recurring premiums and we've managed to sustain the volumes of those premiums. We're getting some of the benefit of volume, by keeping our maintenance costs, our inforce cost of policies are fairly flat and consistent. We'll make some gains through expense efficiencies in 2013 as well and we're beginning to bring that line back as a result of the volumes of business that we are bringing on the books.

Referring back to the market again, specifically in relation to our performance relative to our traditional and non-traditional peers, and we've started making this distinction a while ago, because there are really two sets of competitive forces at play in the market. The first set is against our traditional peers, the Sanlams, the Metropolitans, the Hollards, and that gives you an indication of how we perform relative to our traditional competitors on the lefthand side.

We hold about a 40% market share relative to those markets. We're very strong in the public sector. We're beginning to grow our penetration in private sector markets, and that's really helped sustain the competition. However on the non-traditional side, we are seeing, and things that many of you would have noticed, non-traditional players are typically the retailers. Retailers are beginning to sell Credit Life on the back of credit consumption, and on the back of that they start using their call centres and direct external call centres to intermediate customers with financial services products. So they are beginning to cross sell into that base, and typically we are seeing a lot of that activity from the established retailers, Foschini Group, Eskom, people like that. We are also seeing people setting up direct call centres, particularly in the funeral business, and I'll explain the dynamics around funeral in a short while.

So with that if you bring that segment of the market in, particularly the purple block, our market share in total goes down to about 21% if you look at the impact of the non-traditional players.

The same for our foundation market. We hold a very dominant position relative to our traditional peers, but if you bring in the non-traditional players, you'll also notice that… And non-traditional players here are typically burial societies, so communities are organising themselves to the extent that they don't have access to formal financial services, they start organising themselves. A term South Africans will know is stokvels, another term you may know is burial society, so people get themselves organised, they pay into a club and effectively they self-insure. That wave has really picked up, so our foundation market offering is to provide support to those burial societies which allows us access one to many, as opposed to one to one. Burial societies recruit members, we underwrite their product, and we provide some administration capability to them. So that's how we intend to grow our share in that market by leveraging off the capability that the non-traditional players in the sort of informal sector has started developing.

So I'd like to focus on particularly the rationale around funeral, but before I get to that, maybe I can talk to you a little bit about what our sales split looks like. So in the 2012 to 2013 year, we've seen a growth in our risk in our funeral business, but we've also seen a growth in our savings business, and the savings business is largely driven by a couple of factors. The first thing is that many demographically younger people have come into the formal market. Public servants have started transacting with us, and are becoming more and more concerned about savings, about asset accumulation as opposed to risk. And I think it's also the effect of the campaigns we've had around savings. Not only Old Mutual but at an industry level there's been a real focus on savings, and I think as people are urbanising, as people are accumulating or sustaining higher incomes, particularly in the public sector, that's starting to drive the interest in savings. I think we've also started responding with product offerings and we'll roll out our next generation savings product early next year. That will also continue to drive our savings.

I do want to pause because I think many people who are not from South Africa may have a question around this thing of funeral policies. Why do we sell so many funeral policies, and what's the thing around funerals? We had a media briefing this morning, and that was also a question raised. So in South Africa there's a huge significance around death and around the burial rites, and those costs of funerals have escalated for a couple of reasons. Once again as people have urbanised and moved out of the rural areas, there's the cost of body repatriation because people want to be buried at their place of birth or where their family homes are. Traditionally many family members go back to their place of birth, so the cost of accommodation, the cost of catering is all added to that, and there's also a real cultural significance in giving somebody a proper burial. For younger people, the biggest challenge is dealing with the inevitable cost of the death of a family member, a parent, and those costs often people aren't prepared for and historically people used to go lend money to cover that cost, and that gets them into long term debt. The funeral product obviously allows them the opportunity to do two things to ensure that they cover themselves and their immediate family, and we've got a non-underwritten product, where there's no underwriting required, where we're able to extend cover to extended family members. Underwriting is a huge issue. Because of the HIV stigma in South Africa, many people did not go for underwriting and do medical tests, so we are able to do, without underwriting, we are able to offer the product. We are also able to offer those products to extended family members. You can add beneficiaries or you can add additional members to your policy and that's really been very effective in our market, and that usually constitutes the basis, the core base, of someone's financial plan and portfolio in this market. From there people migrate into saving or they upgrade the funeral risk product to an underwritten product where the cover is much greater. So that's sort of the dynamics around the funeral business in South Africa.

Just to give you a sense of where the most of our business comes from. At the moment Gauteng is still the biggest contributor geographically to our income, and the savings. About 30% of our revenue, our APE, comes from Gauteng and 24% of our risk premiums come out of the Gauteng region. Then KwaZulu-Natal, which is the second most populous region in South Africa and then the Eastern Cape and the Western Cape where our brands are particularly strong, and we've got a traction. The other regions are a little smaller by size, and you could see the proportional contribution that we get out of these regions.

Marshall also spoke, and you can see what we refer to as the customer hero so just to emphasise these are real people, real photos, not models. These are real customers who have real policies and contracts with Old Mutual, it's real data that we use, and we've used these people really to indicate a sample size for us to understand the behaviour of customers, so we had a fairly crude analysis of income before. What we've moved from income, we've moved to attitude. We've realised that different people, irrespective of income, have

different attitudes towards financial planning. Some people are a lot more fastidious in the way that they deal with their financial plan, irrespective of income, and other people are a little bit more casual about financial services and their different expectations from us as a provider, so in crafting our value proposition, we need to consider access, we need to consider product, we need to consider flexibility. Lots of people run into cash flow difficulties just because of the way they manage it so we need to build that flexibility into some of our products, and so the reason I've pointed this out to you is to give you a sense of what people's different expectations are and how we build our customer value propositions. And this has been very helpful for us, particularly as our product sets have started evolving and as we train our advisors. Many of our advisors now have to go through additional training modules to start dealing with slightly more complex savings capabilities that customers are expecting us to provide some service and advice on.

I think one of our core strengths as Old Mutual, and Paul referred to that, and definitely as the mass market, is our tied distribution and advisory capability, so as far as we know we are the largest tied distribution capability on the continent. We have about 4300 advisors, in force advisors, salaried advisors, and why that's important for us is because we could deploy them, We work in work sites so what typically happens in the public sectors, we work with the trade unions, we work with the HR divisions and we provide access for our advisors into work sites, so we have a one to many capability. What that does is it has huge impact on productivity so typically an individual advisor would do about six lives per week per advisor. In our in-house advisors where we have service capability and I'll talk a little bit about our OMF branches, it goes up to 14 lives per advisor per week, and that's often people who walk into our branches seeking the services of Old Mutual and who then also we are able to sell a product or a service to. So the worksite model combined with salaried advisors allows us to deploy people and to drive the productivity in that area.

We work in communities so the business is very routed in communities. Ralph spoke earlier, and Paul spoke about it, and Julian spoke at dinner last night about what we do for communities. That's not just a nice to have, CSI initiative, it's core to what we do, so we entrench our brand in the community, we identify people in those communities. We recruit them to work for us, we train and we accredit them and we redeploy them in to those communities to service the broader community and that's pretty much been the mass model for the last 40 years. I indicated to you that the salaried advisors with bi-monthly bonuses and we have a very well-established performance and submission standards process. People don't meet those processes, you know, they get worked out of the organisation quite quickly, so I need to be cautious how I land that, but there's a clear view of what's expected in this business. There's a clear view that if you don't perform, what the consequences are and that's pretty much embedded in our business. I pointed out that our in-

house productivity is extremely high and that's because we're able to attract people into service branches and then also put them in front of an advisor.

The one exhibit that I did bring along, which I want to have a punt for, which I think is key to the growth and sustainability of our business, if you haven't seen it, please pick it up and have a look at, is financial literacy and training. So we developed a module to do financial literacy and training, because in this market there's a relatively unsophisticated understanding of some of the mechanisms and products available to people, so we deploy people into worksites not to sell but literally just to get people to understand the various products and services available. That's allowed us access into big worksites, and we've trained about 300,000 people. It's an accredited programme and that we're also rolling out now through unions. We're working through schools and trying to build that into the curriculum. We're working with the military and trying to make that as part of the promotional requirement for people into officers level, and that we think is going to give us and will continue to give us good traction.

Looking at the benefits that on the right-hand side just gives you a breakdown of what the average premium is for the various categories of products. Coming to Old Mutual Finance, so we have five years ago, we embarked on lending, so we've gone into unsecured lending, and we've built to date in the last five years we've built just south of 8 billion rand loan book. The key point to emphasise is we went in to lending out of a necessity, because many of our customers were taking lending products from competitors and those competitors built transactional relationships and had the real possibility of dis-intermediating our customers. The second thing is our customers are demanding it. They're wanting it. If we're not going to offer it, someone else is going to give it to them. And the third reason is that, if you're not able to have sight of that lending pattern, of the behaviour of the customer at that level, you potentially run the risk of having real challenges in continuing to collect premiums because that will be replaced by credit instalments. So we moved in and we established the Old Mutual Finance business, and Werner Alberts, who runs it, will be available for questions with myself a little later, but it's also given us a couple of other advantages. The first advantage it's given us is it's allowed us to open 230 branches which literally run on a P&L basis, so they're not sort of cost centres, they're branches which have to generate an income and it allows us new points of service. So relative to our peers in the market and our traditional competitors, we are rolling out branches, and those branches are viable in their own right, and it now allows us the opportunity to provide service and sales of insurance products through those branches. On average our advisors located in those branches are 2.4 times more productive than our individual advisors who go out into the field, so we've had a real opportunity to lift our productivity through these branches and the premium size is about 14% higher, so they're able to sit down with the customer, engage, but because we're also looking at what the person's lending

portfolio is, we're able to offer the flagship product, is the My Money plan which is a debt consolidator. So typically when people hold multiple loans, they pay a fee on each loan, we consolidate that, we don't charge a fee so we free up some cash which allows people affordability for financial services products. So by consolidating we create some space in the monthly cash flow and we allow ourselves the opportunity to engage with customers on a product which potentially they can now afford. 14% of our life sales, 14 seems to be the magic number here, but 14% of life sales at the moment are coming from OMF and we anticipate that that will continue growing.

The key advantage in this market is being able to retain your customer relationship, so product persistency and customer persistency, retaining customers is key. What the branch allows now to do is, not only does it have billboards out there, but have real life billboards, our branches under the Old Mutual banner, where people can come to and get service, they can get sales if that's what their requirement is, and we now have debt counselling facilities. So people whom we're unable to service purely because of affordability we're able to refer them to debt counsellors, and over time, hopefully with some kind of assistance and rehabilitation, bring them back into the formal financial sector either as risk savings or lending customer.

This is just to give you a view, and I'm sorry the slide is this busy, but it's just to give you a view of what our branch architecture will look like. So before these branches were constructed purely for lending, so were designed for lending, so you'd go in, and you will have sight of them tomorrow, when you walk in there's somebody who greets you and effectively they are just lending agents out there, and there'll be one service agent stuck in corner. All those lending people are now being trained to provide service to sell insurance products, our systems that support that will be able to support all of those functions. So you'll be able to come into a branch and not only get lending, you'll be able to be serviced for an existing product and you'd be able to seek advice on a new product and transact with us on either risk or savings products, and that immediately increases our reach and we believe will increase the levels of our productivity in this market.

That's just to give you a view of what the branches look like, they're not fuddy-duddy old insurance branches, we're into our third generation of design and we're trying to make it as appealing to people to come into the branches. And you would see some of this, those of you who are going on the tour tomorrow will have sight of this.

Now to come to iWYZE, which our partnership with Mutual & Federal, and grew out of collaboration with Mutual & Federal. Currently we have in iWYZE just under 50,000 customers and we recognise that as people were commanding higher incomes, particularly in that middle band, people were beginning to acquire stuff; they were buying home appliances, white goods, motor vehicles. And 20% of our book of business in iWYZE are customers who

command a premium, a short term in premium, property and casualty premium of more than 650 but have never been insured before. So that's the market of people who have assets but have never been insured, so they've either bought the assets without insurance, often people will buy a motor vehicle and lapse the insurance. That's the market and we've got a customer base of 2.5 million people, and that's the base in which we're now beginning to sell the iWYZE product in. The product has to be incredibly price competitive because there's a fair amount of competition in this market, so we don't sell this through the advisors, the advisor purely provides a lead and we sell it through a direct call centre where we call and engage the customer. The second great advantage of this is many customers, and particularly in certain age bands, are a lot more interested in either credit and insurance on the assets than they are on life insurance. So life insurance will come, and that's still our core business, we've got to get there but it's a way of us capturing new customers, capturing younger customers and offering them the service. So from a client acquisition perspective it's been good and it's been running for about three years, and we've learnt a lot on getting the right pricing levels in the market because that's been key, getting the right pricing. So we've gone through a couple of incantations in that and we think we've got it right now.

Just to talk about some of the specifics, some of the things I would have mentioned to you before from an Old Mutual Finance perspective, we're expanding through our branches, and I'll close out with that, the key bit is maintaining collection rights. So everybody asks, you know, how will we grow, what's the pace of growth? Our view on that has been very simply that we don't change and we will continue to be prudent and hard on our criteria. So far, we'd probably get to about a one in three approvals, relative to our peers with about two in three, so three out of ten applications to approvals. So we'll help anybody who meets the criteria we'll assist, and we'll stick to those criteria. You'll have seen us hardening, we've gone through three generations of credit scoring and we keep hardening those criteria. We've grown the business to just south of 7 billion rand loan book, 5% of market share, we're comfortable, this business is to make sure that we build transactional relationships with our customers and we build a point of service. It's not to try and out-compete the other lenders in terms of market share, there's a means to an end in this part of our business. And then, of course, the key flagship product is our debt consolidator, our My Money plan, we do do personal loans but the key thing is to help people with debt consolidation. And then I've just shared with you now some of the iWYZE attributes, but our key advantage there is customer stickiness and being able to acquire new middle income customers.

Some of our successes and some of our challenges, we've had good advisor growth; we've continued to grow advisors. In the face of the regulatory exam pressures that we had we bulked up a lot of advisors, we had a series of

regulatory exams that were implemented by the regulator, and I was going to say foisted, but it was implemented, and by agreement we embraced it with the regulator. And we were challenged by it, some of the numbers were public, the first 100 people that went through training we had seven who passed, and we now have a success rate of 88%. So for the last cohort that went through 88% of the people passed, so we've industrialised our capability to attract people to the industry, train them, accredit them and that, we think, has worked extremely well for us. Public sector penetration, we continue to dominate our position in the public sector and I think our brand and our value proposition stacks up as well as with the key relationships in those markets.

And the new product advances, so next year we're talking about that we will release a two in one product, we realise that many people want to save but often product persistence, the products are cancelled or lapsed as a result purely of affordability because people have short term financial needs. So the new product will allow us to release some cash for those inevitabilities, but allow people to continue saving in the long term bucket, as it were. So we call that the two in one, we've gone through some regulatory processes with that and finally have got approval, we've gone live with it only to managers and some senior advisors, and next year we'll take it to the broader part of the business. We've been able to maintain our margin; I think that's a function of growing value of our business, but also through managing our expenses fairly consistently.

And then we've had good customer growth numbers, we're confident with our ability, this year we'd add more than 150,000 customers this year alone to our business, and that's something we anticipate based on advisor number growth and the potential in the markets we serve we'll be able to continue.

Challenges, yes, we do have problems, our market is incredibly vulnerable to macro-economic cycles, affordability, indebtedness, unemployment, those are things that impact our business. And so it means we have to build flexibility in our product design, and we also have to score and rate our customers and look at products that help them particularly around this issue of debt consolidation. There's a lot of competition, historically nobody wanted to play at the base of the economic pyramid, now everyone's in the game, referring to it as, sort of, the next wave of opportunity for insurers and lenders, and everyone's trying to play in this space, even the retailers, the FMCG retailers. And then payroll deduction remains challenging in the private sector, as the public sector becomes a very contested space we have to look at large employers, so we've got to build a proposition to large employers that allows them, it allows us the opportunity to do payroll deductions so that we have certainty of premium deduction, and that's something we're working with large employers with. They see it as benefit for their employees, we have great data that comes out of OMF, Old Mutual Finance, we see what's going on in large employers as people apply. We look at their payslips and we realise that we can provide those employers with a service through that data,

we use that information to go to them and say, "Listen, we'd like to provide you a service, not only for lending but specifically for helping people save and make provisions for those eventualities that insurance was designed for."

And then my final slide is what we will be doing and what we have to continue doing to be successful. The first thing is, which I've spoken quite a bit about, is this integrated financial service business. So at the moment the business is a bit of a portfolio, we have iWYZE, we have OMF, we have our retail mass advisors, we have different forms of distribution, and we have an entry level market. We need to integrate that and we're using the branch presence as a way of starting to integrate our proposition through key points, bricks and mortar points, and through our 4,300 advisor force. So that integration is a key focus for us going forward. We've got to continue focusing on the quality of our business, so be very clear about the market segments we play in, making sure that we're able to capture the premiums on time, and also growing advisor force appropriately because, you know, this business is very simple, a thing I learnt many years ago in this business is the sales head count, times activity, which is productivity times premium size less persistency, gives you a net result. So if you ramp up your advisors you could move quite quickly but you have to measure the quality of business that you get. So that's going to remain a very key focus for us in the business. And then collaborating effectively in the group is a key. So iWYZE is a result of our collaboration with Mutual and Federal, but within the group, Bongani Madikiza will talk to you a little later, has a huge corporate base of customers. We've got to start, and we have started, working on how we're retailise that relationship with customers, converting a corporate customer into a retail customer and adding another layer of service and interface with the customer. And the last bit is delivering the enhanced value proposition that Marshall spoke about. We think we've got great insight into our customers, we think we've got a great view of what our customers are expecting from us, and we know where there are pockets that we are serially underservicing in. So once we get this value proposition embedded, we think that will also give us traction, it's not only about collecting premiums, but getting customers to accept that this is valuable service to them and they actually want to continue maintaining this relationship.

Let me now hand over to Iain, can I hand over to Iain directly, Iain Williamson who is the managing director of the Retail Affluent business who'll take you through his business. Thank you.

Iain Williamson

Iain Williamson: Thank you, Crispin, and good morning everyone. I'm going to take you through the Retail Affluent segment of our South African life company. For those of you who don't know, the way that Marshall described it yesterday, our segment targets the market from customers earning 20,000 rand and

above per month in the South African market, right up into the high net worth space and incorporates our wealth offering.

Agenda for today, I'm going talk you through our business philosophy briefly, talk about what's happening with the market, the market share or our view on it, I'll focus on advisor quality, our approach around customer centricity and what that really means. And then I'm going to talk briefly about Old Mutual Wealth and outlook for the business overall.

So when we think about our business we have a view that first of all the market is currently intensely competitive, and that's not going to stop, our regulator is likely to become increasingly intrusive over the two to three years using the TCF umbrella on a principle based interpretation of regulation, rather than a literal interpretation. And that our customers will become more demanding and more discerning, they want better service from us, they want an element of control over their financial position, and they want us to provide transparency and a good quality product.

So we've responded to that by looking at our business through four lenses. The first is a lens of absolute focus on the customer. We've spent the last two years on a bit of a cultural journey in our business to really embed more of a mind-set of start with the customers' needs, really deeply understand sub-segments of the market, what those segments are looking for, and how we can then capture the growth in those segments. We then take a look at the proposition that we take to those segments, and if I give you some examples, as a consequence of doing this we've dramatically improved our quality of our underwriting standards and turnaround times in service over the last two to three years, we've improved the cycle time through which we conduct key transactions to clients and intermediaries. And as a consequence of all that the feedback from our clients, from a customer satisfaction perspective has been great, we do actually measure it, and the trend has improved quite a bit in the last six months, even.

Distribution is obviously then the third lens in our business, and like in Crispin's business, we believe it remains a key competitive advantage for us both in terms of its scale as well as the balance that we have in our distribution between independent and tied distribution. And we've started to both broaden that distribution, focus on quality in distribution and add new capabilities. And in particular, I'll talk later about the work site capability that we're adding in the affluent market as well as some of the online capability we've added for clients. And then finally the fourth lens we think about our business through is our people. In this business we don't invest truckloads of capital in yellow machinery to go build roads and stuff, our big investment is in our people and the skills of our people. And we believe that skills, experience and a common core set of values remain a core differentiator in this business. And I think evidence of the investment that we've made at Old Mutual in this is that we were number one in the Deloitte Best Company to Work For survey

this year in South Africa, so our employees are starting to recognise us for the way that we invest in them.

Turning then to market share, this is in our market quite a difficult thing to get your arms around, and I think Mike Cristelis does a research report every year, one of the sources of information we have a look at and we look at the ASISA stats, we look at the Swiss Re survey on the risk market. We try to triangulate all that information to come up with a view of what's really going on. And the recurring premium risk market, according to the Swiss Re survey in 2012, we were second in the market by premium volume and first in the market by number of policies sold to clients. In the single premium space it's a little bit more complicated, there's a trend, as Paul said yesterday, in the market for customers to buy out of preference through the non-life wrappers, or the unit trust wrappers, or the list wrappers, rather than through the life wrapper. And really that's a trade-off between transparency and flexibility for the client, versus the value of a potential guarantee in a life wrapper or tax advantage for a very high income client in the life wrapper. And that trend has been quite an on-going trend over a number of years, but it's accelerated quite a bit in last two years, and it's been pronounced in our business. So when you look at that from a market share perspective we've lost share in the single premium life wrapper space, because I guess the shift in our business has been pronounced than it has across the industry, but gained shared broadly in the non-life space. And we believe overall we're neutral to slightly up.

Turning then to the target market, so this is the BMR data, the Bureau for Market Research data, in our target market 20,000 and above, the market from 2011 to 2012 grew by15%. And as you can see in the graphs on the left, the mix between the various income bands remains broadly static. In other words, all the sub-segments grew at roughly the same rate. There's two interesting other dynamics here though, one is that over 50% of this market is under the age of 30, that creates a huge opportunity for us in the sense that, generally speaking, that the young people coming through are an opportunity that we have not historically serviced well. And secondly, it gives us an opportunity to form a relationship at an early age and hopefully turn that into a lifetime relationship for being a preferred provider to that client. The other demographic that's interesting is that while the market overall is growing at 15%, the white market is currently the biggest proportion of that market that is not growing at all, and if anything it may well be slightly declining. But the black market is growing very rapidly and it's the source of all the growth in that overall market.

So turning then to a slightly more granular view of where we see our growth opportunities, and there are four areas that we've identified as under penetrated sub-segments of the market for our business, and they're not mutually exclusive, they do overlap with each other, but they all provide a lens. They're quite material in size, so Gauteng geographically is an area where we are currently under penetrated, that constitutes 46% of the black

middle income market in South Africa, but it also constitutes 44% of the high income and high net worth individuals in South Africa, and furthermore, constitutes 40% of the GDP. But it constitutes nationally approximately 25% of our sales, so you can see that we are relatively heavily under penetrated in that market.

I've already referred to the black middle income segment being a great opportunity from the perspective of that's where all the growth is coming from, if you overlap that then with the Gauteng opportunity which is 46% of it, you can see there's a clear focus area to focus energy, effort and investment to ensure that we apply our scarce resources in the right places.

Thirdly, the public sector, I think Marshall talked about this yesterday, but that's an opportunity for us in a couple of dimensions. The first is that the public sector has grown in South Africa from 11% of formal employment in 1970 to 24% in 2011. That's quite a long term trend demographic, but it does indicate that it's more than doubled over that period of time. Secondly, wage settlements in the public sector have been over the last five years or so considerably more generous than in the private sector, and we believe the average employee is now earning more than their equivalent counterpart in the private sector. So that's a big opportunity for us, and that opportunity is enhanced by the fact that our retail mass cluster has incredibly good relationships with all the gatekeepers in the public sector, both in government itself as well as in non-government organisation, sorry, state owned enterprises. And that gives us an opportunity to get access, which is quite a difficult thing to arrange in the public sector, typically for work site, you've got to get a permit to operate in that work site and there's various hurdles that you need to jump through before you can actually gain access.

And then finally, on the fourth opportunity is then in the wealth space. And there we believe we have under invested in our business since around 2004 in that area, this year to we took to market a new proposition in that space and I'm going to talk some more about that proposition later on.

Moving then to talk about distribution, as I said, we see this as a key competitive advantage, both from the scale and the diversity perspective. We believe in trying to maintain a balance between independent and tied distribution from the perspective that the tied side is more costly to run than the independent side, but it trades off against a greater degree of control on the tied side. As you can see on this chart, by headcount our tied distribution constitutes around 25% in the traditional commissioned PFA force, and our agency franchise force constitutes a further 5%, with independent intermediaries by number of contracts constituting 68%. That picture is somewhat distorted by the fact that there's a long tail in the independent intermediary contracts which, for example, would include some intermediaries that perhaps are drawing down a trail fee on a contract sold five years ago but are not currently supporting Old Mutual. We've actively sought to trim

that tail of intermediaries in the last couple of years to ensure an efficient service model into the broker market.

On the APE side you can see a more balanced picture, 50% of sales coming from PFA, another 9% from our franchise business, 38% from independent intermediaries, and the other category includes our telesales operation and our private wealth management business which is right at the top end of the market.

So when we talk about a customer centric approach, how does that unpack? Crispin referred to the customer heroes that we've identified and the fact that they're real people with real needs, where we've understood them through focus groups and physically gone and asked a person who's a current customer of ours if they're prepared to be one of our heroes. Outside in the showcase area where you have tea and coffee, you'll on the right the big board that's the Old Mutual South Africa piece with a TV screen in it, and if you'd like to have a look at our financial lifestyle solutions ad, it's on that screen. That ad was designed around this deep understanding of a customer, and the feedback we've had on the ad is that we really hit the spot in terms of understanding the customer needs, resonate with those customers, and we've won a couple of awards for that ad.

So how does this work? Just working from left to right, we try to understand our customers at quite granular level of detail, and ideally you want to get to a clear segmentation of one, that's physically impossible from an economics point of view, but understanding what they're looking for, what can we afford to offer given that demographic profile. And what's going to differentiate our proposition from competition, understanding that in the context of a life stage of a client and what they'd be looking for in that life stage. And then, critically for us, we see advice and the quality of advice that we provide as a critical ingredient that will provide differentiation going forward. It's very difficult, particularly in the wealth market, to differentiate on anything to do with your funds, your platform, all of that stuff, you're really going to differentiate on the quality of your advice and the quality of the service that you offer.

And then there's a factor in this which is identified through the customer heroes of how people want to be dealt with. So this is a softer issue, some people want the professional approach from an advisor who'll sit them down and talk them through their affairs and is pretty clinical. Other people really want someone to hold their hand and take them through a process. Ultimately, we want to give our clients the outcomes that I've listed there on the right hand side. Critically, from a brand perspective, we absolutely want to stand behind the expectations that we create and deliver on the promises that we make to clients, and we want to leave them, fundamentally, with security and peace of mind. We believe that that's really the outcome that our clients are looking for.

I'll talk a little bit about innovation. In our world the product range that we have covers the waterfront from life insurance protection, savings on a regular basis, lump sum investments, short term insurance through Mutual and Federal, it pretty much covers the insurance and long term savings needs of our clients. From an innovation perspective, Greenlight is our flagship life protection offering. This year we've introduced a tailoring of that product through the life stages and we've taken out to market more to help intermediaries to understand what conversations to have with a client in a particular life stage, what needs it is that should be serviced at that point. We've also recently, quite quietly and below the radar, added a web based quoting tool that's available directly to clients so they can log into our website and request a quote on a protection product and have that quote delivered back to them. It's an indicative quote at that stage and they can make a phone call and close the quote and deal in a few minutes, subject to underwriting requirements.

Second bit of innovation this year was our XtraMax product, this is a structured product, a lump sum investment structured product, we launched it in May, by September this year sales were just south of a billion and that trajectory has continued up to now.

The third area that's a recent introduction has been the SmartMax product range which talks to the education need that clients have for their children. I think Marshall spoke yesterday when he talked about the savings and investment monitor findings, that in this market the two core needs that people are looking to service are retirement and education, so it's targeted right at that need. And for those of you who are familiar with our advertising campaign, the first ad we flighted on TV was playing to that particular area.

And then finally, a fourth area of innovation will be the Old Mutual Wealth offering which we've taken to market this year. I'll talk about that in a minute.

If there's one slide that I think differentiates us from our competitors is this one, and it's really about brand promise and what we stand for. We really do believe that we need to make sure that we deliver on our promises. And I think it's not just something we say, and this is the evidence. This referring to our Greenlight protection product range, we paid out 2.8 billion in claims last year, of that roughly 2.2 billion in life cover, you can see the other amounts for the other benefits there. But critically, we paid 98% of all claims received across all those benefit types, and that's a best in industry stat.

I'll move now to just give you an overview of the thinking and what we're doing with our Old Mutual Wealth business. We've consolidated seven existing Old Mutual businesses into this area, and they include names that will be familiar to some of you, the Fairbairn Capital business, Old Mutual unit trust business, the Acsis business that we acquired in 2009. And the idea was to create both a single philosophy, a single point of entry for clients, simplicity and efficiency. It obviously comes then with quite a lot of scale, there's 278

billion of assets under management in that stable, and we intend to add, or are in the process of adding, the capabilities at the bottom of that slide. So fiduciary services, earlier this year we acquired, or lifted out, a small team from Fairhead's Trust to provide those fiduciary services, and we are integrating these offerings into the overall platform. We're adding stockbroking, we've set up an ability to execute on trades, the piece that's still outstanding which is work in progress, as to now that's currently a standalone offering, we want to integrate that into the platform so it's an integrated part of the value proposition. And then we intend to add some structured lending capability to that in the future as well.

So if now talk quickly about the value proposition in this offering. We see the differentiator here being that it's an advice led offering, so if you had to ask me, you know, "Where did you invest the money in creating this capability?" It wasn't in the funds or the platform, it was actually in the tools and the support processes around the advisor's practice and the quality of advice. And the fundamental aim here is to make sure that we enhance the quality of the conversation that advisors have with their clients, which we believe will result in stickier clients with deeper share of wallet over time. So the advice philosophy that's followed is what we call financial lifestyle solutions or a financial lifestyle planning approach. It's really about understanding a person's lifestyle at the level of their family's way of living and their needs and requirements, and then translating that into financial consequences. And then once we understand those financial consequences, to figure out what return does a client need to earn on the money they invest with us, what does that translate into from asset allocation and portfolio construction perspective, and then only finally at the end, what does that mean for the risk that the client needs to take? And we'll have a conversation with them about whether they're comfortable with that risk, and that may result in some circularity but it's really important that that's understood and agreed to at the end of a process. We then support that philosophy with a whole lot of tools that we put into the advisor's practice to enable them to deliver that experience. We obviously also support them with the implementation and the investment management behind that to give fulfilment to the outcome of that advice process. And finally, we supply specialist support to the intermediaries around how they should be doing this, coaching around how financial planning should work from our point of view, etc.

From a planner's perspective then, we've tiered the proposition. So at the top of the pyramid, I guess this is the narrowest proposition but it would maybe be used by quite a wide number of advisors, really this is just for those who want to use our investment capability, investment platform and tools to run their business, but they don't necessarily want to integrate into our advice support processes. At the next tier will then be those intermediaries whose practice is looking to say, "Help me, assist me with how I conduct my practice from an advice perspective. Provide me with those advice tools. Provide me with

some coaching around financial planning, assist me in that way." And then the final layer of the proposition is what we call a partnership proposition, and this is for advisors and intermediaries who completely buy in to our philosophy, and they're only prepared to partner with us. And then at this level it turns into both a business support, kind of, proposition as well as an advisory proposition. So we'll help them with, yes, best practice about how to do your business, this is a world leading way of doing things, this is how you should run your financial advice process, and we give you all the implementation tools. And effectively we would integrate with that advice practice and run their back office for them, in a way.

Turning now quickly to a financial snapshot of the business. As you can see, from 2008 to 2012 assets under management grew our compound growth rate to 12% per annum. You can see illustrated here the dramatic shift that I referred to between life and non-life sales, or covered sales and non-covered sales. The APE being flat over the 2008 to 2012 period, but non-covered sales growing by 36%. In our public reporting about our business we do not include our international sales in this business's reporting, we footnote them in our financial statement, but there's around, year to date September this year, 2.5 billion rand of Old Mutual international sales that are originated from the distribution business here in South Africa.

I just added on this slide the sales that Nedbank contribute to our efforts through a partnership with Nedbank financial planners. As you can see, last year we had 361 million, that's an APE number, covered and non-covered single premiums divided by ten. For H1 this year 257 million, so you can see very nice growth there, it's indicative of our efforts to drive collaboration with our Nedbank partners.

A VNB for last year at 380 million, the thing that I really care about there is the margin, and think we've philosophically, we won't chase market share for the sake of market share, we've been quite careful about how we price our business, underwrite our business to protect our margins. And profit growth at 9%, you can see first half this year some good signs of an acceleration there. And finally, we've included cost per policy metrics here just to show you how we think about costs in our business and the cost or supplement we apply. So our maintenance costs per policy growing at 4% per annum and how we endeavour to keep that growth rate below inflation year on year.

Finally, just turning quickly to the future outlook, and this is really just a summary of everything I've just said. We absolutely see near-term pressure on consumers, and we believe you see that in the market from a recurring premium regular contribution business being under pressure, there's an absolute trend towards transparency and away from covered business, and I think that that will continue on the lump sum side. However, there is a deep structural demand for protection and savings products, South Africa's saving culture is appalling, and a recent survey that came out showed that we are

dramatically under insured from a protection perspective as well. And we believe that we know that our market's growing by 15%, we also believe that we've identified the pockets of the market that are likely to give us above average growth, and those are them on the slide. And finally, our whole value proposition is really differentiated around advice, and that's how we're thinking about it and we believe that there is TCF world and regulatory world of the future, it's going to be critical to get that right.

So thanks very much, and I believe we're going to go into Q&A.

Q&A session

Paul Hanratty: Iain, thanks very much. I wonder, Crispin would you mind coming up and Andrew Bradley and Werner Alberts? I know, Michael, you'd like the first question, would you mind if I beat you to it? Can I start? Andrew, can we start with you because we haven't heard at all from you? Andrew was the founder of Acsis, and I actually regard Andrew as the guru of financial planning in South Africa in the top end of the market. So could you talk a little bit about the philosophy for one or two minutes that underpins financial planning in South Africa and where we see the future? And why it's so integral to wealth business?

Andrew Bradley: I think firstly, we've seen fundamental changes to the dynamics of individuals and how they engage and look at their own financial affairs. if you looked 20 years ago our life expectancy as a retiring 60 year old was, 10, 12 years, now that's 20, 30 years. So in an environment where there's no real meaningful social security network, people have to look at that very, very differently. So understanding where you are now and where you need to get to, and how you're going to get there is the essence of how we've put together the value proposition. So our point of departure in the past, generally in this industry, has been having a product and trying to find a client for it. Now our focus is making sure that we understand our client, making sure that we understand their requirements, and that we find the most appropriate product for them to ensure that they can achieve their objective. Also from a regulatory point of view, we're seeing some fundamental changes occurring there. We've benchmarked our wealth business on the basis that should the UK or Australian regulations be implemented in South Africa today, as is, would we be fully compliant and future fit? And the short answer to that is yes. So we've had to make some subtle but significant changes to our approach. Iain set out in his presentation the essence of what we call lifestyle financial planning or asset liability modelling to make sure that we match our clients' requirements with what we need to deliver for them.

Paul Hanratty: Andrew, thanks very much. Michael, let's go to you.

Michael Christelis: Thanks, guys. Two questions if I can? Firstly for Crispin, you talk about having about 20-odd per cent market share, if you include the non-traditional players in your space, but then at the same time you've got about 2-odd million clients, that equates to a market, in your eyes, of about 10 million clients that already have policies out there, I think the number's a bit bigger than that. But, you know, that's already two-thirds of what you consider the market, in terms of your 15 million people within your segment. What I'm getting at is you've got a medium term target of new business growth of about 15% per annum which has been widely stated, I mean, how long can you sustain that level of growth given, you know, you've got to be reaching a point where that market's becoming saturated? Is a question to you. And then Iain, just to give you some to think about the second question, I guess, is we've seen a reversal of a long standing trend in the South African market, away from, over a 20 year period we saw less and less business coming through agents versus brokers in the market as whole, as per the ASISA stats. That's now starting to reverse quite dramatically, I wonder if you can give us an indication of the level of productivity you're seeing in the broker space, in the IFA space? In other words, the brokers that are left, are they writing more and more business each year, or are they shrinking as well as losing brokers out of the industry? Thanks.

Paul Hanratty: Michael, thanks. And I think you've asked a question a lot of people want the answer to. So Crispin, how are we going to sustain the growth?

Crispin Sonn: So, it was important for me to point out what's happening in the customer migration in the foundation market space because that's a significantly under penetrated segment. So depending on what happens from an economic growth point of view, assuming that the economy keeps growing at around 3%, what we have seen over a period of time is that there are small chunks of those foundation customers actually migrating into core mass. The minute people go beyond a 5,000 rand monthly income their appetite and their financial behaviour shifts considerably, and there are three surveys that we've relied on that has pointed to that. So that's the one area where we see people will start migrating and continue to migrate into the core retail mass space. The second issue is that the public sector is the area that is very competitive and fairly penetrated at the moment. The real opportunity lies with large private sector employment spaces, and that's where we need to get our private sector proposition in place. And that means dealing with a lending proposition, that means dealing with our short term proposition and bundling our core risk and life offering. So that's where we think we'll continue to grow in the private sector over time and maintain our strength in the public

sector. It is predicated very much on the assumption that our economy keeps growing, that's pretty much embedded in our assumption.

And then we have seen our ability to claw back out of the non-traditional space. So our proposition, by virtue of the fact that we've got face to face advisors, by virtue of the fact that we've got a lending capability and branch infrastructure, we are seeing our ability to actually capture what's classified as non-traditional competitors as clawing market share back in our benefit but to their expense. And that's we believe if we get this integrated financial service proposition working, that's where we think we'll continue to grow.

15%? I'm not going to comment overly on that, but we will continue to grow our business at least in early double digit numbers.

Paul Hanratty: I wonder, before we hear you, Iain, Werner do you want to talk a little bit, I know we're going to take people around some of your branches tomorrow, which if those people can get up tomorrow morning will be great. But do you want to talk a little bit about your branch model and how we're driving the attraction of customers there?

Werner Alberts: Sure. It is very interesting if you have the opportunity to go out to what we would have formally referred to as townships as well. A lot of the visitors get scared when you use those terms, but there's been major shifts that happened in the townships. Major shopping centres have been put up in these townships and, if you closed your eyes and we took you there and you went in, you wouldn't know where you are. That has brought a lot of change in the behaviour of customers in that that's becoming a meeting place for our customers. So they walk around in these shopping centres and you would see none of the other insurance companies there. You would see a lot of banks and non-traditional competitors there selling their products, and I think that is where Old Mutual has a major benefit now. We are in the marketplace, we're running a financial services shop and that's the way we approach it. It's not a lending shop or just a service centre, it is a financial retail shop. It's been amazing the experience that we've had, you know, the conventional wisdom was that customers don't wake up in the morning and decide, "I want to buy a policy this Saturday morning." But they do walk past the branch and they do come in for service and enquire, and then do buy the products. And I think that will make a big difference.

The other benefit that we have through the loan applications is that we get the customer's bank statements, and through that we get a lot of information and things of what their portfolio actually looks like. In the mass space you can't get that information generally or easily available, and by having that we can look at structuring a better solution for the customer on the insurance side as well.

Paul Hanratty: Would it be rude to ask, Crispin, five years ago obviously we had no business through this channel, what percentage of your business comes today? Am I allowed to ask you that?

Crispin Sonn: Yeah, yeah. Out of our lending, 14%, so 14% of APE and that's with only 200 advisors in branches. So if we scale up the amount of advisors and advice givers in branches we should get some lift in that.

Paul Hanratty: So Iain slipped me a note to delay, so he could have some time to think. Iain, do you want to answer the second part of the question which was, you know, why is the agency model coming back so strongly? Is it that the IFA is dying or…?

Iain Williamson: So I think there's been a few dynamics driving that. The first is regulatory, so if you go back over the last couple of years with the advent of regulatory exams, actually quite a deep-seated fear of further regulation. So the threat of, for example, the product exams, which now seem to be somewhat on hold from the FSB's perspective, I think really frightened a lot of brokers, particularly the smaller, you know, one man show kind of shops. And what then drove quite a bit behaviour into some sort of supported channel was this idea that effectively there's always been three roles that an IFA needs to play in their business. They've got to play the role of the key individual which is a regulatory role, underneath the FSB licence. They've got to play the role of a business manager of a business, and they've got to play the role of a financial advisor to their client. And many of these guys actually really just want to be financial advisors, they value the choice from a product perspective that they can take to their clients but not at any cost. So many of them have made that switch of saying, "I don't actually want this headache of dealing with a key individual's responsibilities and all of that sort of stuff, and have chosen to join some sort of an alliance structure. That's the first dynamic.

The second dynamic I think has been an emergence of, what I would call, aligned models in the market. Where it's a little bit of a hybrid between a tied model and a pure IFA model, but there's, you know, a product provider that's got a, for example, a shareholding stake in the business or some relationship with that business that is not strictly an intermediary services relationship. That's an area where I think that area's grown dramatically over the last four or five years, but I think that I don't see that continuing much further.

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As a consequence of all of that, you've seen the trend that Michael referred to, and I think the second part of his question was, so what does that mean for what's still there from an IFA perspective? And the short answer is, in my mind, generally the guys that have chosen to remain IFAs are good intermediaries, good financial services planners, they also have some level of scale, so some of them have consolidated. And finally, they fiercely value the product choice that they can offer to their clients and their independence. And independence in their mind is a lot about a lifestyle, in the sense that they don't like answering to a boss who's going to tell them what to do, particularly in a tied channel, kind of, really tough command and control environment. And they value, for example, being able to take as much leave as they want to in a year, and all the kind of stuff you just get in a big corporate. So they tend to fiercely protect those things and value them probably above incremental pay. So the guys who have remained behind are genuinely good productivity, good quality. And what we've seen in our independent channel anyway is after a couple of years of battling to the end of last year, a really, really nice picture emerging this year. So we believe that is, you know, that trajectory will then continue.

Paul Hanratty: Right, we've got questions, Blair?

Blair Stewart: Thanks very much. It's Blair Stewart from Bank of America Merrill Lynch. I actually wanted to ask this question about the rest of Africa, but maybe we can come back to that. But just really trying to get a sense for how you make money. In the mass foundation cluster you talked about there being a broadly even split between savings and risk products. I suspect that the way that profits develop is perhaps slightly different, I'm trying to get a feeling for how you actually make money, what's the most significant profit contributor? And in an affluent segment, again it would be great to get a split of the business by product and, again, how that translates into profits. Thank you.

Paul Hanratty: Okay, Crispin, fire away. I was just looking around if we could see Michael Goemans.

Crispin Sonn: So by far our more profitable component is our risk business and that's where the majority of our profits come from. We get a significant contribution from savings, and what will happen probably with the new products as we start moving with a new savings product, we'll start getting products not only from in the savings component from life, but we'll have probably a mutual fund located as part of that savings aggregate sitting on the savings component. So that will start over time bringing down our life contribution, but increasing the fund, the mutual fund contribution to the profit line. But by and large, the

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profits emerge in our risk space and recently also our credit life. So we get about just north of, through Old Mutual finance we get a significant contribution, an increasingly significant contribution out of our credit life sales and then that profit is also emerging as we acquire a bigger stake of the Old Mutual finance business which is a joint venture with Business Doctor consortium. Mike, am I leaving anything out?

Michael Goemans: No, that's absolutely spot on. So Blair, I mean, funeral is the bulk of it but I think savings business is particularly sensitive to how long people hold the product for, so the better the persistency the better you get, and assets grow over time. But one mustn't also ignore the value expense coverage you get from the saving business. So particularly a dynamic in our business is we've got a large salaried advisor force and even if you… It's not just break-even, our savings business is profitable, but even if it were break-even that's extremely valuable to us from an expense coverage point of view.

Paul Hanratty: Maybe Blair, just to add one, sort of, obvious point which, correct me if I'm wrong, of course the funeral product being a protection product you've got risk margins being released throughout the term. On the savings product, remember these are all recurring premium products, there's virtually zero single premium products, so there's a very delayed pattern of profit emergence, so it would be very low in the savings product in the early years, on a contract, and builds up over time. So it's quite a different pattern of release. And then, of course, Werner's business delivers margins, assuming we don't have credit losses running ahead of expectation, which it hasn't at this point at any stage of the business, you know, clearly you've got effectively the margin on the lending book coming through steadily. Iain, do you want to…?

Iain Williamson: Yeah. So, on the affluent business I would probably highlight four dynamics and drivers. The first is the legacy book, which was effectively our closed products, are still a significant source of profits. And I guess you could almost draw a line in the sand at the year 2000 and say pre-year 2000 is a particular margin pattern in that business and that continues to contribute profit. Then you've obviously got the open products. And the dynamic in the life cover is similar to in Crispin's business, although probably not quite as pronounced, so we'll make more money on our risk business than on our savings business, but our savings business is certainly profitable and meets our pricing hurdles around return on capital, VNB, etc, in its own right. If you then look at the lump sum business, that business is very sensitive to two things, it's the case size that you manage to sell, so the bigger the lump sum the more profitable it is. And we would impose minimum sizes, either overtly or indirectly, to ensure that we don't sell business that isn't profitable. And the second key driver is the fund mix that that client is investing in behind the wrappers. And that fund mix

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will both be in terms of almost, if you like, the risk profile of the type of fund chosen, so if it's money markets you're going to make almost nothing, versus equities where you'll make a decent margin. And then the other area that's important is whether the fund selection behind is an Old Mutual fund or a multi-managed fund with a multi-manager who's Old Mutual, or thirdly, a directly external fund. And the margin dynamics across those three pieces are very different, and it's a key lever that we need to manage in our business to ensure that the mix remains appropriate for our margin requirement.

Paul Hanratty: Maybe Blair, just guys, correct me if I'm wrong here, but I think another important point in Crispin's business all of the savings products are smooth bonus products. So there's a fairly high capital requirement that underpins them and there's a charge on that, so they look relatively profitable. Iain's business, there's a lot of smooth bonus business but that would be predominantly in the legacy book. I'm not saying there isn't any in the new business but it's a much heavier weight in the back book. So again, the margins will look high but the capital sitting behind it will also be proportionately higher. The other point about his run off book, he used the phrase 'draw a line in the sand' but you have to understand that that closed book, much of it is recurring premium business. So actually the assets under management are still growing into the future on that book, it's not a dwindling book of assets. Just for clarity.

Blair Stewart: What size is the legacy book?

Paul Hanratty: What size is the closed book?

Blair Stewart: In profit terms.

Paul Hanratty: In profit terms.

Blair Stewart: What size is the closed book? In profit terms?

Paul Hanratty: We won't disclose that. Maybe we'll pick this up. It is significant. Let me pick it up off line …

Paul Hanratty: Jon?

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Jon Hocking: I've got two questions please. On the mass foundation business the non-traditional competitors you mentioned, these retailers, are they white labelling? And if so, are you doing any of that business or are your competitors doing that? Is that an opportunity? And then the second point, looking at the … I've forgotten my question now. Answer the first one and I'll remember the second one. Thank you.

Crispin Sonn: Yes they are, they're basically white labelling products. We've chosen not to go into that space purely because we think, so the non-traditional competitors, particularly the retailers would white label a product and the two dominant players in the market who do that. And they will split the revenue based on the arrangement. We have chosen not to do that purely because we believe we've got a great retail brand and we believe we want to have direct relationship with those customers. The minute we do and we provide white labelling facilities with third party providers we effectively dis-intermediating ourselves and dis-intermediating the relationship. So for that reason we've chosen not to follow that pattern. And Hollard is particularly known for going down that route and providing white labelling capability. They themselves now are building direct capability and building a retail brand, largely because they have started realising that they are losing that relationship with the customer. So they themselves are building the retail brand and that's not the route we'd like to pursue.

Jon Hocking: Okay. The second question was about the private sector employers and actually linking the payroll systems. How many employers are you doing that with? How many employees are you capturing? Is there anybody in the market who is actually doing that better than you are at the moment?

Crispin Sonn: I don't think anyone is doing it particularly well so I can't say anyone is doing it better than we are. People have said to me, attempting to do that, historically years ago African Life tried to do that, I'm not sure how effective they are in the current construct at the moment. And look, it's early days. It's not a big contribution to our business at the moment so it's less than 10% of our total contribution in the relationships we have with employers. And we are having to convince large scale employers to take this on board because there are systems implications for them. They have to deal with it on their payroll, that's the one thing. And the second thing is there's complexity in the way that the employers interact with them and the demands the employers place on them and we are having to convince them. But that has to be an area, that remains an area of focus for us. But it's less than 10% of our total contribution of APE.

Paul Hanratty: Crispin, why don't you just explain how you are working with Bongani in the corporate market to also give those linkages to the private sector clients?

Crispin Sonn: So because Bongani has the relationship, the primary relationship with those large employers, the few things we know is we have the data and the information available on those customers so we can segment those customers between Ian and ourselves. We know what the monthly income is, which means we get the right advisor and the right product to the customer. The second thing that we have is we have a direct relationship with the employer. So on the basis of the financial literacy fund Bongani has a financial literacy and education programme which we work with. We offer that to customers and we offer to the large employer. The employer then takes that as part of the proposition because part of their problem, particularly with blue collar workers, is that in the event that something happens the employee benefit is insufficient to cover the need. That becomes a problem for the employer because the family or the estate knocks on the door of the employer. We are able to help them relieve their problem by making additional provision for it, so we provide a joint proposition to the customer with Iain's business, our business and Bongani into his customer base. And that's the relationship that we seek to leverage a lot more effectively.

Paul Hanratty: Have we got any questions …? There's a question at the back there.

Asande Notshe: Thanks. Asande Notshe from Mazi Capital. Crispin, in the funeral market, sorry, a bit dark, yes, how many policies per client generally in the industry do people hold? How many funeral policies, just across the industry, if you have a sense? And if you do, how do you think that might … what will happen, let's say with the TCF and the potential for cross actions and things like that? And obviously then the impact on your business. Even if, of course you don't have to tell us your numbers because I'm sure yours is one to one. But just, is there a potential impact on your side?

Paul Hanratty: Better not be one to one or we might not be here tomorrow. We can do better than that.

Crispin Sonn: Yes. So multiple policies is growing so we see a lot of that coming through Old Mutual Finance so let's talk at an industry level. At Old Mutual Finance what we do is we see the payslips so we see what people, they need to provide the payslip to Old Mutual Finance for them to qualify. And we get a good sample in the market to see how many policies people hold, individual policies. So in our space, there are multiple policies and many customers hold more than

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one. And that's not bad because what typically happens within a community is one individual has the ability to make a regular payment will pay the premium on behalf of other people and collect the premium, because they don't have either bank account, they don't have access to a stop order or debit order facility. So that is a behaviour pattern in the market. What is a problem is when you start getting to 14 policies per individual holding that and then it becomes an advice issue. And it means that we have sold too many of the wrong policies to an individual, we need to consolidate that. So we would have to look at our book and then look at how we consolidate it with our product. Typically people try and improve cover by holding multiple policies. Our life plan was exactly designed to help people gain access to higher cover with limited underwriting. So the life plan is exactly designed for customers who want to increase their cover but are willing to subject themselves to limited underwriting. They don't ever go and see a doctor but it's telephone underwriting. That lifts the cover immediately to 200,000 Rand cover with a commensurate increase in premium. That would be the appropriate advice for our existing customer. And then Funeral Plus to cover families and additional family members would be the appropriate product for customers who want to cover their lives of other family members. So that's part of the advice process and in the TCF world it definitely is something we are building on, that's exactly why we have such a strong focus. As Ian mentioned in their business we have a really strong focus on advice, building advice tools to make sure we get the right product for the right need, for the right customer. But I don't think we're going to get rid of multiple policies in the near future, exactly for the first point I made. One person pays the premium on behalf of a whole lot of people and then they settle privately.

Paul Hanratty: But Crispin, ignoring the multiple policies issue which was made, I think the heart of the question is, are people over insured?

Crispin Sonn: In our view, no. It depends on, which survery you read, lets refer to independent advice and please ambush me afterwards and I will hear you. The Finscope data, which I have got available with me, from a funeral perspective there is a view that for the available market only 43% of the market is appropriately covered from the funeral point of view. And that's the independent survey, run since 2002. That's what they are telling us. And in our market we are seeing that there is still opportunity, but I do think the problem is also that some individuals are, individuals are over insured but not the market.

Paul Hanratty: Sure. It's an inefficient method and multiple costs and so on so I understand that. Are there any other questions back there? Just behind David.

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Peter Muller: Hi, Peter Muller Nedbank Private Wealth. Just a question for Crispin, could you just maybe talk around some of the iWyze profitability persistency, how many premiums you collect. And also how that channel could be potentially a blueprint for Johannes and Tava for moving into Africa as part of the digital distribution journal.

Crispin Sonn: I haven't been this popular in a long time. So yes, iWyze obviously as I have indicated to you, the last three years have been a fantastic learning experience for us. We've made great progress, we've got 50,000 customers. But getting pricing right has been a big issue, making sure we get the right price for the right customer and particularly because we've grown a fairly big motor book, we're looking to grow the portfolio on motor by household as well. So we think we've got a few things right now. We think we've got pricing right, we think we've got distribution right and we think we've got our marketing, our branding right. Because this is very much a business about above the line marketing and their own internal customers. It is something I know Johannes is looking at and M&F, Raimund is in the audience, he is probably better placed to respond to this. But our mutual and federal has been working very closely with our African businesses and looking at our short term proposition. The extent to which the market in Africa is well developed or defined I'm not competent to answer. I mean Raimund or Johannes should answer that. By virtue of price and by virtue of the product construct we think it's a fabulous mass market proposition. Roll out and execution, I think Raimund or Tava need to comment on it.

Paul Hanratty: We're going to have a session this afternoon on P&C so I suggest we can always come back to it. I'm going to let one last question. David, you've been very patient.

David Danilowitz: Crispin, I'll just keep you in the limelight. Just thinking forward in terms of you expanding cross sell through the branch which you are developing, do you see a risk of, or is there going to be a conflict in terms of managing the brand? And then obviously the credit risk on the other side of that in terms of increasing declines if the environment gets tough, etc. And how do you see yourselves managing that risk, because you could get yourself into a cycle where you don't impair the brand until there is a credit risk consequence.

Crispin Sonn: Sure. So, look certainly we've now grown the proposition nationally, we've got more than 200,000 customers. I think we've managed, certainly our brand position in line with lending well so far. I don't think that we are going to run into too many difficulties from the brand perspective. Most of the customers that we have polled, so the reason I'm running on, I'm trying to figure if I share

with you what we've seen, the amount of our customers who have these products elsewhere and what we can offer to them. So we would have about 23% of our customers who'd have loans with an existing provider. So we would see on the statement that they have loans with one existing advisor and about 30% with another existing provider. So I'd say about 50% of our customer base, two and half million customer base, holds loans with other providers. And we have quite a lot of information about those customers so we are able to pre-screen as to whether we are able to extend lending to those customers or not. And I think that helps us tremendously with managing the credit risk. From a brand point of view, if I can just make sure I understand your question, your concern that we would have a negative reputational impact on our brand in those markets when we start declining customers who are applying to us for an extend of loan.

Paul Hanratty: Or taking action against them.

Crispin Sonn: Taking action against them. I don't know, Werner do you want to talk about that?

Werner Alberts: I think it's quite an important question to ask and you need to understand the whole process that we follow with the customers. We have a philosophy with our customers as well that you will never walk alone. And that is why when we sell a loan to a customer we don't do it within ten minutes like some of our competitors do or within seconds that you can do on a website. We spend at least 45 minutes with the customer to make sure that they understand the obligation. And we try and build a relationship with that customer as well so that if something goes wrong they do come and talk to us about it and we can then help them restructure the loan or come to other terms with them. So that's integral in our philosophy. We also have customers that get into trouble where we cannot help them and that's why we have a relationship with debt counsellors and they are in our branches and they help the customers as well that need debt counselling. A lot of customers don't want to go for debt counselling and we're working on a solution around voluntary debt counselling and how we help these customers. So there is a great deal of work that we do. We never take out the bat or anything of that nature when we deal with our customers because we deeply the respect the relationship that the Old Mutual has with these customers.

Paul Hanratty: Right. Well thank you very much to the panel. And I'm just going to bring David O'Brien up quickly, who heads up our customer mining centre. And David is going to give us a quick introduction to how we manage our client base and then we will go out for lunch but he will take successively groups of

people across to have a look at the operations. So David, do you want to hop up and give us a quick overview? And once he's done his slides we'll go out. Those of you in the first group who want to go with David, just make sure you grab hold of him.

Session 5b – Demonstration: How are we meeting customer needs?

David O'Brien: Thank you very much Paul. Good afternoon everybody. I am the kind of the light entertainment slot for lunch, which is quite amusing on two counts; I'm talking about data and I'm an actuary. What I would like to just demonstrate, I've just got a few slides here that, they're not in the pack, they won't be on the website because there's some confidential stuff in it. But what I'd like to demonstrate today is just an example of our data management processes. We have a continuum where we take market research, we mix it with customer insight, we add it to the data that generates insight to trigger actions that then add value to our customers and our shareholders. And what I'll show you is just a couple of samples of the steps along that journey.

So you will see the customer heroes here and they're outside in the lunch area outside for you to spend time with. These customers are fundamentally built of attitudes to financial services in tandem with other quantitative data items. Now the funny thing about your attitude to financial service is it's not something that you wear as a badge round your neck. It's something we actually have to derive out of you. So you have all received, you're now part of a live research group, you have all just received a little questionnaire. This questionnaire we recently issued to 987,000 customers by email and we had a pretty staggering response rate for something that is research. But based on that response rate we can then build a predictive model for attitude that allows us to extrapolate to our entire customer base their expected attitudes to financial services. That then allows the business units to deliver CVPs specifically tailored to those specific customer heroes.

Those questionnaires, if you can fill them in and just put your email address on the bottom, we will then give you back a little brief about the attitude that you represent. And they are colour coded for a reason, which I will come to at the end as well.

In terms of attitudes to financial services what makes them quite important, I know consistency has been quite a strong theme this morning and yesterday, attitudes to financial services can actually trump financial circumstances sometimes. So, some of our customers feel so strongly about their insurance products and their protection products that actually they will hold on to them through thick and thin. Obviously again that gives us an added edge, if we can identify those particular attitudes and again focus our marketing efforts to make sure we have more of those types of customers rather than less.

But qualitative isn't sufficient. Obviously we have a warehouse that delivers quite a lot of quantitative data. And this slide here is just an example of what we would call a value segmentation. So we cascade up the embedded value that you guys are very familiar with, we cascade that down to a policyholder level, well down to a policy level and then aggregate it back up to a customer level. And obviously we can aggregate it by region, by business unit, etc. But at an individual level that allows us to see within a customer base is the current value customers and then the potential that they may have from customers that are like them. Obviously we then map it on a standard consulting two by two matrix, it can begin to inform activities and actions within your organisation. So you can begin to offer differentiated processes based on the relative value of one customer to another.

They say that a picture can tell a thousand words. This particular picture tells two and a half million customers, but what this, and I'll talk to some pieces of it and I'm sure all the analysts are busy working their way round the picture. The point of this picture is it is a tool for data visualisation. So when you deal with an organisation with many senior executive leaders, getting them quickly to the important messages from what is a lot of data is a very important part of the process. So presenting the data in pictures makes it much more accessible to a wider community of management, which then figures far more actions and insights from that wider community. So we try and present what otherwise would be fairly dull and turgid data using pictures to make it a bit interesting. So which you can see here, and this is a particular cut of one population of the business. Up there in the top middle you can see the relative value segments, so we've mapped them for this group using the shining stars versus the sleepers, etc. Down here in the middle we have a little graphic that just talks to the age, so you can see that this particular base is quite a lot of generation X, less generation Y coming through, etc. And we have insight into marital status and then obviously the geographical location. Over here, so one of the things that is obviously very important is the data you have. In this particular set you can see we have 99% cell phone numbers but we only have, I think it's 20% email address. Now we have a process on the go at the moment which is a big focus to acquire email addresses which I come back to that point I made around the 987,000. We have in excess of one and quarter email addresses on our base. That in itself is a sizeable asset to the business because it allows us to reduce, for example, correspondence costs, but also makes it easier to get hold of customers. For me personally I think I've moved house 6 or 7 times in the 15 years I've lived in South Africa but my email address has remained constant for that period, as has my cell phone number. So increasingly, the contact detail that we look for for people would probably digital more so than physical.

Moving on then, so that's data if you will, that previous picture. When you get to insights or action we generate leads for our sales force using propensity modelling from the datasets. So we model both the propensity to lapse,

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because basically if you can avoid selling a policy to a customer likely to lapse then ultimately you increase your persistency. We model propensity to purchase, so if a given group of customers, which ones are more likely to buy than others. And as an actuary I do get a bit excited about data. The quantums of data we have to play with mean that the statistical models are actually fairly robust. Given a sample size, you actually get pretty close to fairly good credit activity. But having all those leads is no good if the sales forces don't have the process to actually execute and in a reasonably accessible way to access. So we have a tool where we deliver leads to our salesmen countryside. These are obviously filtered and modelled. But then we offer a dashboard to the management so that they can track progress, because ultimately the value of the lead is based on the action. So you want the salesmen to deliver the message, sell to the right customer with management support. So again, this is just an example of some of the dashboards that we used to feed out to our sales process.

But it's not all dull and commercial. I personally wish 1.6 million South Africans a happy birthday every year, some of you may even be in the room. It's a theme that we've run for the last four or five years and it's really just to connect with customers, to show them that our brand is a little bit more than just a transactional relationship. And actually over the years it has added immense value in the database because when you connect with the customer you have an opportunity to ask them to renew their data, so you get more current contact data. It has triggered leads, so the customer has come and said, 'Thank you very much for happy birthday, I'm actually in the market for a product, can you please introduce me to an advisor?' And it triggers a lot of positive feeling about the brand, which is great. The birthday campaign is tiered so coming back to that value matrix, our very high end customers get a gift couriered to their homes and then they come through to a slightly less expensive gift which is a choice and the down to an email and then down to an SMS at the lowest value range. The tiered gift is quite interesting, one of the things we give is a magazine subscription. Now for those of you who are stuck in front of a magazine rack, publishers are very astute about their target markets. So when we offer 20 publications to our customers the magazine they choose gives us an insight about their preferences and their hobbies. And our advertising department found it quite insightful that half our customers chose one specific magazine. That can then inform your advertising strategy as well as your sponsorship strategies going forward around those likes and wants and feels. When the customer receives this email we refresh the creative once a year so that keeps it fresh, otherwise people get bored. This particular creative has a little video in it and if I may, if you could just play the video clip now just for a little bit of light amusement. So this goes out, like I said, to our clients.

[Video playing]

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So, clearly from this research we know we need to be sending cake out next year. But again, when you issue a video clip like that you get insights into the technology of the customers who receive the message. So what device are they opening it on? Are they opening it on their mobile phone? Are they opening it on their computer? Are they opening it during work hours? Opening it during the evenings? Etc. etc. So every piece of message we engage with offer the ability to build your dataset and learn a bit more about your customers.

Then just to quickly talk about customer retention because one of the areas that we then build off the dataset is really retention activities. We have polled 1.2 million customers per annum, we have a growing base of agents and you guys have been invited on a tour to come and see this call centre, which we're very proud of. It's got a great buzz and I'll talk to that just now. But the base has grown very quickly. But this is akin to debt collecting and that question from the middle, I asked this question, how do you collect debts? What does it do for your brand? When we talk to these customers about effectively missed premiums on their policies we don't say, 'You owe us money.' What we say to them is, 'We are concerned that you are going to miss out on the benefits of your policy.' So we anchor it back the reason why they purchased the plan and actually our net promoter score from the customers in this line is one of the highest in the group because customers really value the fact that we're taking the time to talk to them about their products and their product journey.

The graphic on the right, I think Bongani touched on retirement fund reform in his presentation. We have directly preserved 125 million Rands into our preservation vehicle. For the non-South African people in the audience, in South Africa you can access your pension fund when you change job. Historically, the perception was that blue collar employees would access that fund and then fritter it away or buy a car or whatever. We have proven that if you actually talk to those customers and offer them a modicum of advice over the phone you can actually get them to preserve, and to preserve significant amounts of cash. Which is obviously good for our business model but, far more importantly, helps boost the retirement savings for the country. That's my last slide.

The questionnaires you have, if you can just fill them in, just write your email address on the bottom and then we can email you back the result. They are colour coded for a reason. We are trying to stream you into groups, there are three hosts at the back of the room so if you would like to go on a tour to see both the retention call centre and one of our operational service call centres the hosts will escort you through in groups through the building. For the balance of you lunch is available outside. Yes. My name is David O'Brien, I'm responsible for the data analytics warehouse. I will be around in the lunch

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area and on the tour if you would like to engage me for questions. Thank you very much for your time. Thank you, Paul.

Session 5c – How are we meeting customer needs?

Paul Hanratty: Hello again, welcome back everybody, and I hope some of you got a chance to go across to David's guys and have a look at the work that's being done to work the client database in an effective manner. I'm going to hand over now to Bongani, and he heads up our corporate business, and he'll explain to you what we're doing in that business and also talk a little bit about National Retirement Fund Reform. I'll then hand over to Di Radley who is the CEO of the Old Mutual Investment Group, and then we will hear lastly from Raimund Snyders who is the CEO of Mutual and Federal, and we'll then have a chance for Q and A, covering all three of these different businesses. So we're now going to invite you up onto the stage.

Bongani Madikiza

Bongani Madikiza: Thank you Paul. Good afternoon. I'm going to talk about our corporate business. Our corporate business started a long time ago, more than 40 years ago. It is a business that predominantly operates in the retirement fund space, and it is a business that has seen a lot of transition in our country from a retirement funding provision point of view. In the early 70s this business grew at a time when blacks were not allowed to participate in retirement funding. In the 80s it still grew at a time when there was a change from a defined benefit to a defined contribution driven by trade unions. It is interesting that in the 90s the same drive from defined benefit to defined contribution was driven by employers more than trade unions. We can have a chat about that history outside a bit later, so that you understand the dynamics that operated at the time. I'm going to talk a bit about the retirement fund market and the segments that we target. Talk a bit about the metrics and give you a bit of the national context, particularly around how we perceive retirement fund reform and how we think it's going to shape the retirement fund industry going forward. I'll talk a bit about the opportunities with Nedbank and M&F and then talk a bit about our strategy, in particular how we're responding to the challenges that are being presented by Retirement Fund Reform.

The South African Retirement Fund market, in our view, is going to grow particularly in the umbrella space. We have about 51million people in the country. 13.7 of those are employed, but only 9.7 are employed in what we call registered businesses. That is formal employment. We have about + - 6 million members in the Retirement Fund space, and when you check the records you will see that there are about 12million member records. The

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reason there are about 12 million member records is because some members have duplicate records. Some members belong to new funds whilst they still participating in their old fund, and some members just have duplicate records in the same fund. People say there are 12 million, actually there are 6million members in the Retirement Fund industry. The assets, we have about R2.7 trillion in assets. 1trillion of that is in the Government Employees Pension Fund, which the investments, as you know, are managed by the PIC. The second part of that is about 1.2trillion, which is the market that we think we have access to collectively as the industry, and that is in the retirement funds that I'm going to talk to you about just now. The third is, of course, the individual retirement fund arrangements that people at an individual level make with their service providers.

Ladies and gentlemen, we have got largely two arrangements in the retirement fund space. The one is stand-alone funds that are privately administered, so an employer, Old Mutual has an arrangement for their employees and their appointed trustee board to manage that, and that is about 39% of the assets at the moment. And that has grown by about 8% since 2010. On the other side we have got what we call aggregated funds, which are umbrella funds. We have multiple participating employers participate in one fund, and that is about 14% of the total assets at the moment. But it has grown by 49% since 2010. That is largely because of the coverage in the SME space increasing, and secondly, and probably most importantly, is the move from stand-alone admin funds to umbrella. So we see umbrellas as a growth opportunity going forward. The target markets we're focusing on, we've got large corporates, which is institutional, and then we've got SMEs. We've got about 400 funds in the large corporate space, and for those of you who have followed this industry you will know that about five years ago we had about 3,000 funds in the stand-alone market and in the large corporations. So you can see that push that I was talking about towards umbrellas is happening and it's starting to gain momentum. The number that I want to talk to you about in particular is the 244K number, the average assets per member versus the average assets per member of 86K in the SME space. In our view, the reason why the 244K number is higher, obviously, is because the Retirement Funding in large corporates space has been there for a while and the SME space is relatively new, we can see that the participation is only picking up now. The second thing is, obviously, the higher salaries of the bigger companies. So, because of that, you will see an average asset size per member slightly higher. Again, this talks to our strategy fundamentally that we need to be able to move the large funds into the umbrella space. If we are able to do that we are going to be able to create value for the customers and we believe we are also going to be able to create value for the group. The other part that characterises the institutional space or the large corporate space is the influence of consultants. So we've had a lot of consultants that have intermediated us, as a result were a bit far from buying decision from the anchor client, and in our view, in response to that, firstly, we obviously like the

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move to umbrella because it brings us closer to the customer. Secondly, we need to build our own capability in the consultants' space that is going to respond to that. You will then ask isn't that going to put our business in jeopardy? We don't believe that, and the reason is a simple one. Almost all the consulting houses in this country have got product ranges themselves.

So, in the last couple of years they have now been building product ranges, so the idea that they are independent has now almost fallen off in the industry. In the SME space, we think that's where the growth is, but in order for us to grow we think the same thing that Iain Williamson spoke about, conquering Gauteng, we need to be able to conquer Gauteng as well to win in the SME space. And we need to be able to use the distribution force that Iain in particular, and to some lesser extent Crispin, has in that space. We think we've been growing sufficiently in that space but we think there are challenges for us to grow further, given in particular the appetite of the group for us to grow there. So one of the key things that I'm going to talk about is around how we structure our relationship with Nedbank and M&F, because we think they are better positioned in that space than ourselves. Let me give you a snapshot of some of the numbers. I think it's important to say our business is a sizeable business in the context of the South African corporate market. At the end of 2012 we had 46% of all the single premium flows. We also had about 25% of the recurring premium flows, and the profits from our business constitute about 59% of the combined profits of the Life offices. So you can see that it is a sizeable business if you compare it with all the Life offices' corporate businesses. It is important to note that the industry is currently facing challenges in terms of its profit growth, and we are clear in our minds that there are things that are specific that we can do, and I'll talk a bit about that, but the reason for that is because we've always had high margin products. We think there is a push towards low margin products. We then need to be able to change our operating model to respond to that. One of the actions we are taking in doing that is to start managing our ability to administer schemes in a much more productive way, firstly, but secondly and most importantly, make sure that we bulk up our umbrella, because it offers us a better way of managing a much more similar operational environment.

I am looking at the time and I want to spend a bit of time on this slide because I saw there was a lot of interest yesterday. Ladies and gentlemen, Retirement Fund Reform, and I've spoken a bit about what has happened in the past in this country, related to Retirement Fund Reform. So you must understand the difficulties that the government has in striking a balance, in making sure that we have Retirement Fund Reform that works. So let me start by saying the government at some point was pushing quite firmly around the National Savings Fund. We don't think that is where the government is at at the moment, and I'm putting a disclaimer quite quickly, we think the idea is parked, this is not abandoned, but for now the government is not pushing that. What is currently happening is the Department of Finance has taken the

role of driving Retirement Fund Reform. For those of you who have been involved in this process before you will know that we've also had the Department of Social Services being involved. Right now it's only the Department of Finance that is driving the process, and they have come with four legs, really, what we perceive as four legs. The first one is reviving savings levels. We believe that what government is trying to do in that space is good for the industry, because if the savings levels increase the whole industry is going to benefit. We are going to have more assets to manage and, therefore, we think that is a tick. The problem, though, as you can imagine, is that there are only a few levers that the government can pull in trying to do that. The big one would be auto-enrolment. We are of the view that it is something that would work for the industry and, obviously, for ourselves. But it is going to be difficult given the high unemployment rate that we have in the country. We think that we are well positioned to be able to respond to that, not only by offering a sustainable umbrella fund, but by becoming a very clear supporter of education of members, because if there is financial education for members we think that is the one thing that we can do as an industry in driving this forward. The second leg is about leakage, and I think David O'Brien spoke a bit about that earlier, indicating that people can withdraw their cash when they change jobs. Some of the people don't do it, some of the people do it, but what is clear to us is that it requires us to help the people make decisions. We need to be able to have ways of assisting the members to make decisions. One of the things that we're doing in that space is to make sure that we've got something that I call default options, so that there is no leakage. People just move seamlessly from a group product to a retail product, and that's why we keep on talking about retailisation, because the person who makes that decision is an individual, is not going to be the group that you are used to interacting with. The third leg, ladies and gentlemen, talks about annuitisation. Again, people who are allowed to, as they retire, to take the cash and take the cash away. Essentially, the government is proposing that people must stay in retirement for a longer period and as they retire they must buy an annuity, instead of taking the cash out of the industry. Again, we are of the view that that plays well into what we are trying to achieve as a group. The last leg is around costs. Fundamentally, we are of the view that if we are going to be a viable industry we must assist in making sure that the costs are reduced. And this, as I spoke to you earlier about the high margin to low margin products, it is clearly fitting into the strategy that we want to do of converting our business into a business model that is much leaner, that is much more seamless for our customers. So the key issue for us around costs is to reduce administration costs, make sure that we've got options for members that allow seamless transition from group to individual products. The biggest issue in the cost bracket is that, actually, we've now seen that for people to save they need to be advised or cajoled or somebody must talk to them and, as you can imagine, parallel to all of these processes, the government is trying to reduce costs. But in order for us

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to be able to provide advice there is a cost that comes with that. So that's the balance that the government is dealing with. It is a complex issue, but, in the main, I am of the view that it is in the right direction for the industry and we can position ourselves well to be able to respond to that. I spoke a bit about our appetite to grow much stronger in the SME space. In my mind and in the group's mind we are clear that we will not be able to grow if we don't use the expertise that M&F and Nedbank has. That, in our view, is where we are going to be able to understand the SME space. So, as you will know, Nedbank has a lot of clients of the SME space. They have been doing that for a while and they will know which SMEs have a chance of surviving and which SMEs do not have a chance of surviving. And, because of that, we find that in targeting the right level of customers that is useful for us. Similarly, we now are putting products from Nedbank onto our platform. Not only to make sure that we've got group products, but because some of the products that Nedbank offers compliment the value chain and they are able to cover the parts that we are not able to cover in the total retirement fund value chain. So I think that, for us, is important. Similarly with M&F, we are now leveraging each other's distribution channels. We are introducing M&F to clients that they don't have, and they are introducing us to clients that we don't have. We think there is still a lot of work for us to do in order for us to improve that, so that it works much more seamlessly, and it offers value to the customer. So, having given you the context, having given you a sense of what the industry is about, these are the four legs of our strategy. The first one is to defend and grow our asset base and, therefore, we need the consulting capability to start working in terms of defending our asset base. But we also need to drive umbrella growth, and that is one single forecast that we have said in our business we must have. The second leg, ladies and gentlemen, talks about driving business efficiencies. We have made the decision to stop doing stand-alone admin. In our view it does not add value to the end member. We end up doing things for the benefit of either the employer or the trustees. And the reality is, actually, none of those people pay us. In the DC environment, the defined contribution environment, the person who actually pays us is the end member. We must create value for the end member and, therefore, only then that value will be able to translate to ourselves, so that we can be able to generate the level of profits that we want. The problem currently in stand-alone admin is that we end up doing a lot of things that complicate the industry without any benefit to the member. Simultaneously, internally, one of the things we need to do is to make sure that we rationalise our IT platforms. We must have one IT platform. I know some of you have gone out to go and see how the call centres etc work. You can imagine if you work at the call centre and you work with a business that has got 11 systems. You are changing from one system to the other in order to answer a query to a member. One of the things we must do is to rationalise our estate, but not only that, that allows us to work much more seamlessly with the employer, because the employer can then transact online for their retirement fund contributions, and they can follow their

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claims and all of those processes without increasing our costs. The third leg, ladies and gentlemen, talks about building a customer-centred culture. You will know that, firstly, we are called a corporate business, and because we are a corporate business, the first people we deal with are corporates. We've never had an ability to transcend beyond the corporate to talk to the end member. That is what we are doing now. We are converting our business from a B to B business, to a B to B to C business, so that you are able to connect with the end member, because they are the ones as I said earlier who are going to make the buying decisions into the future. We are fortunate – my colleagues were speaking about retailisation earlier, how they are going to use their membership within our base. We see that in our business, we see that as being fortunate, because now we can be able to have access to all of these members, either using the distribution force on the ground, or using the digital capabilities. That, ladies and gentlemen, is an advantage that we think we hold and we are going to be able to exploit in order for us to grow in this space. We think that advantage is actually an advantage that our other competitors do not have. So, in conclusion, let me say not only am I excited about the opportunity. I know that this business is poised for an opportunity to grow but we must address all the issues related to Retirement Fund Reform and respond to it positively, as opposed to responding to it in the negative. Thank you very much. I'll hand over to Di.

Diane Radley

Diane Radley: Good morning, ladies and gentlemen. My name is Diane Radley and I am the chief executive of Old Mutual Investment Group. And today I'm going to share some of our strategy to build Africa's leading asset manager with you. I'll talk a little bit about the business. I will focus on some of the trends that are guiding our strategy and, more importantly, I will talk to two very key areas of our business. Areas I consider critical to the success of any asset manager. That is investment performance and distribution. And then I will spend a little bit of time on Old Mutual's specialised finance, our principal investments business, and close with our medium term aspirations into Africa. Old Mutual Investment Group is South Africa's largest asset manager, excluding the PIC, which is the Government Employee Pensions Funds asset manager. We operate a multi-boutique model and we cover a vast array of investment classes and investment styles. Our strategy is very much focussed on the customer, the first pillar delivering a great customer value proposition, speaks very much to the composition of boutiques that we include within Old Mutual Investment Group. We constantly review the capabilities that we have within our boutique umbrella and ensure that they are appropriate in terms of delivering on client promises and to client needs. In terms of our focus on investment performance, we concentrate very much on the talent that we deploy in each one of the boutiques. And we grow our own talent through funding education programmes. Firstly, the Imfundo Trust, which puts potential

asset management talent through university, and secondly, through our own analyst programme, which is very specifically focussed on growing BEE talent. We further invest in our own talent to ensure that they develop appropriately. Investment performance is the ultimate outcome, by making sure we have the right boutiques with the right talent and the right philosophies and processes. The customer remains at the centre in our customer-centric approach, and there we look end-to-end on the client journey with us, in terms of the experience that they have. So, from the time they engage with us right through to the time they leave us, we look to delight them throughout the process. We are also looking to further invest in the Old Mutual Investment Group brand and position ourselves very clearly as the investment intel within our Old Mutual Wealth Proposition, which is our retail strategy. Our institutional distribution also remains key to ensuring we deliver a customer-centric end-to-end approach, and I will cover that a little bit later. The third leg to our strategy is how we take this customer-centric outstanding business in South Africa and leverage it to grow in Africa. And there we do two things. We partner with Old Mutual Africa and we call it a joint accountability model, very much aligned with what M&F does on the short-term business with Johannes's Old Mutual Africa team. We will leverage the skill and capability that we have in South Africa to make sure that we grow strong listed asset management in-country businesses in partnership with Johannes's team. We also leverage the capability that we have in-country from an analyst's perspective to support our Africa funds, both our Pan Africa funds and our Africa Frontier funds. And secondly, we leverage the assets of the Life company to seed capability in the unlisted space, and we believe Africa is a very exciting opportunity to leverage our existing strength in unlisted investments onto the African continent. But let me first talk a little bit about our South African business. I did say we manage a multi-boutique structure, and I firmly believe this is the most appropriate structure for a business of our size to firstly deliver investment performance, and secondly to attract the right talent. The talent is very clearly aligned through ownership and incentives with outcomes of our clients. We operate our business in three core areas. One called LAM. That's not a little sheep, it stands for Listed Asset Management, and this covers multi-asset solutions, fixed interest, equity, both passive, active, as well as smart beta. And our liability-driven investments boutique. Our fixed income capability through Futuregrowth is highly regarded. We have successfully incubated some very outstanding smart beta capabilities, which we are currently taking to market, and our liability-driven investments boutique has gained significant traction in the last two years, securing in excess of four large mandates. Our second leg is what we call Old Mutual Specialised Finance, and I will cover it in a little bit more detail shortly, so I will leave it there for the moment. The third leg is our unlisted investment leg, comprising our alternative investment cluster, specifically private equity, infrastructure and development impact funds, and the other unlisted component is our property boutique. All of these boutiques are supported by our world-class shared services capabilities, which give

comfort to our clients in terms of governance and appropriate risk management. I'm going to spend a few minutes just talking a little bit about our fund composition and financials. Currently, some 62% of our assets come from the Life company and comprise 47% of our revenue, and our focus is very much on growing third party assets. We have seen outflows, as you can see on the net client cash flow graph, specifically from the GEPF, as well as annuity outflows from the Life company. But what is particularly encouraging is, excluding the GEPF, from 2012 we have seen positive third party institutional inflows which have continued strongly into 2013. It's also important when you look at our business that you are aware that we have no retail margin in our business, and you can see very clearly in relation to the unit trust composition of funds under management and the revenue generators, some 10% of FUM and 14% of revenue. It looks pretty much like our institutional mandates, the top ten comprising 10%, generating 13%. And this is because we are the investment intel within our wealth management proposition, and the wealth management business, or Old Mutual Wealth, retains the retail margin of the unit trust company and the solutions they offer within their business, and we receive an institutional margin. In looking at our composition of funds under management, some 47% comprised fixed interest. Not all of that is vanilla fixed interest type funds. It includes particularly an area where Futuregrowth have pioneered the credit enhanced fixed income capabilities, which are higher margin business. We also have a significant component of our funds under management in the unlisted or alternative space, which also attract higher margins. If you look at our profitability – and I often refer to our zig-zag profitability – we have a large number of factors which are fairly lumpy and very hard to predict. If I can mention a few of them, very clearly performance fees in an asset management environment can be quite lumpy, but with our large unlisted and alternatives capability we also have carried interest in our private equity space, as well as marked to market credit gains and losses, and equity-linked investment returns coming through in our Old Mutual Specialised Finance boutique. If we look at investment performance, and this remains a very core focus of ours within Old Mutual Investment Group, our focus is very much on delivering over long periods of time on client promises. And if we look at relative to bench mark, which is where we focus on what our promise is to our clients, we have seen pleasing progress since December 2011 across all funds. What has been a particular focus over the last three years is our equity capabilities, and two years ago we took the decision to fully build out and embed research end-to-end in our two main equity capabilities, Electus and Old Mutual Equities. This end-to-end accountability is incredibly important in showing that the team aligns with the philosophy and the process of the boutique and has end-to-end accountability for ultimate customer outcomes or, reading between the lines, for investment performance. I'm very pleased with the progress that we have seen and I am confident that we will continue that into the future. The other key area that we have been applying focus to is distribution, and what we have done over the last two years is form what we

call the client centre, which drives intelligent institutional distribution. It's done on a centralised basis, with a centralised institutional team, and on a boutique collaborative basis where the team collaborates with the boutiques, the fund managers are particularly important in terms of customer engagement and clearly articulating their philosophy. And the other key area for us is where we have bespoke type capabilities, such as alternatives where we have fairly specific types of distribution talent embedded in those boutiques. We also leverage off our global sister companies. USAM and the US in particular has a central distribution capability. We distribute on their behalf in South Africa, and they will also look for opportunities out of the US markets to distribute our product. We also leverage Old Mutual Global Investors and UK Wealth business, getting access to their platforms and in particular we will be putting our two African funds onto their platform in the New Year. We also have an office in Boston and that has attracted quite a large number of passive tracking mandates, and we seem to be globally recognised as having expertise to passively track illiquid indices. And most of the mandates we're receiving in this area are very specifically focussed on tracking Africa indices, emerging market indices, and frontier market indices. We also, as I mentioned before, focus our retail distribution through a partnership with Old Mutual Wealth, and I use the word here partnership with great intent. Firstly, we are the asset management or investment intel within the Old Mutual Wealth Proposition, and secondly, they are our retail distribution channels to our end customer. So we're very much joined at the hip, in terms of outcomes, and that's why I use the word partnership. I also used the word intelligent distribution earlier, and I firmly believe – particularly with the boutique structure – that you cannot go to the market with a multiple of offerings – in our case 11 different boutiques – that you're trying to sell to clients and asset consultants. So we very clearly recruited into our institutional sales team asset consulting skills which are able to understand the boutique capabilities and performance cycles well, to position capabilities that best match and suit the needs of the asset consultants and their ultimate end customers. And here we've also focussed very much on building a knowledge base around what the market looks like, what the clients are looking for, where mandates are moving and where we see global trends moving. And this addresses two issues. Firstly to position boutiques and secondly to also identify areas where we may need to expand our product offering. If we look at trends in South African fund management – and Bongani talked about retirement fund reform – this has been debated for, in fact, the last decade. But we are very aware that this will lead to both cost debates as well as increases in savings pools. And we believe with our spectrum of boutique capability we are very well positioned to take advantage of any trend that emerges from retirement fund reform. In fact, the recent Regulation 28 is a case in point, where it demarcated restrictions on asset classes, it actually increased allocations for pension funds to alternative assets where we currently are dominant with a 32% market

share, and we've seen some significant inflows from pension funds over the last two years in this particular space.

We also anticipate trustees will become more risk averse and, as Bongani highlighted, smaller pension funds will move towards umbrella funds, and as trustees look to further de-risk in larger pension fund environments that we will see a trend away from specialist mandates into multi-asset class mandates. Approximately three years ago, we also took the decision to invest heavily into responsible investing. Fortuitously, I think we were at the forefront of the market but, driven by the fact that we have a very large alternative unlisted boutique where investments made in those areas are locked in for between five and sometimes 16 years, it's critically important that we develop a long-term mind-set in terms of how we invest in this space which has advantages and knock-on impacts into the listed asset management environment. And we believe responsible investing will continue to grow and gain impetus into the marketplace. But whichever way retirement fund reform moves, we believe we are adequately positioned to address the increase in the savings pool, as well as any cost impacts that may come through, in terms of asset selected. So where does this leave us from a key focus perspective and our institutional focus is slightly different to our retail focus? In the institutional side we see the institutional flows shrinking. The overall pool has been shrinking for the last six to eight years. We believe that we have turned the corner, in terms of negative net client cash flow, and we will look to leverage our distribution capability to better target opportunities that meet the needs of our customers and present the best opportunities for ourselves. We are also planning to invest further in alternatives, particularly into Africa, and we will also look to grow the OMSFIN balance sheet, currently R10billion at the end of 2012. Looking to target over the next three to four years, up to R20billion. On the retail side, we believe this is the excitement of tomorrow. The retail market has been growing strongly and we see that momentum increasing, particularly as people move away from institutionalised pension funds, more to umbrella funds, member level investment choice and discretionary savings and to retail. Our year to date NCCF in the retail space is positive, but we are lagging market share. We are confident that by building out our investment brand and through the wealth management proposition, which is advice led and future fit we will be well-positioned to ensure that we take advantage of future retail flows. For us multi-asset solutions are critical and we have an unrelenting focus in terms of delivering on customer promises.

I'm going to spend a couple of minutes just talking a little bit about Old Mutual Specialised Finance. It is our principal investment business and comprises two main areas. One is what we call a treasury type area, and what this treasury type area does is it manages the hedging programme with balance sheet management of the shareholder guarantees, and it also manages the shareholder guaranteed funds. Or as I affectionately call them the NAF funds. They also generate balance sheet for OMSFIN, which OMSFIN then onlends

through its origination capability into the credit markets. And when I say generate balance sheet, we invest R1billion of capital into OMSFIN, and from that R1billion, they leverage the assets of the Life company to generate currently now approximately R14billion worth of balance sheet. That R14billion worth of balance sheet is lent via term funding, as well as overnight funding, to blue chip companies, into the credit market. It's very conservatively managed. It doesn't have any open, unhedged positions, and it has also incurred no significant credit defaults over its period of existence, which is approximately ten years. We also measure it on a risk-adjusted basis for a pre-determined level of risk, or as we may all be familiar with, an EVA measurement criteria. Their profitability can cause quite a lot of volatility in our numbers and historically they have generated a return on capital of some 34%. We're anticipating with the R20billion expanded balance sheet this will decrease to between approximately 22% to 26%. If you look at their revenue history, their revenue is impacted by two things. Firstly, origination income. They originate not only for their own balance sheet, but they originate on a 50/50 basis for their own balance sheet as well as for the NAF funds, and a small part of the credit origination they do is also used to credit enhance our liability-driven investment solutions. And you can see that they have successfully, through the cycle of 2008 and 2009, limited the amount of credit marked to market losses that they incurred and have successfully generated strong marked to market gains, as well as investment returns. And I highlight the investment returns because some of their credit instruments have equity-linked returns to them. So there is an equity component in terms of how their return is generated on those quasi equity-type instruments. The total funds under management are currently R77billion, and they fit in quite neatly with our business, because they partner alternatives on the credit side, in terms of providing credit into, for example, the renewables energy programmes, and they have very successfully developed a project finance stream, along with partnering with Nedbank Capital and many of the other banks who are involved in this particular area. I'm going to close by spending a little bit of time on our Africa ambition and our current Africa asset management operations, as I mentioned before, we run a joint accountability model. We currently have asset management operations in South Africa, Zimbabwe, Namibia and Kenya, and we leverage the in-country capability to manage our Africa funds.

I'm often asked the question, of "Are you going to build Listed Asset Management elsewhere?" Absolutely. We believe in leading with alternatives, or the unlisted, and partnering with Johannes, in terms of building our Listed Asset Management capability. And as I'm sure that you would have heard from Ralph, the emerging markets strategy is very much a disciplined approach. We look to see both from a life company perspective as well as an asset management perspective, to build scale and profitability, taking into account appropriate capital and risk appetite levels.

If we look at our strategy to develop and build a dominant pan-African capability, again it's very much about building our track records in the Africa listed-fund space, leveraging the in-country capability that we have, and partnering with those businesses to leverage the expertise out of South Africa, to ensure that we have the appropriate risk processes and governances in place that will give our customers confidence, and will build out a strong capability. I think it's pointless having a really strong South African asset management capability, if we cannot leverage that to learn and grow in other territories.

If we look at how we leverage the assets of the life company, it's very much specifically focused on leading into Africa in the unlisted space, and more recently we have opened two specific unlisted offices, in the infrastructure area: The first one in Nairobi, in the same offices as the OMAM Kenya operation, the second one in Lagos, and very specifically to access deal origination opportunities, and in the case of Nigeria, to also access saving pools. And we will be launching a Nigerian infrastructure fund soon, in Nigeria.

We currently have outside of our infrastructure investments through our joint venture with Macquarie, some R2.1 billion worth of assets deployed on the African continent, and within our infrastructure JV with Macquarie, some R9.6 billion worth of investments on the African continent. As we grow and invest the OMSFIN balance sheet, we will also look to deploying part of that balance sheet at credit opportunities, particularly in the project finance space, also partnering with our alternatives business into Africa.

But what's immediately on the horizon? We're currently looking at a pan-African property fund, as well as a debt fund. We will be launching our Africa private equity fund-of-funds in quarter 1 of next year, and we are currently fund raising for our Africa housing fund, as well as our African agri funds.

I firmly believe that by acknowledging the market conditions; the opportunities and challenges that they present, that we will be very well positioned to take advantage of the opportunities across the African continent, to build a globally recognized best African asset management capability. And on that note, I'm going to hand over to Raimund, to take you through M&F.

Raimund Snyders

Raimund Snyders: Thank you, Di. So P&C Insurance, short-term insurance. My name's Raimund Snyders, as Di said, and I have been with Mutual & Federal; within a couple of days it will be six months that I have been the CEO of Mutual & Federal, and that makes me one of the experienced executives in the business. And I'll be happy to also talk about that a bit later on. I'm sure that some of you will have questions around that.

Having a P&C insurer, or a short-term insurer as we call them in South Africa, is part of the value proposition. To customers it's absolutely key. We recognize

that this is one of the ways that actually you deliver on your promise to customers. We say that we enable positive futures or that we're a certain friend who has bought in right up front, has stood us well over hundreds of years. Well, over a hundred years. Then, certainly offering short-term insurance, offering general insurance, has got to be the way in which we help the financial well-being of customers, and in fact the beauty of… You can call something like the trauma that goes along with claims, beautiful. The beauty of having a short-term insurer is that you have to at least speak to your customer once a year, and then you deal with your customer when they are under stress. It's a wonderful opportunity; a great opportunity to help fix things; get things in place, and help customers get on with their lives.

So within the bigger scheme of the Old Mutual Emerging Markets Nedbank Group, Mutual & Federal are certainly a small part of the larger group, but what is fascinating to see is that our history… Our heritage dates back to 1831, with Old Mutual itself becoming involved in what was the foundation of Mutual & Federal today, in 1970, when we merged the Old Mutual investment interests in short-term insurance and general insurance with the South African Fire & Life Assurance Company.

And since then the purpose of the business has always stayed the same; we simply help people get on with their lives when bad things happen. If I look at the context of how we do that as a business, we do that, you'll see, predominately, and Mark already elaborated on this, Johannes to an extent as well, we do this predominately in Southern African, and if you just look at the gross written premium; of the R10 billion premium, roundabout 9 billion of that emanates from South Africa. So by and large this is a South African based… Our P&C interest is really focused in South Africa, with interest in other countries being small but predominately Southern African, and then in Nigeria, as Mark also said, from third week of November we have concluded the transaction to acquire the Oceanic general business, or a majority stake in the Oceanic general business.

But really the start of, or the foundation of, our P&C interest on the continent at this stage still in South Africa. So what lines of business do we do? Essentially a business that… We operate across a wide range of classes of business, and predominately write short-tail business, on the personal line side, distributing both through intermediaries and… In fact our business, 99% of our business is done through intermediaries today, with a small part of our business through iWYZE, predominately being direct. Our products there are just household insurance, household cover and then motor insurance, and close to a third of our business coming by way of domestic or personalised business.

Our commercial business, the next third, around a third of the business, and there we do again property, motor and also the agricultural business. Mark also spoke a little bit about our agriculture business, both on the asset side and on the crop side, particularly after we've acquired the people and the book

of Agricola. Our distribution predominantly, or simply just at this stage, is through intermediaries; through brokers. The numbers, if you can remember just the numbers and gross written premium that… When I start talking about and telling you about, "So what does the future hold?", you'll do well to remember these numbers, just to see what the ratchet or leverage effect is, that we believe we will be able to extract from working within the group.

And then we do corporate and niche insurance as well. Our focus on marine engineering insurance and property, that… Just under 20% of our book, on top of that the business in Africa, outside of South Africa, a small part to date, still, as you saw in the previous slide(?) also. And then we have credit-guarantee, interest in credit-guarantee through a majority stake that we have in the Credit Guarantee Insurance Company, in South Africa, and they do both bonds… A small part of their business is bonds, but the largest part of their business is, as it says, credit-guarantee business.

So what is it that really makes Mutual & Federal a strong insurance business today? The brand; if you look at the heritage, and if you ask, if you deal with customers, you look at the brand recognition and you ask your intermediaries, then there's no doubt that it is a remarkable legacy, a remarkable heritage, and remarkable relationships, even through difficult times. Some, just under 3,000 broker relationships. The remarkable thing also in the broker space in the general insurance industry and in South Africa in particular is that brokers will be brokers, in that they have multiple contracts, but what you find is by and large your brokers tend to work with one insurer, as their core insurer, and then they'll have one or two additional contracts next to those.

So if we talk around 3,000 broker contracts, then a third of those contracts are really where we are predominately the predominant insurance, to these brokers. Our skills in the commercial and in the corporate business recognized as really leading… The commercial business is today a profit-making business. It's a healthy business with great skills, great underwriting, great claims management, great distribution skills, experience, in the market.

A great footprint also for that business, and on the corporate side, our… You know for example our mining insurance, mining engineering skills that we've got are recognized as, of the top skills that, available in South Africa. We believe the fact that we've already migrated around 80% of our customers onto a new web-based platform, new technology puts us in an advantageous position. This enables us to not only leverage the digital developments within the group but also will enable us with our expansion to simplify our expansion in rolling out our operating model, as Mark also mentioned, into Africa.

So I guess we… You also need to look at the numbers, if you want to talk through the history or just where its come from. Before we start talking about where we believe we will be able to take the business, overview of the numbers show that it's been a pretty tough past couple of years, between 2012 and 2013 been two tough years. But actually if you go back to 2008,

2009, 2010, 2011, from a solvency perspective the business has always been strong and healthy, even through tough times where we've seen underwriting margins under tremendous pressure, and even where we've seen the claims-ratios taking a significant dips or increasing significantly. Our gross written premium for the size of the business stayed pretty flat.

In 2008-2009, we made a decision, to get out of some lines of business; close some unprofitable group schemes, and that caused a drop in gross written premium. For the few years after that just growing really with the market, and then 2012-2013 has been two years in which we have grown the book quite a bit, and that was through specific transactions largely that we've grown the book.

But the big number, the most important or interesting number is probably the claims-ratio and the resultant impact on the underwriting result. And you probably can talk a lot around what sits behind those claim-ratios or you can simply just show it, and a little bit later I will try to elaborate on it a little bit more, but last year, October, in Gauteng, we experienced some pretty hectic hail storms. It cost the industry just under R2 billion damage in claims, and that's not something that you ordinarily would price into your book. In addition to that we had a number, on the corporate side, a number of large fires. On the agriculture side, we acquired a business and in the agriculture side you have this pretty rare thing of having drought and hail claims in the same year.

Usually in agriculture it's either dry or it rains a lot and to have both in the same year is pretty tough, so all the insurers, you know all the players that have you know that have normal personalised business where you insure motor cars and you insure homes would have felt the pain of the hail storms up in Gauteng, and all the insurers would have felt the pain that have agriculture, would have felt the pain of the drought and the hail that we had across the country, depending on where you insured.

If you also take into consideration the… Sorry, before I do that… So you normally would say, "Well, this is a once-off…" you know it happens once and a while, and that was true until the end of October, this year, and then we had a beautiful November, so… Larissa asked me, I must tell a few of the stories that I love telling, and I tell you this: I grew up in Namibia, and I lived most of my life in Namibia. I'm one of these people that absolutely loves rain. I look up to the rain and go, "Fantastic" and Mutual & Federal has ruined for me.

Now, if I see rain, I think, "Oh my goodness gracious. I hope…" You know it reminds me of one of our school meetings where, athletic meetings, where the teacher started, the principal started the meeting with a prayer, like we do in Namibia, you know you start everything with a prayer. And he started with a prayer but it was pretty cloudy, overcast, and he was saying, "So Dear

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Lord, Thank you for the wonderful (pause) rain that will go far away from us today" you know…

So, it's probably one of those things where you say, "Oh, well, thank you for the rain, but please let it just be soft and not too much". But yes, and the other point I can probably make, is the floods that we had in the Western Cape here, in Somerset West, those of you from South Africa or close by will know about this, and I said, "This obviously has a huge impact, on what happens in your claims, and your claims experience in a year". So we have quite a few of the doctors, and, so that we are insured here in Somerset West, and at the hospital it also reminded me of the story, they say, the similarity between insurance and hospital gowns (pause). You're never covered as much as you think you are.

And so if I look at all of this I probably, I'm probably giving you the story of just why is it that you see quite a few years of underperformance, in Mutual & Federal. The fact is that our entry, our core, and our decision to enter the direct market late, to sit back and actually see the direct market developing, that has cost us market share, certainly in the personal lines business, it's cost us market share, and with iWYZE where we are today you heard Crispin elaborating on iWYZE, and that… It's really tiny today still, and we have to ratchet that up tremendously, to capture back the lost market share in the direct space. And clearly that impacts on your expense situation, in the business if you've got a big infrastructure with investment in bricks and mortar, people, systems, and you lose market share, then obviously that impacts on your expense ratios. Also today still we sit with our, with two IT systems. We haven't migrated everybody off our main-frame, so we're paying the cost of the new web-based platform, but we also have the remnants of the main-frame system, today still, and that clearly impacts on expenses as well.

I elaborated on claims maybe to give you a bit of a picture of just the claims environment, because half of the claims roughly, in the industry, are motor related. If you think of motor related claims, 80% of those claims, 80% of, roughly speaking, of those claims, actually relates to the parts of fixing the vehicles. And again, 70% of parts are imported, so if you have an exchange rate deterioration of close to 20% two years in a row, you're pretty much with an inflation on fixing motor vehicles that's three times or so more than normal inflation. And your ability though, against the background, backdrop of a consumer that finds it tough, your ability to just palm off those increases in claims costs, to the consumer is restricted. So you have to think about just how do you go about increasing price to get to the correct rates to be able to cover, and that's a challenge for the whole industry. And you can also see that if you look at the year-on-year impact of claims and the increased frequency in claims on the results, on the underwriting results of the largest insurers; the large insurers in South Africa, all of them faced around 5% deterioration in their claims-ratio year-on-year.

I thought, in case those pictures didn't intimidate you, that the hail pictures didn't intimidate you enough, I should show you just how the customers experienced it, last year.

[Video playing]

So that's what it looks like if a cricket balls start falling from the sky. And as I said, we had two incidents of that, again, in November, up in Gauteng. The problem is it's not one little area, you know it's quite widespread through Gauteng that it happens, so pretty tricky. You've got to think, "How do you deal with this?". The people that have been in the short-term industry in South Africa for years, have told me, "Raimund, this happened in the 90s, we had a couple of years when the same thing happened, and I've been living up in Johannesburg for five years now, and it's been two years of the five years that it's happened". So, that's what you'd probably do if you're an insurer.

So the question is: what do you do if you have all these challenges? How do you tackle it? I believe that you know for me and my management team, we have got our work cut out for us. The first job clearly is tackle your claims-value chain, and in our case it really is, how do we extract value that sits locked up in our claims processes. You saw that we have a claims-ratio of around 74%, and against you know, just extrapolate the half-year numbers out, to a R10 billion premium, so that gives you an indication of how much we pay in claims.

And clearly you've got to now look at how do you… If you're that big a procurer, how do you direct your spend? How do you manage your recoveries and salvage of, what's left of the asset that you've insured after you fixed or paid the claim whatever's left, how do you manage that? And also, how do you catch out the crooks? And again, in tough economic environments, you find people just pushing the edge a little bit more of what they claim and how they claim. So making sure that you've got the right technologies, the right skills also, in your business, to be able to extract value out of your claims-value chain.

Then, taking advantage of the TIA system that Mark mentioned, it is a system that… It is new technology, that is being used extensively across the world, and it has to deliver expense efficiencies to us. And clearly, it will be the way that we expand our business into Africa. We have this system for our broad commercial and personalised business, we put iWYZE onto this same platform, and the experience we got, and how simple it actually is to just roll out another version of this, and build your iWYZE business on it, it… That gave us the confidence to know that this is a workable operating model. This is a workable platform, to take into Africa.

So, our big test I guess will be when we do the integration of the Oceanic business in Nigeria, onto this platform. But the biggest prize probably sits in just

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how we collaborate with the group. So I sat here for the past two days with ears perked and very glad that my colleagues made all these promises in public, and that I have all these witnesses, of how they're going to collaborate with Mutual & Federal.

But truth be told, in fact Mutual & Federal offers a fantastic opportunity to really build the collaboration networks, and the systems… The systemic approach to collaboration within the broader group. And if you then think back to the number that I showed, R3billion of retail or personal lines, R3.5 billion of commercial premiums last year. And you look at the ten million odd customers that we have within the group in South Africa only, and if you're able to just get 10% of… and the overlap, let me say that, between Mutual & Federal and the group customers is, can I just say, tiny. If we get 10% of the group's customers to take their insurance, the retail customers, to take their insurance with Mutual & Federal, you treble your R3billion of gross premium.

If I consider Nedbank as a well-established, regarded, respected business bank in South Africa, Bongani elaborating on our umbrella fund business, you know the largest, and a respected umbrella fund business in Africa, if we take the commercial customers within Old Mutual and Nedbank in those segments, and we get 10% of those customers, to become Mutual & Federal customers, you can do the numbers yourselves. In fact then, Mutual & Federal's size, market share, in South Africa, will be right at the top. So you have to get that right, and that doesn't talk about growing the business in Africa, yet.

Working with the group, we've progressed quite far already, in addressing the solvency II or SAM requirements. We're well on track to meet the regulatory requirements, and we're now working also with the group to see how we manage the capital effectively across Mutual & Federal and the broader group. And we believe that will unlock value and I'll try and elaborate or show a pattern of that just now. Expansion for the rest of Africa, I think enough has been said around that already.

I can give examples, just of the collaboration work that we've done with Nedbank and Old Mutual already. In the Old Mutual space, we've been… Old Mutual has been distributing… The tied businesses have been distributing Mutual & Federal product in the affluent space for many years. They are the single biggest broker and distribution channel for Mutual & Federal. We have a transaction or deal with Nedbank, where iWYZE is in fact the administration platform for Nedbank, direct as well. We obviously have Nedbank planners, and also Nedbank group brokers, distributing Mutual & Federal. And then we've got three exciting projects on the go. We actually, Mutual & Federal, works with both of these, for Nedbank, we bring all three together on providing deals or propositions to customers, we're tied into those deals. We've got the insurance as part of it. One of it is in the agriculture space, and the others are in the corporate space. So tremendous opportunities really to

build what Johannes calls a Zimbabwe, and integrate it as(?) a proposition to the customer, to also build that in Africa, and also in South Africa.

The biggest trick will be to make sure that we've got the skills and the experience in the business. You've heard Mark Weston speak up here. Mark, you heard, comes from Nedbank, and his network, his experience and his credibility in Nedbank is part of what is opening up the doors to us. So a lot of the conversations we're having with Nedbank is actually now because we've got Mark there, with his brand and relationships in Nedbank, that's helping that on. Same on my side, coming from Old Mutual, and having worked at a number of places for over 20 years, within Old Mutual.

On the finance side with us today, also, Jaco van der Sandt who's got close to 20 years' experience in the short-term industry, coming from audit practice and our NV in the business. So bringing skills on board that can help us deliver this value and unlock this value in the group, so if I summarise it, what we've seen over the past three/four years, as the shape of the business and where we believe we can take and we will take the shape of the business to by 2016. Our return on equity has averaged around 11% over the past four years.

We want to take it… We believe that our plans will enable us to take it to 15-20% return on equity, through the cycle, up and down, top and bottom ends, soft and hard ends of the cycle, with businesses that are in countries outside of South Africa, but really sub-scale operations that we will grow, and with the group, as they expand across Africa. And our underwriting margins; we need to take 4% to 6% underwriting margins through the cycle. If I illustrate what the ratchet, what the impact, what the leverage impact will be, if we get this right. If I look at today, just with the capital intensity we've got today, the way it is, our return on equity is around 4.5% today. If we are able to reduce our expense-ratio with 2% the ROE will go up to 7.2%. By adding to that, a 2% reduction in the claims-ratio, the ROE will go to just below 10%. If we then reduce claims-ratio to 4%, it goes to 12.2%, to close to 15% with a 6% reduction in the claims-ratio. We then…

And is that possible? I think I've illustrated, yes, it is possible, with the actions on, in the claims-value chain that we're able to extract 4-6% of value out of the claims-value chain. If we reduce capital by 10% that's the impact you'll have on the ROE. And if we then get to the outer limits, of how much we believe we will be able to reduce capital by, 25%, then you get to the 20% ROE results, by summarise… By locking value in, by extracting deficiencies out of the value-chain and growing with the group across Africa. So our objectives are for the, over the next three years, over the next five years, is to first restore the business to profitability, to collaborate with the group, to establish the platform, from which we can grow, and then to grow the business exponentially within the group; to grow aggressively within the group. Thank you very much.

Q&A session

Paul Hanratty: Raimund; thanks very much. I thought it was exciting buying and selling shares, but it's really interesting managing hail storms. And Di, would you mind joining us up here so we can get some questions? Right, who'd like to have the first go this afternoon? Blair, shall we start with you?

Blair Stewart: Thanks very much. A couple of questions on the non-life side. You talked about the adverse weather, and your plan, which I think is really useful to get to where you need to be from an ROE perspective. Is it possible to quantify how much of the increase in the claims-ratio is just down to bad luck on the weather? Can you quantify, you know, what's the exceptional you know bad luck element within that, you know, to help us understand how you can improve your claims-ratio? And secondly, could you maybe outline some of the challenges of underwriting in the rest of Africa, as you develop into those markets? How do you get data to allow you to underwrite effectively? Thank you.

Raimund Snyders: So, I wouldn't venture to try and say what percentage is bad luck. I would say that if I look at the, just the increase in claims, in the occurrence of claims, and the increase in the claims-cost just in the motor side, so that part of it is, half your claims really are motor related claims, you know, so you know, and the inflation that we've seen is around 20% on the claims side, on motor claims. So if you look at your increase from 65% claims-ratio to, call it, 73% claims-ratio, you know, so that's what… Take 8% deterioration of -

Paul Hanratty: 50%?

Raimund Snyders: Yeah, you know so you could probably say that it's half of it that would be, if I look at it that way, it's probably half of it would be motor related, half of it bad luck. So 4% of it is bad luck, 4% of it is really just the increase in claims-costs. If I look at the challenges in Africa? The business… So the general insurance across Africa is really, even though it's illustrated as that's the big prize, it's still is in absolute terms tiny, tiny, if you think of Nigeria. The Nigerian business, what? 50-odd million rand in premium, that the business we acquired there has. The biggest challenge will be talent; people, finding the right talent to help you manage the business there. Our approach is going to be to really run it from South Africa, so that core skills and core expertise will actually come from South Africa, the systems expertise, the claims best practice, the underwriting reinsurance skills, that must come from our teams in South Africa, and there we've got the capacity. With your front-end customer

and your procurement that you need to do on, you know on the ground, obviously those skills you want to build and grow in country. It is then simply a case of where do you get your distribution? Our start, as Mark elaborated, is going to be in the commercial side really, and there we will work with the established brokers, and primarily with the brokers that we have a relationship with in South Africa; your big multinational brokers. That will probably give us the distribution, and Old Mutual will provide the brand, and bank assurance the relationship that we will use for the rest of the distribution.

Paul Hanratty: Will you use South Africa data to underwrite it?

Raimund Snyders: No. Well you can't use your rate book, your rating engine just in South Africa with that, but that would be a basis, but you know the intention is to acquire businesses and that those businesses should have a rating engine. There should be experience there. And then obviously your reinsurance experience and expertise you need to bring to bear, to help price.

Paul Hanratty: I don't know if it's worth mentioning to Blair as well, that the whole industry seems to have deteriorated about 5%, in underwriting results, which might be another way of sort of putting a bad luck… You know; how much is bad luck, because you know the whole industry's deteriorated, and all of these things will affect the whole market. Greig, you had a question?

Greig Paterson: Yes, thank you. Just on the asset management side, I wonder if you can give us some colour on the league table performance of your funds now, just as a guide to future performance? And then also if you can talk about open-architecture? I mean that's an international trend, and a lot of your funds are in-house, and the marginal fix, if it's a challenge or an opportunity? And then just on Old Mutual finance; just excuse my interpretation, but 19 times leverage in the fixed interest market on what would looks like a hedge fund, reminds me of a book I read called, about Long Term Capital. What statistics can you provide or some reassurance or some balance sheet numbers, that the risks are under control there? You can understand that leverage is very, very high by institutional standards.

Di Radley: If I could maybe start with your third question, first? We don't disclose any of those risk statistics, but maybe to give you some comfort OMSFIN is extremely conservatively managed, and I think their history shows that they are very conservatively managed. If we look at the open-architecture issues you raised, we have historically been a business on the distribution side through our channels which have been fully open-architecture. We are in fact moving

away from that, in terms of not having the full spectrum of capabilities on our platform, but a more restricted version. And also through Old Mutual wealth, it's very much an advice-led and lifestyle-solutions focused retail offering. It's more about looking at client goals and ensuring we have the right solutions which deliver consistently on what those ultimate goals are. And we have back-tested our solutions that we've put into that framework quite extensively, and are confident that we can meet client promises over all rolling appropriate periods. And I use the word appropriate periods, because the various solutions are positioned on a risk continuum, and the greater the risk the longer the time period we commit in terms of delivering on those client promises. Sorry, can I ask you to repeat your first question?

Paul Hanratty: It's the investment performance.

Di Radley: The league tables are quite difficult to talk to, because we run a significant number of product capability, and it does tend to mask and hide different things, so I'll unpack it a little bit for you. From a fixed income perspective, we are a highly regarded fixed income manager, through Futuregrowth and those capabilities are predominantly top quartile, and well above peer median over most periods. In fact, Futuregrowth's just won the award for the best long-term performing bond fund for their infrastructure and development bond fund, so I don't have many concerns from a league table perspective there. Alternatives, very much in the same space, LDI also highly regarded.

The two areas where we concentrated and focused intensely on was the two equity capabilities. The Electus capability has struggled through the last three years. They're a valuation-biased manager, and as a result they have had the same challenges as other valuation-biased managers, in the growth and momentum market, but we are heartened by the strong recovery that we've seen over the short term. Our Smart-Beta capabilities are very much in the top quartile, and Old Mutual Equities, who runs the oldest unit trust in the country, Investors Fund, is currently top quartile in terms of its performance.

If we look at our multi asset class solutions, which are the solutions very heavily positioned within our wealth management proposition. Across all of the multi asset class solutions, they are positioned bottom first quartile, top second quartile. But to win in this industry you have to be in the top five, and that's where our objective is at this point in time.

Paul Hanratty: Di, I wonder if just going back to the OMSFIN question, I know you don't want to disclose daily VARs and that kind of thing but I think it is fair to say that our credit exposures are focused on only the very blue-chip corporates in South Africa. It's very short-term lending, and I don't think we've had a single default since that business began in the credit space.

Di Radley: No, and Paul, also the model within OMSFIN is very much about partnering a lot of the really big banks, and we are extremely conservative in terms of the deals that we actually take on, so we leverage not only in-house expertise but the greater banking environment, in terms of assessing risk. And to give you some idea, some of the deals that have recently defaulted in the market were actually deals that we walked away from, where some of the other big banks actually got into bed with these players. So, I think that also shows that we probably are at the more conservative end of the risk spectrum.

Paul Hanratty: Sorry, Jon; you had a question here as well.

Jon Hocking: I've got a couple of questions on Mutual & Federal, just on the underwriting, if you strip out the large weather losses do you think you've got an underlying underwriting problem? And sort of linked to that, if you take out the sort of top lying growth you saw in the sort of previous two years, would you have had that loss ratio performance with the previous book, or is a lot of the deterioration driven by the policy count you added in those two years? That's the first question. And secondly, have you changed the reinsurance programme at all, as a consequence of hail events?

Raimund Snyders: So, last question first, we haven't made big changes to our reinsurance programmes, so by and large we're still saying from what we've seen is you know our catastrophe claims and our sort of once-off its not big trends, we… In terms of policy count, our policy count have over the two year period have gone up, but actually it has gone up through acquisitions, not out of the core business so much, so it's not really the core business that has grown. The core business really grew with inflation; premium grew with inflation. So it's really been acquisitions, and in you know, those acquisitions, we've had some bad claims that came along with the acquisition, so in the agriculture space. So asking do we have a problem on the underwriting side, I would say, "No, we don't". We know where the errors were made. We know where there's still the strategic moves; the strategic decisions around pricing, where the mistakes were made. If I look at what we're busy achieving in just intermediating or just getting in the right prices on the personal line side; pretty good results.

So you know in terms of where we in relation to technical price, we're seeing very good improvements, yeah, so customers' ability to absorb price increases, I think the whole industry realises you've got to increase price, and it's a case of how much, you know how much medicine is the market prepared to take, and how much medicine are you prepared to give the

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market, and to take yourself. Certainly it looks like it's in double digits, the increases of customers that you're able to put in, with maintaining your, the healthy part of your book.

Paul Hanratty: We've got time for one last question.

William Elderkin: Thank you. I wonder if you could give a little more detail in terms of the corporate business, put some numbers around the standard loan fund business compared to the umbrella fund transition you mentioned seems to be very important, in terms of the relative revenues and costs? And also give an indication of how those two parts of the business contribute to the profits that we can see you report for the overall corporate segment?

Bongani Madikiza: When we started, the intention was from membership that you saw there, I think it was about 880,000. About half of that is in standard loan and about half of that is in our umbrella. The intention is to move all of those funds to umbrella. We have been surprisingly successful at moving most of the funds, including some relatively big funds, so funds that are above 24,000 in one fund, so we think we've made some significant progress there. We have made some, few losses, and those were as a result of clients who are saying, in their minds, they think stand-alone admin is still viable. We don't agree with that view, and those funds are largely funds that have some link with either government or they are state-owned enterprise, and we're comfortable that from that perspective, we'll be able to retain the most profitable part of our book. As you will appreciate, we do not make any money from administration, in fact we're making losses as a result of the complexity of that business, and as a result of that we think that if we take out the complexity we'll be able to create value for the shareholders, going forward. The profits from standalone, I think at an overall aggregate level, the funds that we have lost are funds that were contributing to the loss. There are no funds that we've lost… There are no significant funds that we have lost that were contributing to the profitability. So, from a profit picture point of view, I don't think you will see a dip before you will see that instead it will start to pick up.

Paul Hanratty: Great. Bongani thank you very much. Thanks, Raimund, and Di. We're going to take a short tea break now. Listen out for the bell when it's over, and we'll get back in. Thanks very much.

Session 6 – Latin America and Asia

Ralph Mupita: Can we get all the stragglers in please? Just a change of scenery on the MC, Paul Hanratty needs a little bit of a break, so I'm giving him a bit of a breather. This session takes us into a discussion and a review of our Latin American and Asian businesses and I'm pleased to welcome onto the stage David Buenfil, you've got his biography in the back of your packs and he's going to take us through the shape of the business that we have there and our plans to develop and grow our markets in those two regions. David.

David Buenfil: Okay. Good afternoon. As Ralph said, my name is "David" Buenfil, or "David" Buenfil I guess into Spanish and English there's not too much of a difference there. I'm going to take you through a different journey. This time we're going to focus on this side of the world and that side of the world, so we'll leave Africa for a second on the side. I think we got some exciting things going on. We're obviously small compared to the endeavours of Old Mutual in the African continent, but at the same time the investment that's been done in our part of the world has not been necessarily substantial, so I think we have a great potential to see some nice returns on equity and nice returns on capital in what we're doing.

At the same time, for the Q&A session, I'm going to ask my executive team, so Julio Mendez who's in the back and heads Mexico. I also have Daniel Cortes who heads Colombia. And then we have Agustin Queirolo who heads AIVA, the newest member into the Old Mutual family, I guess Faulu is newer now officially, but AIVA would be the new acquisition into my footprint of emerging markets. So we're going to have those guys come up for the Q&A and please feel free to ask any questions at the Q&A, even if they hurt it's not a problem.

So, let me then walk you a little bit through what we're going to cover. It's just basically a brief overview of what we're doing there. I'm not going to get too much into the financials. And the reason for that is not because I'm afraid of them, it's because Katie is coming right after me and she'll drill you through all the financials so she'll cover the regions. I think this is probably one of the first times we're actually going to start disclosing a little bit more of the details per country of what we're doing in these markets. And I think most important is how we're leveraging the emerging markets' capabilities. We're fairly new within the OMEM context, those of you who have been shareholders for a long time, you might remember we were part of the ELAM, the Europe and Latin America group? Then that has separated, now we're part of Emerging Markets, so I think fits nicely what we're doing and we're gaining a lot of experience from what's been delivered in other parts of the world.

This is the footprint of what we have and you've seen this map quite a few times, but maybe we haven't talked about the products themselves, so as

opposed to some of the other markets including South Africa, in Latin America we're pretty strong in what we call mandatory and voluntary pensions. And this comes after a pension reform that started in Chile that enables social security to go private. So we actually in Colombia manage the private let's say version of the social security. And that is a pretty interesting contributor to flows as well as to long-term profits, but it is an asset gathering business but it's going quite well and we'll talk a little bit more about that.

We also have unit linked business, protection which is at a very basic level. Most of our businesses that you'll see in Latin America are primarily asset management but we are slowly going into the protection side with some similar offerings as in South Africa, we're going to talk a little bit more about that. What we're really strong is in corporate defined contribution pension plan management in Mexico specifically and also on the institutional asset management out of Colombia. We've been starting to contribute some nice NCCF out of Colombia that has helped the group in general. AIVA who's the newest member into the Old Mutual Group for these regions is supporting a double role. One is to really help the Old Mutual Group on the wealth side in the UK through the distribution of the international products. So these are products produced and developed out of the Isle of Man that are really being distributed throughout all of Latin America. Chile, Brazil, Argentina and Peru are probably the biggest contributors in terms of APE to these numbers. Now, we're not going to be looking at any APE here that is counted from those sales because those are being counted over through the wealth business in the Isle of Man through Old Mutual International. So what you see here is primarily the sort of, what we could call onshore or local businesses.

Latin America has 385,000 customers, approximately. That does include the numbers from the AIVA network of customers. We have about 1,500 advisers. The net client cash flow last year was close to 15 billion rand. There are funds that our management around 93 billion rand and then we have a very small number of APE because as we mentioned we're not very strong on covered business, we're just starting that part of our development in this part of the world.

Then we'll move to Asia. What do we have in Asia? As opposed to Latin America we actually in Asia have joint ventures. And that's not because of choice, it's the law of mandates that the most you can have in these markets is a limited participation in financial institutions, so, in the case of India, and we'll talk about that in detail, we only have a 26% stake. And in the case of China we have a 50/50 joint venture.

While the numbers in customers look quite big, and the difference from what Ralph showed, is because most of those customers come from the Indian joint venture. And since we only own a 26% stake, we're not really putting them into the Old Mutual numbers that you're seeing there. Same thing with advisers. We have tons of advisers in India, it's a big footprint, but that's one

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of the challenges we have of how do we make those advisers much more productive? NCCF about one billion. Funds of the management eight billion. And life APE primarily due to China this year, which we reclassified a lot of the single premium business into life because it is considered life insurance in China. So this is a little bit the footprint which will go in a little bit more detail as we go. This is the only slide on financials that I will have because Katie's really going to talk and it's not really financials, it's more about sales. You can see that the NCCF trend is quite nice so if you add together the blue and the red or maroon, whichever way you see it, I'm kind of colour-blind there, but you will see that there's a nice trend going on and hopefully this can be sustainable. Although it could be quite volatile. Why is it volatile? Because we're big in institutional asset management so you could have some mandates from the government that make a decision such as PIC here that would make a decision to move the assets, sometimes even within their same government organisations so we see some volatility on that but those are not really the dial shifters in our long-term strategy. In our long-term strategy is a retail business and some of the high margin institutional asset management that we're doing.

Total funds under management. We're talking about 15% of the OMEM assets under management that are now based in Latin America and Asia, primarily through Latin America.

What's sort of common in these two regions? since it is quite an odd set up that I have to travel across Latam and Asia, but it's the smallest businesses Old Mutual has so instead of really kind of having one person focus on one region we try to sort of save some of the costs and have a combined vision of what we need to do in these two markets. At some point probably if these grow larger in scale we will have to separate them but for now we can have those as one single reporting entity.

We have very nice rising GDP per capita in these countries so we talked about Africa, I think Africa's a great story because we see some of these strengths but we also see those strengths in Latin America but with a little of a double whammy because we have what, let's say in Mexico alone, which we'll talk about it, you have 120 million people with a GDP per capita of 10,000 USD. So, it is sort of like five times the potential we would say of South Africa, however, the insurance penetration is extremely low and we'll talk about that.

A rising middle class. This has been consistent. Those days of having every six years a Latin American crisis that was sort of the recurring story has fortunately, except for Argentina, stopped. But we're not in Argentina so, in fact, the Argentinian crisis is really good for our international sales, so we're looking at trying to take advantage of some of those situations. But these are markets that are completely bank dominated and I think you see some of that coming across a little bit similar to Africa, so very bank dominated except you have [in Latam] the big banking groups. You have big, the Spanish banks

especially. The fact that the state is very low in providing social security benefits actually gives us an opportunity to sell much more of our long-term offering and pension covering as well as the protection part of our business. And there is a very nice fit with what we're doing in South Africa and in Africa which is the need for financial education and inclusion. We see that recurrently. And that is one of our biggest strategies in what we're trying to tap into the experiences of South Africa on this retailisation, how do we give these seminars at corporates that can get us some of those, let's say, corporate participants to become retail customers, which is where the real margins are?

Some of the non-financial drivers that I think you've seen is quite a stable macroeconomic environment that I alluded to that before. So we right now, well, we're only in Mexico and in Colombia, Latin America and we're in China and India. Those have been actually quite consistent drivers of stability. India has had some issues this year, but in overall it's still growing and it's still having a really huge potential in the long-term and when you look at the fundamentals of those markets, the demographics and I think the economists showed some of that, there really is a huge potential of what could go on in those markets.

The other part is the legal respect for companies and corporations. We are significantly I guess more capitalist than some of the other markets that we see probably in Africa. And even China as the economist alluded to, it is quite capitalist when it comes to these type of activities on respecting the legal terms, so I think we're in markets that have great potential, but also have great confidence that the rules of the game are not necessarily going to be changing going forward.

Let's talk about India. So I'll drive you through India, and China and little bit of what's going on in Latin America.

So India, you know the numbers. Big population, big GDP, the growth has slowed down but the growth will come back. I mean that's the story there. We have a very good partner. We have a 26% stake with the Kotak Mahindra Bank, that is a publically listed bank. It's about nine billion USD in market cap. It's primarily controlled by the Kotak family. Mr. Kotak actually sits on the board, he's a chairman of the board of the life insurance company. He gets quite involved and that's one of the reasons we've had a lot of success. This is one of the most admired joint venture insurance companies in India. We actually rank today 8th out of 23, and this is pretty tough to do in a market that is dominated by the state-owned insurance company. And it's been a quite a journey because it's been a lot of transformation in the Indian market. But that's where Old Mutual has added a lot of value because one of the main transformations is making tied distribution efficient and we're taking a lot of the experience from PFA in South Africa and transferred it into India. Now we're seeing some great result. So actually, we are very well diversified in

channels there so we have the banking channel, thanks to our partner, we have a very strong tied distribution now getting much more efficient although we have some nice numbers. And then we start on the alternative channels through internet telephone and all of that we're seeing some great progress so I'm very, very excited about what's going on in India, let's say one of the unfortunate sides we only own 26%. But that's the law and we must respect it but we think there is an opportunity in the future that that might change.

We have a full range of products, both from protection as well as for savings and investment but our biggest sort of generator of premiums lately has been group business. So it is a little bit of a smaller margin business but that's where we keep on entering much more and that gives us an opportunity also to penetrate on some retail products in the future. So this is a little bit the footprint of India.

Let's move to China. Not too distant a population, but a huge difference in GDP. Tremendous as well as growth. China has slowed down, there is no doubt. But there's such firing power from the government that this seems to be a country that really is continuing to progress and the latest talks and reforms is actually pushing towards getting more foreign investments which is pushing towards more liberalisation. And we're seeing that coming across.

Our partner is a state-owned enterprise. And that's the Guodian Group. They actually are a power generator. So it is a large, large entity. They are the fourth largest producer of power in China which is the equivalent of all of France. So these guys produce all of France's power out of China and they're the fourth largest. They have over 100,000 employees, which is a great potential for a group business and we just started incurring into that. Remember that, you might not know the history, but we started the joint venture in China with an asset manager, many, many years ago, Beijing Asset Management with Skandia. This changed in 2010, and that's when Guodian came in. And that's when we transferred a little bit more the business from being a pure unit linked business into a full service insurance company. So we're actually very new in the Chinese market in a way. We are fifth out of 26 JVs. In terms of premium income this year we've had a very good year. But it is a difficult market, I won't kid you, I mean all of the 26 JVs you see there only compose 5% of the entire life insurance market in China. So we're 26 companies fighting for 5%. But that 5% is $8 billion. So 8 billion is more than all the Africa countries that we saw in the session before in terms of life insurance. But it is still a quite challenging environment specially because regulations do tend to favour the long established insurance companies, so capital calls in the capital requirements of certain products is quite a bit of a challenge, but we're sorting through it and we're seeing some nice progress and we think we can get some good value out of these joint ventures. We're primarily focused here on bank distribution. That gives us a very good persistency, in fact I'm very surprised that the Chinese persistency compared to our other metrics is around 90%, so people invest or buy these policies for the long term for sure.

We are in the process though of finding new ways of diversifying from our two main distributors which is ICBC and Bank of China because ICBC also has an insurance joint venture, Bank of China does not have one, but we are looking at ways of diversifying, we're making good progress in that sense as well as increasing our sales through telemarketing, as well as some of our group business as I mentioned, particularly through our joint venture partners employee base. These days we're at actually over 50,000 customers, so these are 2012 numbers but we're at over 50,000 now customers, and the interesting part of this is that these are really high net worth customers because in the Chinese interest there has been a huge growth in the actually upper middle class and that's the segment where one wants to be. We still have some very interesting priorities and very important. We must continue the retention efforts in India. We must continue to improve the distribution economics due to this agency model that has aid that transformation in the industry. And we must continue to be lean. But these are all making great progress. In China what's one of priorities? Let's get to profits, hopefully soon, because I think once we get to profits we can sort out many other ways of entertaining perhaps other channels of distribution like agency for example. So that's one of our key challenges there. And continuing to expand different distribution diversification not just depending on four or five banks.

In the rest of Asia we're basically just supporting the investment side of OMIG through some property opportunities that we see in India and we also support the international business from Old Mutual International out of the Isle of Man.

Let's look at Latin America. Colombia, quite similar to South Africa, so if you want to just picture Colombia as a little bit South Africa in terms of GDP, size of population, not too distant. And then Mexico about three times GDP, , two and a half times population. The interesting thing of Latin America and these were sort of inherited from the Skandia which I'd come from that inheritance as well, so I've been about 12 years with the group, probably one of the only ones left too. So, I'm one of those guys that you inherited from Skandia, I actually started the operations in Mexico as a sales person there. And we've kind of been able to, proudly see where it's gone. The interesting thing here, it is that, life insurance penetration, under 1%. So you take South Africa in the 12%s, you take Mexico, Colombia and less than 1%. So we think there's great potential for the future. We have a fantastic reputation in Colombia, we've been there since 1953 although we don't do anything of what we used to do in 1953. We started through the Skandia reinsurance business and then we had a P&C business, property and casualty, which we later sold to Liberty Mutual from the US, not the Liberty here, and we really reinvented ourselves in 1995 when the mandatory pensions act, this reform of state pensions came through. Actually, if ever the South African government had incurred into these say privatisation of social security, there's a lot of experience we have there on what we've been doing in Latin America. We have a very strong competition from large banking groups so we are actually the only non-

banking, even though Nedbank is part of the group, in our regions, we don't have anything to do with banking, to be honest, without Nedbank, we are in a way a little bit of a disadvantage compared to banking groups, but that also offers a great opportunity to get customer focused products because some of these banks that have basically started through acquisitions, particularly from the Spanish and American banks, have to really get all these returns from the larger sums of money they've paid, so they actually charge very expensive prices on products and they're not such good customer driven products. I think we have a great opportunity there, so the end margins are actually still pretty attractive because of that, and we're still seeing great potential.

This is a little bit of busy slide, but let me just summarise it in three big sort of pools. Mexico. What are we trying to achieve out of Mexico? Growth. That's where we see the growth coming and we're investing heavily in that growth. We actually have made a choice to not be profitable in Mexico yet because we see a huge opportunity. Where do we see that? In particularly the retail mass market. We see a huge opportunity of taking what Crispin is doing here in South Africa and what some of the Kenya things are being done and taking them to Mexico. And that is starting to work. We only started a year and a half ago. We already are seeing some significant potential coming through. One of our biggest challenges though as it was in South Africa at the beginning, is securing that stop order that payroll deduction from the government. But we're starting to may incursion in that, it's going to take a while, but we're seeing already some nice productivity out of our other worksites.

We went in the last ten years when I started in Mexico from having $10 million in assets under management to over two billion these days. So we're seeing a progression. Primarily most of those assets do come however from the corporate business which is a little bit lower margin than what we would like to have as opposed to the retail business, but a quarter of that is already in the retail side.

Where are we using AIVA? And that's where I will skip a little bit Colombia and go to AIVA. So Mexico is about growth, AIVA's about enabling distribution and that's where we see great opportunities, so AIVA is helping us build this third party channel in Mexico which we have worked only through tied agents typically but it's very costly. So now with AIVA their expertise and their systems and tools are helping us to grow a distribution channel that is onshore, so it's right focused on getting our local products to local customers and we're seeing some fantastic progress there and we're making some significant investments to keep growing that part.

Let me go to Colombia. What is Columbia about? For us it's cash generation. Profits and asset management. So Colombia today is funding our expansion in Mexico and still leaving some extra money for profits for potential dividends.

So we see that as a great opportunity to have, we have about $8 billion in funds under management, we are a very well respected fund manager. One of the key things we want to do there is how do we transform into more high end margin asset management? And that's what we're starting to tap into, the property fund management experience that we have in South Africa, and that's what we're doing now. We have a very good adviser network and we have about 150,000 clients all within the, what in South Africa that would be the affluent segment. We call it pre-affluent and affluent but for the standards of where we compare in South Africa there would be the affluent segment so very excited about the Colombia but we are in a way just trying to drive profitable growth but the main growth will come from Mexico. Some of the support for that growth in terms of economics will come from Colombia. And AIVA is supporting a deep understanding of the wealth management space and we're also leveraging that in Colombia. We see a network of 500 IFAs, they're the best in the industry, selling international products out of the Isle of Man, supporting the Old Mutual Wealth initiative out of the UK. And we have now about 30,000 customers there. Very good technology, very good distribution, really what we call the golden cage for some of the distributors because we really provide them with a lot of services that allows us to really grow that distribution.

What are some of the priorities? We really need to continue in Colombia our high margin asset management. We call it REIT in our side but this would be the property funds. Property funds are having a boom in Latin America. We're well positioned. We have a very small one. And now we're in the process of trying to build it through institutional investors as well as a retail base.

In Colombia also our wealth management business has a lot to learn from the South African experience that we're launching and we're trying to take some of those tools and plug them into the business there.

In Mexico mass market we see a huge potential on mass market just Mexico City alone is 22 million people. So you don't really have to go too far away to work in those work sites within Mexico City before you need to expand in many places.

And then we talk about retail affluent sales. How do we expand the retail affluent distribution through the AIVA network? In the last year we were able to add over 150 distributors from AIVA in this initiative. Something we only started in March, and it took us, we have on the other side we have 350 tied agents that has taken us about, you know, over eight years to build but within one year we got 150. The productivity's not the same, but I think we'll be enhancing that as we start with them in a little bit of a longer term.

And then the rest of Latin America, Brazil, Chile, Peru, we really don't have local operations there and you would need to have a local licence and they're very established competitors. So we have no intentions in the short-

term to really enter in those markets. What we're doing is tapping into AIVA to extract value for the Old Mutual International products at this time. Right now we really have a lot to do on our hands to get these two markets to be much bigger than starting to enter new markets, although we're always looking into opportunities but that would be pretty substantial in terms of the acquisition potential that it would take up.

I´ve talked to this during the presentation, but let's go into more detail about how we're leveraging some of these Old Mutual emerging markets capabilities, so it terms of people, we've been running Colombia and Mexico for about four years now with one single management team, so we don't have one head of IT in Colombia and one head of IT in Mexico. We have one single head of IT for both countries. Same thing for marketing, same thing for operations, same thing for all the actuarial side. The only part where we actually have separate entities is for sales and I think that's natural, we want the local expertise in the local markets. So we're seeing some great opportunities there on efficiencies. We also took someone from South Africa from the mass retail market to run the business in Mexico. So we actually physically deployed this person for over two and half years, , and that has been a great jumpstart to get going as well as in the combination with some of the efforts from all the different departments through the mass market business development team that we use to have here in South Africa.

When we look at products the smoothed bonus has been a great opportunity for us for regular premiums because it is different in the market and we had the expertise from South Africa so we applied it in both Mexico and Colombia. And in terms of the Parents' Protection product which I think here you call the Parents' Cover and Tava alluded to that, that's also we're the first in Mexico to have something like that. And we're very hopeful that that will really we just started launching it two months ago and we're seeing some great innovation around it and great opportunities, so now what we need is to see how our payroll deduction can really fit in here because to get the persistency we really need the payroll deduction and we're seeing some great sales but they're not all coming from payroll deduction. So what we want to see is that coming through payroll deduction to improve our persistency.

In China I don't have it there, but most of, it's stories about them, but the launch of products that we do in China all come through an approval through South Africa to make sure that we're getting the adequate returns on capital, that we're actually getting to the risk profile that we want, and we have a big enhancement. All the chief actuaries in India and in China, obviously as well as Mexico and Latin America, are appointed through us in the joint ventures. Through South Africa, so Old Mutual.

In terms of asset management, AIVA used to run their own asset management. We actually took that away from them, concentrated that in Colombia where we have a larger base and that's where we're running the

asset management for AIVA. At the same time, their real estate property funds we're tapping into this. IT platforms for retail mass, the expertise and the processes for retail mass, tied distribution for India, different product development as I mentioned, these are all great opportunities that we are trying to leverage more together.

So, as a summary, I think we're very excited about these markets. We know we are small, but we're starting to at least do a little bit of a contribution particularly in terms of funds under management, net client cash flow, and when Katie shows you the numbers in terms of profits I think you'll also see that there's some good progress going on there. So these are actually enhancing the growth opportunity of Old Mutual without really costing too much money at this stage. I guess they're not really costing anything if you consider that we're not asking for cash to be sent to these places, but we're taking the resources we have. But we could be sending dividends in the future. At this stage we're not doing that yet. Strong JV relationships, very good institutions we have those JVs with, AIVA delivering distribution power, we're really leveraging this knowhow within the group, trying to really focus on niche segments. It's too much to try to compete in Mexico or in Colombia with these huge banking groups like HSBC, Citibank, Santander, BBVA, so what we're doing is we're picking our battles very carefully. And I think we're doing a great dent in them, in fact, they're stealing a lot of people because they think we're doing so well but now, we put some incentives for staff for the long-term so they don't leave. And then finally, what we want to say is, we're very, very proud to be 15% of all OMEM´s funds under the management. I mean there's still ways to go, and we need to get our profitability up, but we're very, very happy so far. So thank you very much for your time and then we'll do some Q&A.

Q&A session

Ralph Mupita: David, thanks very much and you whizzed us through two continents very quickly. Can I ask that you stay on the stage and bring Daniel, Agustin and Julio on stage to take a couple of questions.

Ralph Mupita: Any questions for our leadership team in Latin America?

Greig Paterson: Sorry, I'll take my traditional number one spot. Two questions, one in terms of the opportunity. I wonder if you could just sort of tell us what percentage of your APE is coming from protection currently in China, India and Mexico so we can sort of feel for the opportunity. And the other one, you made a comment about Bank of China Life, I mean Bank of China. If I'm not mistaken, Bank of China Life has a strategy of basically kicking off all the, I mean I met with them about 18 months ago and they've got a strategy of kicking new guys out, not

you, but a whole series of other people. I wondered if, have there not been, I know, have they been able to do that or is there restrictions in your deal or whatever, yeah?

David Buenfil: Okay, so in terms of life APE, as you saw in the numbers, we're very small in Latin America, all of Latin America's less than 130 million rand in APE. So we produce around, last year was an exception, it was very, very strong year, but let's say in general terms we should be producing about [I think in dollars, but then I translate into rands], , so that would have been about 900, let's say a billion dollars in NCCF. So it's about 10 billion rands, should be what we should be producing in general terms out of Latin America. But in APE it was only 129 million rand in APE. But that's twice what it was last year. We're incurring into a mode of getting the small base but really growing it and I think we'll see that grow. In terms of China, 129 million of APE, so in terms of protection that's basically it's primarily recurring premiums, So you would multiply that time, you would, that would be risk products with savings, combined with savings, okay? So it's a regular premium product, let's put it that way. When you look at China it's the other way, or India, it's single premium business, particularly single premium business so we actually, our average account in single premiums in China is closer to the $50,000, so it's 500,000 rands in single premium business that we're getting from there. Those, as I said, they're shown as APE, but they're primarily investment products, so they're all wrapped in an insurance, we actually take on the insurance, but so they will all be considered premiums, risk products, but the really, the behaviour is more as an investment product. And then –

Ralph Mupita: And Bank of China?

David Buenfil: Sorry?

Ralph Mupita: The Bank of China question?

David Buenfil: Yeah, so when the Bank of China, I don't think they've kicked anybody out, in fact, we had a meeting with them and Julian Roberts was with us and we had a meeting two weeks ago, so on my eighth trip to China this year, so we had a meeting with Bank of China and they actually are very interested and they said us, straight from the words, "We would like to be your number one distributor in China". Now, whether that will happen or not, that's up to us to work with them, but they have said that they're extremely interested in having us as a partner in China for selling the products. We're seen as the affluent provider of products.

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Ralph Mupita: Other questions? Right in front here.

Roddy Wallace: Roddy Wallace from S&P. I was wondering what sort of IRRs and payback periods you're getting in these new markets on different product lines given the relatively small scale at the moment.

David Buenfil: Of course. So let me tell you about the ones that are not so attractive in the short-term that will take a longer time to build scale, that's China. They payback's around six to seven years on some of the products. The IRRs will be in the 20s, about. Okay? In Mexico and in Columbia, and you guys correct me if I'm wrong, but it's much more attractive, we're around the three years to three and a half years paybacks. In the mass market it's a little longer. What's in the mass market Julio these days?

Julio Mendez: It's six years.

David Buenfil: It's six years. So, mass market is going towards six years, retail affluent you're talking about three years in the paybacks. And the IRRs are not too distant, so they're around the 20s.

Ralph Mupita: Other questions? Question in the front here. Michael.

Michael Christelis: Can you just make a comment about whether there's anything missing out of your sort of offering in LatAm, you know, I'm thinking your AIVA transaction quote caught some of us by surprise, I mean are we happy where you are now or are you looking to still do a couple of bolt ons and what should we be expecting really?

David Buenfil: Yeah. I think it's very hard to find something that gives you distribution. So for us, anything we look at in LatAm is that something that would allow you to get more distribution. And you really don't have any of that because it's bank dominated. So if you're asking me what's missing, it's a bank. But that's probably not at this moment something that we're prepared to review, but AIVA, why don't you, why don't you tell us what, what are you seeing in the market across in terms of distribution and opportunities?

Agustin Queirolo: International market rate? Yeah I mean, well, we've seen our case it's a big opportunity in terms of distribution because our starting point is basically that the financial planning as you may know it in the UK or South Africa is very

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under developed in Latin America and people started to seek, our clients started to see that actually the normal advisers there in Latin America really wasn't giving them value, they were like just a private banker, for example, like have their money and try to get them performance but they're weren't, no really a financial planning behind that. So basically our model and our strategy is, that is the starting point for us and what we see is we encourage those people to join us in this new financial planning model and we have great success in that sense and with lots of support from us that we give to this independent financial advisers and they have become really very good financial planners which are much better than the financial or the advisers that they can get there in the industries, So while we are having this people actually, or many people from banks actually trying to, wanted to go independent and that for us has begun a greater opportunity because we provide all the support they need when they used to be in the banks, and they're starting to have a much more holistic approach from the client perspective so it's a much more valuable proposition they are giving to the end client and for us has been a very successful and I think we are still lots of opportunities in that sense in the near future in Latin America regarding distribution.

David Buenfil: What's, maybe Julio, what's missing for you? I mean, I think, in Mexico, because Mexico is the growth market.

Julio Mendez: Just to give you an idea, in Mexico there are more than 60,000 independent agents and we have recruited only 200 so the potential there is tremendous and we only need to invest in training in additional products and so the potential is huge in that sense in Mexico.

David Buenfil: And for Daniel? For Colombia, what do you see?

Daniel Cortes: Very similar situation to the rest, we have a, have been talking to create some sort of bank alliance because as David said, banks are too big and too expensive for us at the moment, but I would say that we're not missing anything that we could not get with some sort of an alliance and basically looking for alternative way to distribute. But we can get that with alliances, not necessarily by purchasing.

Ralph Mupita: The gentleman from Latin America will be here today and so for those who have further questions, please we will take them offline, but we've run out of time and it's time to get into the finances. And so gentlemen, thanks very much and Paul, over to you.

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Paul Hanratty: Ralph, thanks a lot and the really good news is that I'm not taking you through the finances because in Old Mutual we make sure we have people who really know what they're doing that we look, we let look after the money. So that brings me to, I'm going to introduce you, Katie Murray, who was in our London office for quite a number of years working alongside Philip Broadley and she's now the CFO for OMEM. And also Raisibe from Nedbank who's the CFO there, has had many senior positions in South Africa in different institutions and has been the CFO at Nedbank for a number of years as well, so it's great to have the two of you and I know this is the part, we left the finances to last because we knew you'd have to stay for that. I'm not going to say too much about it, just to remind you that within Old Mutual Emerging Markets, we have nine different business units that make up in this left-hand chart a minimum of 5% of the profits attributable to Old Mutual Plc shareholders. It's a very diversified business with diversified earnings. If you look on the other side, we've got a pie chart which shows the economic capital deployed in the group in emerging markets including Nedbank, and you can see that there's not a single category of risk that is more than 20%. So again, a highly diversified business and my thesis is you've got a great business for growth, for returns, and diversification. Just to remind you, I did speak about these earlier. The fact that we've had a high period of growth in operating profit over the last three years compound 17%, the business is all generating good returns with the exception of Mutual and Federal and Raimund and his team are very committed to raising that to the targets that we gave you today. This is the chart you've seen repeatedly, so I'm going to call on Katie who will take us through the life and savings, asset management and property casualty numbers, and then when I see people come up and take us through the banking numbers, and then we'll have plenty of opportunity for Q&A. So, Katie, over to you.

Katie Murray

Katie Murray: Thanks very much, Paul. Good afternoon everybody. As you know, I'm Katie Murray, the Finance Director of Old Mutual Emerging Markets. So Paul has taken you through the aggregated picture and I'm going to drill down now much more into the next level of detail. This is what I'm planning on covering over the next twenty/thirty minutes or so. I'll look at the profits by business drilled down into some specifics on the different geographies. I'll then touch briefly on our PVNBP margins, the importance of the margin not just the sales, and then also end on a few matters around capital.

So, let me start with an overview. We've got a relatively comprehensive slide here featuring the main KPI's that we work with. If we move from the top to

the bottom, the operating profit, LTIR, then going into the return on equities, NCCF, funds under management and you can then see our dividends, and finally at the very bottom to the progression of two of the main indices we track ourselves against here in South Africa.

Old Mutual Emerging Markets is an exceptional franchise. It has a historically strong record of delivering great results and this continues to this day. We've had strong profit growth in operating terms of 50% from 2009 to 2012 and that trend continues as we move into 2013. You can see that this performance is slightly ahead of the markets that are at the bottom of the page which is what you would expect from a diversified business. We were linked but not exclusively so to the market performance. We've included our property and casualty businesses here for the first time. As you know, this is showing disappointing trends and you've heard much from Raimund earlier today as to what his plans are to move this around. As we look forward to doing our reporting in 2014, you'll see that we will continue to include property and casualty within our numbers, but don't worry we're not planning on reducing any of the disclosure we have around that business either. We've got significant net client cash flow which is going from a persistently negative number now to one that is positive, an improving trend which continues into 2013. However, the challenges Di has shared with you this morning is how to further enhance this position. Our funds under management reflects the growth in our net client cash flow along with the growth in the industry's. We are a strongly cash generative business which flows significant dividends to our shareholders, as I said, who truly think that a fantastic franchise.

Here, I've tried to give you a relatively basic slide so you can get the picture of the group. You've heard from lots of different people today. What we're looking at here is the relative sizes of the various businesses along with where the VNB is created, where the capital is allocated and then the return on that capital. As we work down the side, there are five main businesses that we think about within this business. The first is Old Mutual South Africa, OMSA as we call it colloquially. Just to remind you, that's made of up of retail affluent, retail mass and corporate, so Iain, Crispin and Bongani who you heard from earlier this afternoon.

Then we go to Old Mutual Investment Group, the business that Di runs. The Rest of Africa, from Johannes, property and casualty, from Raimund, and the Latin America and Asia that we've just heard about from David. I'm not going to take you through the main details of this as I'll get more into the profits as we move on but clearly from here you can see that the backbone of the business still remains undoubtedly South African. This is where we earn high profits, high VNB and also high returns.

If we look briefly at the return on capital, I guess the one area of main disappointment is the amount of capital that we have invested within our P&C business and the relatively low return we receive on that capital. If I look at

the Latin American business, it's unusually low in 2012, and a more measured result would be around the 10% range which you'll see as we move further on. However, this is a business that we are investing in heavily and so a 10% return is one we are quite satisfied with. So, just to remind you, the profits earned today prominently in South Africa where we also deliver very strong returns on capital.

As we look more in detail at the business, what I've got on here is the OMSA business, how we make it up, without any consideration of the LTIR or any central costs, and just to be clear this business does not include the Old Mutual Investment Group, that sometimes confuses people. The graph on the left hand side shows the growth in OMSA profits. Here, we have a CAGR over the period of about 11%. The light green shaded area at the bottom of the graph shows our non-covered business which is made up among other things of our holding in Old Mutual Finance along with our unit trust business. In the dark green shaded areas is the covered portion of the profits. These are represented by the planned release of the life prescribed and the discretionary margins, i.e. the asset based charges from our investment contract business which vary along with the market and, of course, the outcome of the planned margins from our risk businesses. These profits together make up about 80% of the total profits in each year. It's important to recall what I said earlier about the markets as these results will vary depending on the market levels.

The life variances, I think the colour is magenta if I was to look in my ink box. This relates to the life insurance profits only, and the movements in these are analysed in more detail on the graphs on the right hand side.

The new business strain which is the orange portion is mainly due to the initial expenses that are then recovered in later years via our planned margins. Experience variances and assumption changes,, which is the grey and the dark green boxes, have both been positive in total over the period. These amounts relate to mortality, morbidity, persistency and expenses, and we expect this position to continue to be positive overall as we move forward, though clearly in any one period the makes of these differences may vary. Now, I know many of you are hoping that I'm going to give you some great persistency news and I would just like to remind you we talk about embedded value in the interim and we talk about it again in the half year, so you are going to be disappointed. I will remind you what we said about our persistency at the moment. We report our embedded value against our opening assumptions and in the interims we highlighted that given some of the customer pressure we are under we are tracking marginally behind those assumptions. However, we are comfortably within our margins. I'm not planning on saying any more at this stage and I look forward to talking about it again in February next year.

If we then look at the last remaining box which is pale green, they keep changing the colours on this slide, I have to keep thinking what colour am I talking to, but the economic variances relate to market movements such as the investment return, interest rates and the investment guarantee reserves. The negative movement in 2011 many of you will recall was when we topped up the IGR. Along with these technical aspects of our profits, we also have a considerable focus on expense management across the business. So this is all combined, as I said in the beginning, to deliver over 11% profit growth over the period.

Here, we look at the profits and growth of Old Mutual Investment Group. The results of Old Mutual Unit Trusts and Symmetry have been excluded from the earlier years so that you can show a comparative picture. Some of you will be familiar that we removed them in 2012. So we go down through OMSFIN the rest of the group into net client cash flows and finally ending on capital. Overall, the profit before tax has grown very nicely by 18% over the period with strong performance from the unlisted businesses. OMSFIN at the top has grown by 19% over this period. Di explained a bit more of OMSFIN in the previous section and I don't plan on spending much time on it here, but for me there's two things to remember the drive in profits. The first one is the growth in the origination business that we've seen over the years, and the second is the investment return on the principle of the on balance sheet businesses. The balance of the group is made up of three main elements; the listed asset management, the unlisted business and the property. I'm going to talk a little bit more on the first two.

Notwithstanding the 2% growth that you can see in assets under management, listed asset management has grown profits by 6% over the period with significant fluctuations over the period which is attributable to performance fees. The performance fee basis has been changing over the years with the introduction of high watermark principles as well as moving from the rolling one year to the rolling three year investment performance measurement periods. Unlisted business which we are very proud of has grown by a strong 23% over the period and, as you know, is a leading player within the unlisted space. In this time, our funds under management has grown by 2% over the period largely due to the negative NCCF that you can see over time which has been driven, to some extent, by outflows from the PIC as well as outflows from our maturing life book predominantly in the corporate space. However, we are pleased with the positive trends from 2012 as it has continued into 2013. OMIG, like most investment managers, business is not capital intensive and, as a result, is showing a return on capital in excess of 30% since 2010. And, for me, the fact that is has in fact grown this return significantly while maintaining the same capital levels is very pleasing.

So now moving on to the Rest of Africa, a strong business, of which you've heard much about in the last couple of days. On this slide, I've tried to show you our traditional Old Mutual Africa Business that you are familiar with. I've

then brought in the P&C African segments, central costs which I'll spend a bit more time talking about, as well as their LTIR, then moving down into one of our external targets which again I'll come back to and then their net client cash flow and their capital piece.

As mentioned before, our Rest of Africa business is growing strongly. This is evidenced by the growth you can see from 2010 to 2012. To date, this growth has been largely organic as well as the consolidation of the Zimbabwe business which happened in 2011As we move into 2014, we will start to see the returns from our acquisitions come more on line. We've also included the results of M&F Africa as has been explained to you I think in great detail over the last few days how those two businesses will be operating together far more jointly as we move forward. You can see that we are also making significant investment in building our capacity within the African business via the central costs line. This is to ensure that we have absolutely appropriate governance and controls and capacity to make sure that we can expand this business appropriately as we move forward. I would expect the slide to continue to grow in the short term as we continue our expansion work.

The LTIR is calculated in a very similar way to our South African business with an expected return on the average shareholder asset base. The strong growth in this line is reflected in the consolidation of Zimbabwe as well as the strong growth in the underlying assets within the Zimbabwean business. The percentages of our profits are one of the external targets we've shared with you many times. Some of you will have memories of this number being about 11.8% i think – sorry, 10.8% at the tail end of last year. As we add in the P&C business it gives a small kicker to that number. Our target, of course, remains to be 15% by 2015.

NCCF is increasing steadily as we continue to perform in our existing territories, and the business continues to absorb relatively low levels of capital and makes returns which are in excess of the upper end of our target range. However, as we move forward, we would expect the ROE in these businesses to diminish slightly in the medium term but in the longer term we would certainly expect them to return back up to our target range.

On this slide, there's some information we haven't shared with you before so I have included basically the profit we make by country. Clearly, Namibia and Zimbabwe is the big large established businesses that make up the bulk of these profits while the other units contribute less until they achieve critical mass.

I'm just going to share a build now which isn't on this slide. I want to look at the MCEV for this combined business. If we were to do the MCEV of this business, what we would see is the VIF grow from the current £1.3 billion at the end of June to £1.6 billion. The VNB would increase from 80 to 96 million while the APE margin would fall from 41 to 26%. The uplift in the VIF in the VNB is largely attributed to Zimbabwe as you would imagine when looking at this

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slide, coupled with the capitalisation of our central costs which we didn't previously integrate when we were only bringing in the Namibian business. And it's only the portion of the central costs that relate to our life businesses and not the entire portion. Also, the impact of the smaller businesses have a marginal or, on occasion, slightly negative impact on the overall number and they will be more additive as they become profit making or as they hit scale.

I'm slightly concerned on this slide as David mentioned many times I was going to talk about the numbers and I'm going to talk very briefly about the numbers on Latin America, so we can do more in Q&A or afterwards if there are further questions.

If we look at this business, you can see that we've shown solid progress from 2010 and we're set to continue this in the contributions from this business. dealing initially at the top row with Columbia, we've had a very nice return over the period while in our Mexican business we've been investing heavily in growth through our retail mass production proposition which is why you see that as more loss making. We are showing AIVA here for the very first time. Just to remind you, this will be the fees less commission's element of their profits as any product that we sell via this distribution force is recorded in our UK wealth business. However, we are very pleased with how well the integration has gone and we are also very excited about what the team is going to deliver as they move forward. I expect that small number to grow nicely as we do move forward. In China and India, as you know, we have joint ventures, with China expecting to come back to break even in the next few years and nice returns being made in India. With the exception of China, all of these business are self-funding in capital terms and do not require capital support from the South African businesses. Notwithstanding the investment we are making in Mexico and China, we make significant profits, pre some noise of some corporate allocations there at the bottom, and we have a very strong underlying ROE of the low to mid-teens.

Moving on to the Property and Casualty business. Within this slide, you can see the M&F or Property and Casualty business split between the South African and the Rest of African businesses. We've just received regulatory approval, as you heard, for the Nigeria acquisition and you will see this come online next year. The P&C segment has sustained, as you know, a high period of pressure on its underwriting result. The worst affected has been the South African business who have reported increasing underwriting losses. This together with a lower average long term investment return experienced in South Africa has had a significant impact on the ROE. However, as we look at the Rest of Africa, we continue to produce healthy underwriting margins despite in H1 this year we had a slight increased incidents of large corporate claims. The decline in ROE for the total P&C business is mainly a decrease of the result of the profits in South Africa. However, as you heard yesterday, we have an ROE target of 15 – 20% from 2016 onwards.

Leaving profits behind, we are going to look now at the PVNBP margin. On this slide, I've shown the PVNBP over main retail businesses. The blue is retail affluent, the red is MFC and the purple is the Rest of Africa. The present value of the future premiums is, in essence, the margin that we earn on all the premiums in relation to the new business that we've written in the year, taking into account the commission costs as well as the initial expenses of selling that business. It has always been a very key part of our focus that we not only look at sales but we need to look at the margin that we are also earning on that business. MFC historically has been very strong and has improved significantly as we have driven significant cost reduction and efficiency out of the system in line with what Crispin was sharing with you earlier. Retail affluent at the bottom has been on a very nice steady journey removing losses made from the distribution channels as well as reviewing quite significantly in 2012 the makes of business, ensuring that our new sales are meeting our margin requirements. Many of you will be aware of the movements that we've had in recent years around the swap yield. This has contributed to an increase in this new business margin over a total of about 0.7% PVNBP since 2010.

The Rest of Africa pictured here, as explained earlier, only reflects the Namibian businesses without any consideration for central costs. We will see this falling by about a third as we move forward with the consolidation of all the businesses. If you were to look at our combined PVNBP margin today it sits at about 3.9% across the whole group including corporate, and we've grown from 2.3% in 2009.

As we move on to capital, we have a very, very strong capital position, strongest in absolute terms in the industry, ready to finance the African expansion about which you have heard much. As you can see from the amount of capital in the very first graph of 50 billion Rands and the excess capital we have some 37 billion Rands is far higher than any of our competitors. Our capital requirements are also slightly higher and this is very much as a result of the smoothed bonus business that we have a larger portion of than some of our peers. As many of you will be aware, our regulator is changing the basis of our regulatory reporting, to a basis that is known as the solvency assessment and management or SAM as we call it here, which comes into play from the 1st January, 2016. As part of the preparation for SAM, we restructured our group of emerging market businesses. What we saw is fewer companies which had traditionally been owned by OMLACSA have now been moved further up the group. Mutual and Federal is now held by Old Mutual Emerging Markets and a larger proportion of Nedbank is held by Old Mutual Group Holdings, our ultimate South African holiday company. This change would have reduced OMLACSA's capital as at the 30th June by nearly 8 billion and would have reduced the OMLACSA solvency ratio to 3.2 times the capital requirement. We are still satisfied, however, this keeps us in a very comfortable position.

The FSB requires us to provide them with several stress tests as part of our annual returns. On the left hand side, you can see the base case as it was at the end of December. What we've tried to do here is show the more significant of these stress tests. As you will see, a significant change in bond valuation either 50% up or the next one should actually say 35% down, does not have a significant impact to our solvency. A 50% drop in equity values given the significant portion of equities that we hold would have a more significant impact. However, OMLACSA would still be in a very comfortable solvency position at 2.3 times the requirements. The reduction in capital is mostly due to the assumed 50% reduction in the value of Nedbank in this stress test.

On this next slide, we seem to have a slight gremlin when we printed your books that the bar is all shrunk compared to your graph on the left. For those of you who are interested, the corrected graph is available on the web. If you are wanting to look at absolute terms it's best to look at the slide on the projector. So here I'm going to show you some of the stress tests if we were looking at our scenarios on the SAM solvency position. For this purpose, I'm using the results of an internal capital model as at 31st December 2012. However, before I go into the individual scenarios, it's worth noting that we are very comfortable with all of the various scenarios that come towards us. The economic capital at risk ratio is much lower than the current regulatory capital position due to the differences in the nature of the calculations looking at economic value at risk, and here we're looking at the 99.3% confidence interval or 1 in 10,000. Additionally, and very importantly, Nedbank is completely excluded from these calculations. As you can see, while some of the scenarios reduce the economic value of the business, the solvency ratio remains strong, and even in these extreme scenarios as expected economic value would reduce if equities were to drop by more than 50% or if a significant portion of our business were to lapse, that's the one that's second down from the end on the left hand side.

The lapse test represents 30% of the retail book and 50% of the corporate business coming off the books immediately. The solvency ratio interestingly stays the same as our base case but the component parts change. While there is a loss of a significant portion of the business, this would reduce the capital, it would also of course reduce the capital that is required and that's by the same extent. The 2008 scenario is one that as I said? what we've done is full of accuracy. Equities would fall by 32% as they did then, our equities volatility would increase by 30%, and our yields would decrease by 400 basis points and credit spreads would increase on average by 69 basis points. So I think all of you would agree it's a relatively extreme scenario on the world we're in today.

There has been much debate just about whether we should use the 99.3% for the internal model or the 99.5% which would be equivalent to one in two hundred shocks as the regulator requires. We are looking at this internally and

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we imagine that we will be doing our internal model moving over to the one in two hundred, remember this is on the one in ten thousand. The benefit of us doing that would be that it would increase the CAR by about 15% and, in fact, our base case would move from the current 2% which is seen as slightly more draconian to about 2.35 times cover, and you would see a similar uplift in all of the other ratios as well, so we really are in a very comfortable capital position.

This slide shows the free surplus generation for the Old Mutual Emerging Markets cover business over time. At the top of the slide, you can see our expected free surplus. This is the expected release of the free surplus on the in-force book at the beginning of the year. Growth in this circle is over the years, is driven by growth in policyholder funds and consequently VIF. The expected release in 2012 also includes the African businesses which were included in 2011 for the first time, which is why you see that slight jump.

New business reflects the required capital for new business and regulatory loss at the point of sale for business sold in the year. Our free surplus variances relate to the impact of experience and economic assumption changes, and in the years 2009, 2010 and 2012 we had very significant positives on our economic assumptions compared to what we had estimated at the beginning of the year.

Adding to this, if we were to look at our non-covered business, the operating profits from the non-covered businesses are in general equal to a non-covered free surplus after consideration of some much lighter capital requirements. That amount was equal to 1.5 billion in 2012. So a combined amount of 5.3 billion or 410 million sterling as many of you might remember from Philip's presentation generated in 2012 by this business. This is a significant free surplus that we generate here and it's very much used to fund dividend and growth.

I now move on to this last slide. What we are trying to show here is where the free surplus or available capital is generated within the group where do we spend it and what kind of returns do we get. So, I've already shared with you that we are clearly strong generators of available capital and it comes predominantly from South Africa with nominal amounts being generated in Latin America and the rest of Asia. Of our South African franchise, we reinvest approximately 10% moving forward as we serve to keep this business strong.

Within new markets, Columbia and Mexico together are self-funding and our JV and India doesn't require any more capital. And, at this stage, our Chinese business does require capital injections while this business is still growing. Now you can see the 10% that we inject into LatAm and Asia. We then have made much of our expansion into Africa and you would imagine that this is where most of the capital that we are generating is actually being invested, counting for approximately 30%. Finally, about 50% of our generated capital goes towards funding dividends with shareholders.

As we look at the ROE's of this business, we have a target range of between 20-25%. South Africa is very comfortably within that range. Latin America, as I said earlier, sits more at the low to mid-teens, and our Rest of Africa business is comfortably in excess of that range today, it's about the low thirties, but we would expect that to fall off as we shared earlier.

But, in summary, our capital allocation very much largely reflects our business strategy. It's about maintaining our strong South African franchise, expanding and growing in sub-Sahara and Africa, and building profitable franchises in selected other emerging markets, while very importantly earning sustainable ROE's of between 20-25% and also paying significant dividends.

Ladies and gentlemen, thank you for your attention. It's with pleasure I hand over to Raisibe.

Raisibe Morathi

Raisibe Morathi: Thanks, Katie. Not only do I realise my challenge that I'm standing between you and your flights, your well-deserved rest, but I'm also aware that I'm speaker number thirteen. I'm going to take you through the financials at Nedbank and just a background to say that Nedbank is owned 52% by Old Mutual so just so that you can have a bit of context in terms of where you see the PLC numbers. So my story will be perhaps less of forecasting on a single period but I'll give you a bit of a trend in terms of a period between 2009 and where we are now, bearing in mind that we do product third quarter trading update with very limited numbers, so I will only mention those where it is relevant.

Just the big picture to start with, in terms of our performance over a period of three years from 2009, you will see that the ROE have been under a lot of pressure due to various factors and really what this slide seeks to do is give you a little bit of unpacking of what are the key influences in terms of our ROE, and you will see that in 2009 at the height of economy crisis our ROE excluding goodwill was 13.4%. Now, the reason why we report our ROE excluding goodwill is because when the IFRS was introduced and therefore the accounting for goodwill changed, it was about the same time that we did our very large acquisition of BOE and, for that reason, we could not write off goodwill, and for that reason on a comparative basis with the other banks we actually found that we are misaligned. So when we report out ROE for that reason we exclude that large goodwill of 5 billion rands. So, the ROE at 13.4% in 2009 you will see that with the Basel requirements where the holding of capital have increased significantly and you will also see in terms of our capital ratios we now – that has actually absorbed up to 3.5% of ROE. And next to that, and also related to the changing environment in terms of the Basel is the holding of more liquid assets as well as increasing the length of our funding profile has cost us almost 1% in terms of ROE. Next block, in C, is the

endowment impact. I think Graham spoke a lot about how the interest rates have changed as well as Ingrid covering that, so you will see that that has cost us 3% in terms of ROE. The good thing is with the impairments having peaked in 2009 at the back of the start of the financial crisis, we have actually recovered from the peak of those impairments and for that reason clawed back 4.7% and management actions relating to our strategy that has been well articulated by Graham, and most importantly you will see in the NIR story that with all of those actions including the investment for growth and those growth opportunities giving us earning uplift, we have also been able to create value to an extent of almost 6% resulting in an ROE of 16.4% in December 2012.

Moving to my next slide, so in terms of ROE story again, so here we really just want to make sure that you can appreciate the dynamic around saying while ROE is at those levels we have also improved our ROA and you can see that here the ROA improved to 1.15%, and, at the same time, you can see that leverage has actually reduced to 14 times from 17.6 times in 2009.

Again, another lense, just reflecting that as we strengthened our profitability, we also managed to get our balance sheet to continue to strengthen which is really a good feeder into the future profitability. You will see that we have had an upward trend in advances and deposits at 4.8% and 4.7% respectively, and in terms of our variance income statement ratios you see that the margin continues to improve despite the decline in interest rates, credit loss ratios declined nicely and only had a tick up in the first half of 2013, at 1.31%, and I'll unpack this a little later. The good news is that in the third quarter of trading updated that 1.31% had become 1.15%, and improving NIR and growing our NIR a double digit for each one of these for five periods, and seeing our NIR to expenses ratio sitting at 88.7% as well as an improvement in our efficiency ratio.

So, moving on, the waterfall chart gives you a perspective about our HE where in the first half of 2013 our HE had actually doubled from the levels where it was in the first half of 2009, and if you look at the different components you will see that our top line growth coming from our NII and NIR shows a very respectable growth of 26% in NII and 77% in NIR. And from an impairment perspective, whilst impairments peaked and with an improvement that you saw in the credit loss ratio, you can see that is actually almost a net neutral position. On Expenses we will continue to invest for growth. A number of initiatives that retail cluster had to engage in where Ingrid was talking about the turnaround strategy, we have continued to invest in that and you will see that in our expenses and from a tax point of view included in that number is also the change of tax rate for capital gains tax, and as a result you see that our tax was probably a little higher than what we would have expected without the change of rate.

So, then we look at the margin. In a low interest rate environment and coming from a background where our book is still higher proportion lending than the transactional, it is actually quite pleasing for us to have been able to open and improve our margin and we can see that both in rent terms and as well as just in percentage terms we have continued to improve our margin, and despite all those Basel requirements, so really the benefit has come from the change in asset mix over a period of time. We introduced as one of our strategies what you call portfolio tilt where we were very careful in terms of selecting areas we wanted to grow. For instance, when you look at our advances, you'll see that the shape of our advances has changed and, as a result, you'll see that in our margin as well, so included in that we've also been quite forecast in terms of forecasting and continued to grow deposits because we know that is a very important aspect in the Basel environment.

So, moving on, credit loss ratio trend line, you will see as I spoke about the peak in 2009 suddenly our impairment ratio sitting at 1.6% at a total level, and at a specific level sitting at 1.72%. We saw an improvement. The dotted line is actually showing you the target band in terms of our medium to long term, where our target range is 60 to 100 basis points and we just about touched the 1% from a specific impairment point of view, but given the tough environment we have also been quite prudent and continued to build our portfolio provisioning and, from that perspective, in H1 last year we were sitting at 1.11. In some of those trend ratios you would have seen 105bps as our credit loss ratio in December 2012. In the first half of this year, we had an odd experience of one large impairment in business banking resulting from a well reported case of a company called First Strut which cost us 180 million rands in terms of impairments. It was quite a big corporate failure, so to speak, where the company itself had an exposure of 2.4 billion rands across the industry. Our exposure as Nedbank was 240 million rands and our impairment was R180 million, and the balance was basically the collateral that we could actually be able to regain. So, excluding that one off impairment, our credit loss ratio of 1.31 would have been 1.24%.

Again, another explanation for the tick up in the first half of this year is that looking at the tough environment that the consumers are experiencing, we took a prudent approach in our provisioning for personal loans where we changed our methodologies, tightened our provisioning methodologies, and we started doing that in the second half of 2012. So H1 on H1 was – the first half of this year was on much more stringent provisioning, so for the full year we expect that the skewness will be slightly different and, for that reason, our guidance is that we will see an improvement in our credit loss ratio for the full year and for that reason as we expected in the third year our impairment ratio was sitting at 1.15%.

Moving on, a very busy but nevertheless very important slide, and particularly given that from a bank's perspective when we do our stress testing provisioning credit risk is probably one of the key metrics that you always have

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to watch for and, basically, measure where you are. So, starting from the top left corner, this is where we look at the trend in terms of our NPL's, so you can see that from 28 billion rands we are now sitting just slightly above 20 billion rands, so even though we saw a tick up in personal loans but the good thing is that in the other portfolios, particularly the home loans book, where we still have a back book of 43 billion rands, we have seen an improvement in many of those categories in terms of our NPL's, and now sitting with an improvement now at 20 billion. The line graphs above that reflect how we have come down in terms of the retail portfolios from 13% to now 6.2% and, as I explained, largely to do with an improvement in home loans portfolio despite the tick up in personal loans especially, from a group perspective sitting at now 3.5%.

Going to the top right, you will see that we have continued to build our provisioning where our total coverage is sitting at 59%, and we have actually continued to build coverage, improve our coverage, both from a specific as well as a portfolio perspective, and that two graphs to the right very importantly the story that they tell you is from the prudent provisioning we do write off probably in good time and the big test is when you see your recovery is stable or improving to show that the continuation of trying to collect that written off book actually is taking place, and what is also important is that in our written off book we do not NPV that book and bring it into the books, so we account for the recoveries as we collect cash, and for that reason very pleasing to see where there's an improvement in that environment. Given the weight of our personal loans impairments at this point in time, it is also pleasing to see that in the recoveries that a large portion of that is actually coming from personal loans.

Moving on, the next slide is just showing you the journey of our NIR and unpacking a little bit where that comes from. You will remember that when Graham presented the overview of banking and therefore overview of Nedbank he reflected on the four strategic initiatives including NIR, and this is where our NIR to expenses ratio of 85, comes through. So we met that target for the first time in the first half of 2013 where we ended up at 88%. In that percentage, NIR grew at 15% which included some one offs but, nevertheless, without the one offs our ratio would still have been 87%. What is quite pleasing for us is that our NIR comes from annuity type income where 70% is from commissioning and fees, and you see the rest of the other components where you have insurance coming at 10% and trading income which is more volatile a small percentage but nevertheless quite resilient. Now, some of the experiences that Raimund spoke about in terms of the short term insurance, we've also had some of those experiences, particularly St Francis, not to the same extent because obviously our insurance portfolio is very small, but what has been the key driver in our insurance income has been the proportion of credit life coming with the personal loans. So, going forward, probably that will become less visible particularly because the growth of our personal loans book has now been curbed to an extent that we understand the risks of that

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book in a different space right now. But, at the bottom, you will see that all our different clusters have continued to contribute to our NIR and very importantly linking back to the strategy that has been implemented in retail, the turnaround strategy, you'll see that retail plays a very critical component in terms of contributing to our NIR where they are a 44% contributor and you continue to see the benefit of having that cross sale ratio improving the penetration of deepening the share of the wallet of the clients, and increasing the number of clients.

Another lens, and a very quick one in terms of the NIR, is that having created this staggered off 85% for NIR to expenses ratio, very important for us to track that we grow NIR faster than we grow expenses. We recognise that in NII you are sitting with a structural component where you have lost quite a fair proportion of the endowment income at 40 year low interest rates and, for that reason, it is important to make sure that at an NIR level we continue to track that JAWS and you'll see that for the period covered here we have continued to see that positive JAWS between our NIR and expenses ratios. And even when you follow the dotted line, even when you exclude the fair value adjustments which you can see that they are quite volatile, you can see that we have maintained the positive JAWS. And, by the way, the fair value adjustments arise from the fact that we have some portion of our book that is priced on a fixed basis and, for that reason, the market to market in that book creates those adjustments, accounting adjustments.

Now, just taking a very quick glance on the segmental performance from a Nedbank perspective, you will see that from our five main clusters the dot representing the size of the HE, you can see that we have a diversified mix where our wholesale cluster's Nedbank Capital and Nedbank Corporate are mature businesses and contribute very well to our Headline earnings, and this is a point in time pretty much the pattern that you would see if you were to cover the whole period that I've covered. And retail, also a big contributor, and really what differentiates retail here is that in terms of the return on equity, retail is sitting at – it's reported 10% in the first half of this year whereas the other clusters are actually sitting above the cost of equity of 13%. Now, we see this as an opportunity where the improvement in retail will obviously be a positive contributor towards growing the ROE from a group perspective. Nedbank Wealth, a relatively new cluster that was created in 2009 coming from some of the JV's that we previously owned in the asset management space and insurance, and this cluster has continued to be a good contributor from an NIR point of view but also because it is low capital absorptive is sitting with ROE's above 35%. Business banking, a very solid business, highly endowment sensitive have maintained their ROE's around 22% over a period of probably about seven years, and currently sitting closer to 13% and only because of that high impairment in the first half of this year relating to First Strut.

So, the next two slides are going to take you through some of the issues relating to the balance sheet, and here the point is just to show you the diversified portfolio, and also driving the point about portfolio tilt which is, again, another component that was explained by Graham Dempster. You'll see that in portfolios such as home loans which is the bottom green, dark green, that makes at this point in time 24% of the mix in our book. And in 2009, that contributed 32%. So, with our repositioning of retail, we have continued on selective origination in home loans such that we have reduced home loans in the mix, and because we are still sitting with that back book which is ROE negative and you'll see that in other areas such as that thin purple like colour, the 4% that is personal loans. So personal loans only makes 4% of our book. We grew that book probably in two/three years in line with industry during that time, and from the second half of last year we started putting on the brakes, and at this point in time, to our knowledge, we have probably slowed the most in terms of book growth since June 2013 when we reported we were sitting at minus 6% of growth in personal loans.

Again, coming to deposits, a similar pattern where we have forecast on growing our contribution in areas such as fixed deposits, call and term deposits, obviously to be in line with the Basel III requirements, and whilst reducing the component of NCD's in the mix.

Coming to the capital ratios, as we all know, Basel III was introduced effective January 2013 and we were quite pleased that on a pro-forma basis when Basel III was introduced at the beginning of this year, on a pro-forma basis our capital was already at 11.6% which is obviously quite strong capital levels given how stringent the requirements are. The new target bend of 10.5 -12.5% was said in preparation for Basel III and at the levels of capital where we are we already midway in terms of those capital ratios, and reported 11.8% in June this year, in some dividends paid out in September, so the ratio that we reported in September was 11.6%. In terms of the other Basel III relevant information, the LCR on a pro-forma basis we are already compliant as we know that is kicking in from 2015 and it will build up from 60% all the way from 100% adding 10% every year. NSFR, we believe that probably from a Basel commission perspective that is possibly going to change and be softened just given that it is a particularly problematic ratio, not just in South Africa but probably in many other countries. Long term funding at 28% surplus, liquidity at 25% and from a leverage point of view in the Basel definition, which includes commitments, commitments is sitting at 16 times away from the maximum that has been set from a Basel perspective. So clearly the Basel defined leverage will be higher because it includes commitments whereas what I have shown you earlier on at fourteen times would be the accounting leverage.

A very important slide from a shareholder perspective is that with the strengthening of capital we also saw it fit to look at our dividend cover ratios, and you will see that between 2009 and 2012 we had a target range of

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between 2.25 and 2.75 times, and we have paid our dividend somewhere closer to the bottom of that range, and effective from this year we revised our target ratio for dividend to 1.75 to 2.25 and our aim is that in the medium term we will try to migrate towards paying a dividend probably at mid-point of that target range. So in the last two periods, we paid our dividend at 2.18 times.

The next slide is talking to the KPI's and maybe more specific towards the last full reporting period which was the interim of 2013, and you will see that our ROE is slightly down on December and partly because of the higher impairment ratio, so we expect that as the impairment ratio improves that should help us to be able to claw back the ROE. DHEPS growing at 12.6% from 19% clearly with the picture that you've seen of the macros that have changed, 2013 has been a particularly challenging environment, we have grown our dividends as we said a little faster than the way we grow our earnings, credit loss ratio at 1.31% has already been covered as well as the other key ratios from the income statement perspective as well as the strengthening of capital.

Now, we go a little bit further in terms of our reporting to give you a bit of a guidance in terms of where we expect the year to be. Of course, this is the full year, it's guidance for the full year, for 2013. In different areas, we do expect to see some level of resilient performance despite the tough economic environment. You will see that we expect our margins to be at reasonable levels. We reported our margin at five basis points better in H1 compared to 2012. Our guidance was also on the basis of interest rates having been cut by 50 basis points in July 2012. And, at this level, it looks like we are probably in the right zone to be somewhere between where we were in December last year and where we reported in June this year. Credit loss ratio, as we said, has already shown some improvement but we will not be in the target range that we had expected to be. NIR, we expect to continue to grow at double digits and clearly the one-offs in the first half were unexpected and for that reason we say a lower double digit, and in terms of expenses very important that we continue to invest for growth opportunities in different areas. And the bigger forecast and bias in terms of investment for growth being in retail as well as in Nedbank Wealth.

So, coming to my last slide, I think it's important to reflect on the investment case for Nedbank Group. So, in the graph on the left hand side which you have seen from Graham's slides, Nedbank has been re-rated and you can see that we are now sitting in a category where our price to book is the second highest from the peer group, and our ROE is also at that level. That is really coming from a number of perspectives. A competitive franchise that we have been able to build with a diversified portfolio in a season where retail was experiencing high impairments, we saw the benefit of our wholesale clusters, and as you would see also in terms of the mix of the revenue we have attractive value propositions in terms of our NIR retail repositioning and so on. Our Africa strategy, we believe is risk mitigated and really creating a lot of

opportunities for us going forward and strong balance sheet that we've been able to build. And lastly, and very importantly, whilst we are very proud of our culture at Nedbank which has been very well articulated through the last two days, but just to say that we also have a very strong management team that has been together since 2009 and, basically, being the team that was built by Mike Brown when he became the CEO. On that note, thank you very much, I'll hand over back to Paul.

Q&A session

Paul Hanratty: Raisibe, thank you very much indeed, and thanks Katie as well. Would you guys like to have a seat? I've asked Ralph to come up as well because we have quite a chunk of time set aside for questions. I just need to leave enough time at the end to give you a myriad of instructions as well. So can we start the questions?

Brian Mushonga: Thanks. The capital slides showing the required capital and free surplus, could you just…?

Paul Hanratty: These are Katie's slides, are they, you are talking about?

Brian Mushonga: Katie's slides, yes. Could you just explain how much of the free surplus is the Nedbank part of it from the slides that you showed? And the second question relates to the capital free surplus generation that's allocated to the Rest of Africa. If I understood the slides correctly, 30% of the free surplus that you are generating you are allocating to the Rest of Africa. I'm just wondering why that is the case given its relatively small size and the 5 billion M&A fund that you have, and if you could tell us what that picture looks like in five years' time i.e. five years down the line, are you still allocating 30% of free surplus to the Rest of Africa? Maybe a last question on the Zim earnings, could you explain the nature of those earnings?

Paul Hanratty: Is it is possible that we can get up Katie's capital slide? It's the one with the ratio as 3.2 that I think are being referred to. I know the books, I don't know the number.

Katie Murray: While we are bringing that slide up, if I can deal with them not necessarily in the order that you asked. I think if I look at the 30% that is giving some consideration to the acquisition plans that we're on, so it's a combination of what we would – it's from the free surpluses what we would be investing from our acquisition plans. We would certainly expect in five years' time that our

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acquisition plans are more or less complete and we would hope at that stage we would be starting to get dividends coming in the other direction, but that will clearly depend on the journey that we go on in the next few years, but the 30% is consideration of that. If I look at the dividend for Nedbank, as we look at that, so the Nedbank is held today both directly by OMLACSA, so the portion of that would come up through there as we move forward. 18% of Nedbank is now held by OMLACSA with the balance held directly through Old Mutual Group Holdings, so the Nedbank dividend doesn't flow through that at all. Previously, about…

Paul Hanratty: I think, Katie, the question was if you take the 3.2, clearly the Nedbank holding that is in OMSA is out there but there's still a considerable Nedbank holding, and the question was how much of the excess capital here relates to the Nedbank holding?

Katie Murray: Sorry, thank you, Paul. That's 18% then in that piece that relates to the Nedbank holding, of our holding, yes.

Paul Hanratty: So if you took the 18% holding of Nedbank out, how much would that be, Katie? Is that the question?

Brian Mushonga: That's the question. How much is cash?

Katie Murray: I'm looking to Gary who's at the back.

Paul Hanratty: Okay I can do them, we can do them mentally if you say, 18% of Nedbank is roughly 18 billion rand?

Katie Murray: Yes.

Paul Hanratty: And that is about 14 isn't it?

Katie Murray: Yes, there is.

Paul Hanratty: So, 18 is there. Another 18 is about there.

Katie Murray: Thank you Paul.

Paul Hanratty: That's all right.

Paul Hanratty: 14, 14, full well, okay. Well that would hold better if my maths was better it would help. So if you have 14, 18 and then to get to, somebody's who's smarter than me, to get to what is about 42?

Katie Murray: It's 40, yes, it's 42.

Paul Hanratty: From memory it's about that. Okay.

Katie Murray: Thanks Paul.

Paul Hanratty: Does that help you? I'm sorry, you probably will be able to do it from your pad there so do we, we covered the Zimbabwe, you didn't cover the nature of Zimbabwean earnings.

Katie Murray: Yes, so, the Zimbabwean earnings are a blend of I guess three main businesses, the life business, the business we have from CABS as well as the general business RMI which all the historically within the African book we've fully consolidated that business as the majority shareholder within our African earnings. Clearly one of the important things about the Zimbabwean earnings is also consider that they are coming through in US dollars, which this year has had quite a positive impact to us in our results. And then they combine together to give this share of profits I shared earlier.

Paul Hanratty: And you are carefully avoiding the split between.

Katie Murray: I was very carefully avoiding the split.

Paul Hanratty: Okay you weren't just deaf.

Katie Murray: Yes, I wasn't deaf, I just was just not sharing it.

Paul Hanratty: Okay. Some more questions? Question in the front?

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Roddy Wallace: Roddy Wallace, S&P. Jumping back a bit to slide 306, I'm a little bit confused here. You've included new business strain in the insurance variances chart. Isn't this included in value of new business which is positive, I suppose more generally I'm not really sure which accounting world we're in on this slide. Is this embedded value earnings or?

Katie Murray: Okay, so let me talk you through. This is not embedded values earnings, it's our adjusted operating profit, so the value of new business is obviously the value of all the business we've written in this year and as we bring it back over all the premiums we're going to receive as we move forward. This is just our new business strain, so as we issue and sell new business we have a point of sale loss and that's bringing this into the IFRS accounting. The value of new business is a much better measure of our future profitability, but obviously it's an MCEV measure rather than our IFRS measure.

Paul Hanratty: And value of new business is the future value of the profits and then you deduct the strain up front to get the net.

Roddy Wallace: I think under embedded value that would have been captured in value of new business.

Katie Murray: This is not embedded value.

Paul Hanratty: This is not embedded value, this is the accounting profit –

Katie Murray: Yes, and then what you see as the profits then come through in the dark green section which would relate to what you've basically written at that time.

Roddy Wallace: Thank you.

Paul Hanratty: Greig?

Greig Paterson: On slide 309 if I understand it correctly, you gave a whole bunch of supplementary statistics where you tried, first of all I was trying to write them down quickly, I assume you're trying to say on a MCEV basis if you consolidate all the other operations in that chart, these are the impacts. Now I'm wondering when you're going to do that because last time I asked

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management they said, for some reason there wasn't a reliable yield curves, etc, etc and they couldn't calculate the value of new business. You've obviously found reliable yield curves in the interim, the last three months. I was wondering how you calculate it and when are we going to see those changes actually come through in the accounts?

Katie Murray: Yes, in fact we have found some reliable yield curves in the interim which is satisfying. I think what we've done is actually as we look at this, it's something that we have been working on for a while, but clearly there's not, as you move into the rest of Africa, tremendously reliable yield curves. So we've used a relatively conservative basis with various kind of proxies to get us to a place that both we and the rest of management are also comfortable with. Our plan is to incorporate this at the end of this year.

Greig Paterson: Right.

Paul Hanratty: We've got some other questions in the room? Jackie. Why don't you give Ralph a nasty one? He's got off scot free for two days after stealing my slide on day one.

Jackie Cavanaugh: This is actually for you Paul.

Paul Hanratty: Oh.

Jackie Cavanaugh: Sorry.

Paul Hanratty: I'll pass it to him.

Jackie Cavanaugh: Maybe he can jump in. We've obviously spent a lot of time on emerging markets, that's why we're all here. But I'd be just curious from your perspective what being part of the greater group which we haven't really talked about at all, means and if the greater group sort of fell into the ocean tomorrow would it affect his business and in what ways?

Paul Hanratty: Okay, so I think we can answer that very practically because I was kind of in Ralph's position when the rest of the group somewhat fell into the ocean a few years ago and it was extremely traumatic because this is such a well-known brand in this part of the world and we had a reputation for being

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absolutely impregnable so if you ask some of the asset management guys here in the room who are South African I think they would have told you we were generally known as an incredibly secure and safe haven. And obviously with what happened at the group level it created an enormous amount of angst for customers in particular who couldn't draw a distinction between what was happening at the holding company level because of the issues in US Life and Bermuda and you know, the security of the business here. And we had to go massively on the front foot with wide scale client communication and of course it was the same time as the financial crisis that people were also worried about the value of their investments and all of those things and it was really interesting because I suspect that if we hadn't had the problem at the group level, we would have done what every other financial institution did and that was keep your head down below the parapet, say nothing to your clients and hope you know, the problem would go away. But because we got on the front foot it was really interesting how that helped ironically in our clients' minds to cement even more trust in the company. You could see it in the surveys that were done of corporate trust, but it was a very, very difficult period and I think it does illustrate that if the group gets into difficulties, you know, it does have a big impact on your brand. So, you know, whereas I think that if we had the Skandia business was much less affected because people, you know, both IFAs and customers, I wouldn't say they were clueless but it was, you know, the fact that there was some problem with Old Mutual they were probably largely unaware of. And so there were virtually no queries or issues in those businesses.

I guess that was the negative example, I think the positive example is, so I think in some segments of our market it may not help, but particularly in our wealth business I think it's a tremendous benefit to the business here to be part of an international business and if you look at our, the upper end of our retail customer base, you'll find that they've got a very, very heavy offshore exposure, they've got a very global mind-set when it comes to you know, to investing. And I think the global aspect of our business is a very strong brand attribute for that end of the market. It's also worked really well for us in the institutional asset management space because we're able in Di's business and among Bongani's business to talk about the fact that we access our US asset management boutiques which give us obviously scale and quality and diversification of asset management and expertise way beyond what any of our South African competitors have. And I think as well in Africa actually quite strangely there is still quite a big connection to London, so again, in Africa I think the London connection does give us quite a lot of positive benefits. So, it's actually a really interesting question you've asked because I think you can see the seesaw, it can work really for you so long as you don't make mistakes it's a positive. Jon.

Jon Hocking: Yes, I've got a question on slide 309 with the country split. I just wondered whether that country split would look different in any way if you allocated the LTIR between the countries? I guess it's sort of big interest rate differences between the different countries?

Katie Murray: Thanks for that. I think if you were to look at the LTIR, what you would see is it's predominantly originated out of Zimbabwe and Namibia and it's relatively meaningless for the other portions of the countries and if, basically if you can just go back one slide? You can see here from the build-up of the LTIR and obviously interest rates have moved on but our, in 2009 we had about a 9% return and that was only in Namibia that was happening there. And in 2011, sorry, 2010, and then 2011, that's when we added on the Zimbabwean business. So you can see, it gives you some kind of guide as to how it is and then clearly you'll be aware of the quite significant growth that's happened in the Zimbabwean market as we move into 2013 which doesn't impact the LTIR directly but does impact the value of the underlying assets that the LTIR is calculated upon.

Jon Hocking: Just another question on your philosophy with capital management. I guess it's too early given the size of the business now. But once the rest of Africa footprint gets bigger how are you going to weigh up holding capital locally in subsidiaries versus the economic capital requirement the group might see, are you going to hold extra capital in South Africa? And hold the minimum locally or how are you going to approach that?

Katie Murray: I think it's something that we're working our way through just now Jon. I think there are advantages in some situations to growing, to holding some of the excess capital not in South Africa, just so that you've got currency matching as much as anything else to where the risk might be, but what we try to do is under the management of the local, under the governance of the local management is what's required either by the higher of the regulator or the economic capital requirements. And then any buffers over and above that we would decide then centrally where is the best place and which currency to keep them in. But as you say, it's something that will develop as we move over in the next few years. At this stage it's not something that we're particularly concerned about, but what, one of the questions earlier was around Zimbabwe paying dividends? What we do have a philosophy of is where there's a potential dividend payment issue that we constantly pay dividends so that we're always testing the ability to withdraw cash.

Paul Hanratty: Another question, was it David? Were you looking to ask a question?

David Danilowitz: Maybe just specifically on the dividend there. Is the intention still, and I think you answered it in your last statement there, intention still for South Africa to fund the group's dividend in effect, I mean the question is your 50% that you're going to allocate to dividend to the centre, is that going to be a rigid 50% or that was kind of a long-term specification?

Paul Hanratty: Can I maybe answer that? It's a little unfair to ask Katie. We set dividend policy in the February board and it'll be addressed there so until that point it's the status quo.

David Danilowitz: Okay, let me ask the other half of the question to Katie then. How do you view debt in your calculations, clearly there's a bit of gearing from the South African business, a lot of the intragroup debt has been repaid or sorted out. Are you happy with the situation? Do you feel that there is the possibility to gear up any further than in that South African emerging market businesses? Or currently, my question obviously as you acquire, can debt be used?

Katie Murray: So, I'll answer that question in two ways. So certainly philosophically debt can be used as acquire we have the capacity to do that. I think that as and when we're approaching any significant acquisition that we'd potentially, it would be advantageous to use debt. We'd look at it at that time as to what's the best capital structure for the group, but we certainly have the capacity so it's one of the kind of arrows in our quiver, so to speak if we're required to use that.

Paul Hanratty: Michael? Another question here.

Michael Christelis: Seeing as you asked for a question for Ralph, you've got four billion rand left of your target spend in Africa in the near term, I guess my question is how easy do you think it's going to be to find businesses that will meet your return hurdles to spend that money in the near term firstly. And secondly, if Julian and Philip were to come up with another, I don't know, five or another possibly ten billion rand from somewhere and ask you to aggressively roll out even further, I mean what I'm trying to get at, is the opportunity there to find businesses at reasonable prices that you could bolt on or do you think you would struggle to spend much more than the four billion net that's already been earmarked?

Ralph Mupita: So Michael let me answer your second question first. If Julian came with another ten billion I would struggle to find you know, the right kind of

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acquisitions that we're looking for, so the way we think we worked out the quantum that we thought was necessary, we looked at firstly East and West Africa as priority markets and saying, "What do we need to have in those markets?" Predominantly we're looking for life and non-life businesses and asset management opportunities in places like Nigeria we have the pension fund administrators which is another kind of business line. So, we're looking firstly to, in the next three to five years, again the timeline is important, the next three to five years to be able to deploy that additional four billion rand predominantly in East and West Africa. From the return perspective we've been very clear that we're looking for the portfolio at OMEM level to be generating a return of 20-25%, that's the range. And so when we do make acquisitions we want to make sure that in a reasonable timeframe they are getting to their, the minimum of 20. Some markets, particularly you know, like in Nigeria and in Kenya specifically, there are not many, many opportunities so it's not as if there are, you know, a plethora of opportunities, there are a finite set and we'll be quite selective. We'll certainly be looking at the ones that give us, the ROE, that gets us the 20-25% within a reasonable time from three to five years has got to be the timeframe we get those ROEs. So any additional beyond, it will be quite difficult to deploy.

Paul Hanratty: Risto?

Risto Ketola: Also got a question for Ralph. I should have probably asked this earlier but I forgot so, it's got to do with your entry level sales, now remember in the third quarter there was a massive slowdown? And then we asked Julian in the conference call and his answer was something like, "We changed something on something," and that was it. And so I'm wondering in this public forum whether you can actually explain what business process changes you implemented that led to that slow down?

Ralph Mupita: Yes, we implemented a process, a new business process called, we brought in what we call bank verification at pre, the point of sale, so when the advisers brings into the sales managers a new business application, and part of the new business application is bank records, often the bank detail where there's a branch code or the account, is incorrect. And so we bring the business on and we try and collect the first premium, then you don't collect, so we've seen a 4% fall off by bringing in this new business process which is called bank account verification. You know, so it's resulted in a slowdown in the third quarter of our sales but we think it's the right process to bring in because it was, it'd be very supportive of stronger persistency going forward. So that was a process that we brought in that Julian spoke about.

Paul Hanratty: Blair.

Blair Stewart: Thank you. A couple of final questions. Just on your free surplus generation, you talked about allocating half of the covered business to you know, various investments and half of it would be dividendable plus what you've got from the non-covered businesses so it seems that about two-thirds of the free surplus is available for dividend if group chooses to take it. Is that the right message firstly?

Paul Hanratty: I think it is the right message, I mean this business, I mean is highly cash generative. It's highly cash generative.

Blair Stewart: That's great. That's all I wanted to know. And secondly, in the rest of Africa about half of the earnings come from life insurance, I think Brian asked the question on Zim, would it be right to assume that the majority of the life earnings is coming from underwriting protection based regular premium type business?

Paul Hanratty: Are you asking that in Africa specifically?

Blair Stewart: Just, no, for the rest of Africa. You've given us an indication for the South African businesses, the mass foundation and other, just for the rest of Africa.

Katie Murray: I don't have the exact splits with me at the moment Blair, but I think if you were to look at the Namibian business, that's quite a split of single as well as regular and it would mirror quite similarly what, how the South African market behaves. Within Zimbabwe I believe it's more regular than single type business based within those two areas that it would emerge more than others.

Blair Stewart: Okay, and a final question would be, could you talk, you've talked about distribution obviously as a key mainly through banks and agency, but what about workplace marketing? Can you get involved with big industrial companies to get in front of their staff and sell protection products in the rest of Africa?

Ralph Mupita: Yes I mean I guess workplace marketing is the core of what we do in the mass business so you know, Crispin gave us some detail around, you know, how we work in the public sector and how we're trying to move into the private sector, the distribution methodology there is workplace marketing. What we are now

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trying to do a lot more which Iain spoke about when he, the context of his public sector focus is developing a distribution business at the top end of the market or at least in our affluent business that is a workplace based, so we've this year made progress in recruiting advisers who are, we target only to workplaces both public sector and private sector and in the private sector we're looking at the corporate relationship with Bongani's business has so that we know that we can go to the HR director, the FD, to allow us to go into that. So that's going to be a developing feature of the affluent business. In the mass business that's been the core. It's all worksite based marketing. Well in the rest of Africa, we, as we enter and start expanding into Kenya that is certainly something that we started building our distribution. In Nigeria it's early days yet but you can imagine that's probably the simplest and most controlled form of building distribution is targeting worksites and then building, taking a retail product in through those worksites. What we've done to date in Nigeria is basically we've been leveraging off the ETI relationship, the Ecobank relationship to distribute group and credit life. The natural next extension is to leverage their corporate relationships to take on retail product. It will be the most efficient way of starting there on the retail side.

Paul Hanratty: I'd love somebody to ask Raisibe a question. She's given a great presentation. Is Kokkie still here or someone? I don't want to put pressure on anyone. The guru of banking.

Male speaker: So the big question that is asked about the association or the investment in Ecobank is if something goes wrong, where are you going to get the management from to send in or when do you accept responsibility for Ecobank problems which as your stake increases you're going to have to accept?

Raisibe Morathi: So at the moment we do not have any shareholding in Ecobank. We've had an alliance since 2008 and the alliance has really been built on the basis of us supporting clients both ways and we are sitting within opportunity to acquire up to 20% in Ecobank and that opportunity is kind of open between November 2013 and November 2014. So does that make us the lender of last resort? No, because at most we'll be a 20% shareholder to an extent that we exercise both of those rights which is initially the conversion of the $285 million loan and obviously we can top it up to get to the 20%. So from that perspective I think if something horrible were to happen it is a question of, you know, perhaps writing off whatever portion that we'd have invested at that point in time. But it does not extend our liability to an extent that, you know, we only have 20% shareholding, we will only be a 20% shareholder. I think in the manner in which we have approached the relationship we're quite comfortable that it was a good thing to build the relationship up front, you

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know, rather than putting capital upfront and I think it has been beneficial for both of us so to a very large extent it is a risk mitigated strategy which hopefully will avoid the eventuality of the scenario that you're painting there.

Paul Hanratty: But Raisibe in fairness you guys have already been supplying technical expertise to Ecobank, particularly in their Nigerian business so is it fair to say that you do have management bench strength, particularly in the more technical aspects of the bank that could be deployed in those scenarios, I mean.

Raisibe Morathi: Absolutely. And I think…

Paul Hanratty: It's different, yes.

Raisibe Morathi: The relationship has been mutual. We've benefited, you know, in the same way that they've also benefited from us, for instance we are implementing new systems in our Africa businesses and very much borrowed from some of the systems that we have seen running 33 countries for Ecobank and doing that very successfully but also from our side we're in the investment banking area we have provided the technical assistance but for the number of South African companies, operating in Africa it has been beneficial to give them that extension.

Paul Hanratty: Right, can we have one last question before we wrap up? Have you one? Does anybody else want a question otherwise Greig's going to have it and that will mean he'll be the winner because he'll have more than anyone else.

Paul Hanratty: Oh have it Greig.

Greig Paterson: One is on Ecobank, I don't know, I don't follow Nedbank that closely but I was wondering is there a fixed formula for your option or have you discussed that in the market? That was question one actually. And question two is just a point of clarification on slide 316. I don't know if someone can put it up? It's the one on the ECAR ratio. I was just wondering firstly did you say, did I hear you correctly in saying that that is a proxy for the SAM dispensation point one and point two, if that is the case, have you removed the assets as you're going to upstream from the 2.0 times? Is that a complete proxy in other words, you've done a restructuring and it's a proxy for the new calc method or?

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Paul Hanratty: Okay, right okay, so Raisibe do you want to explain how the option works?

Raisibe Morathi: So, as I mentioned, there's a loan of $285 million that has been extended in 2011 and the idea is that that loan will convert to equity so post that loan there were some fresh equity transactions that were done such that by now the conversion of that loan will not give us 20% in Ecobank, but fortunately the time when the transaction was structured had the two options where you can actually top up and you can top up either by buying from the market or if there's an opportunity for a fresh issue, then that will be the case, so the conversation component is the one that is already priced and we have spoken openly about that in our results presentations before which is a one times price to book and we think that is a very good entry level, but obviously the other component, you know, the pricing of it is dependent on whatever the market looks like in terms of their share price and so from our own internal estimate and again with the qualification that it depends on where the share price etc are, our estimate is that it will probably cost us five billion rands to do the transaction and in terms of the capital ratio we believe that at most it will absorb 50 basis points from our capital. Our projections in terms of our capital have fully taken into account the fact that if we exercise or when we exercise the option, we would pay for it in cash and for that reason we will still be able to maintain our capital ratios probably in the similar levels of 11% that you have seen.

Paul Hanratty: No, sorry, so can we just clarify, as Raisibe said, there's a convertible loan that's been made so that converts on fixed terms that are already set. That doesn't get the full 20%, it leaves roughly 7% plus/minus depending on what happens to equity issues. That has to be bought at market price like everybody else, Nedbank doesn't know what the market price will be at the point they exercise it. Katie, can you answer the question, clarify this is the SAM, this is our internal version of SAM?

Katie Murray: Yes, sure, thanks Paul. So this is the internal version of SAM, so SAM comes into play in 2016. At the moment we're still working through with the regulator, Chris Free, which will also help finalise some of the absolute regulations for SAM. I think one of the important differences here which I talked about is around the fact that this is on the 99.3% rather than SAM at the moment is working on the 99.5% interval, so that does have an impact, but what does is that would improve what you see here rather than it would improve it by about 15% across the piece. But this is a good proxy at this time while we work I think within the industry and also with the regulator to finalise the exact requirements of SAM. But we're…

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Paul Hanratty: And the other question to clarify, this does obviously exclude the Nedbank stake because that is the, no, that's the way SAM works?

Katie Murray: Yes, exactly. SAM doesn't allow us to include any of our Nedbank stake so it's… Yes, exactly.

Paul Hanratty: Right, so?

Katie Murray: So it's a good proxy for us.

Paul Hanratty: Right, Katie, thank you very much. Late in the day to be hit with technically difficult questions, but thanks Raisibe and Katie and Ralph very much indeed. You guys have been stars.

Paul Hanratty: That brings us to the final couple of minutes. It just really remains for me to thank everybody who's here. Thanks very much to all the investors who came, thanks to the media who came. A very big thank you to all the non-executive board members of the Old Mutual group that came, and Nedbank as well. And then I want to say a very special word of thanks to Patrick Bowes, Caral-Anne van der Westhuizen and Kelly. You guys have been amazing and stars and have looked after us well. So thanks a lot, you've guys have done a great job. And then to Bish and her team. We won't see you again tomorrow so thanks very much for all the work you guys have done. Raisibe is a very smart finance person but I counted 19, you're the 19th presenter, not the 13th so you weren't unlucky at all. So, thank you very much to all the people from Old Mutual who contributed as well. I think the company can be very proud of what you've done and how you've conveyed what it is that we're busy with. Just in closing, just to remind you we like targets, the emerging markets business will retain its target range and ROE going forward. We retain our target for African profits as a percentage of the South African profits which means that Ralph and his team do have some work to do on acquisitions and we continue to build our customer base setting targets for that. Nedbank has medium and long-term targets that I think you will all be aware of. They publish them at every results day. You can see that in most areas they're performing well, but clearly we have been in quite a tricky short-term cycle on credit. The only thing I want to point out is the incredible strength of the balance sheet and as Raisibe said, even with the Banco Unico acquisition and assuming that the full Ecobank transaction takes place with cash, we'll have a maximum of 50 basis points knocked off the core tier one capital so we're very happy that Nedbank is in a great strong position and will meet these targets over time. And then poor Raimund and his Property & Casualty business, he's

committed now to hitting targets of 15-20 through the cycle and in underwriting margin in the range of four to six, so I think you can expect to see progress towards that going forward. It really remains for me to say that, you know, we as a group are unbelievably committed to Africa, we're excited about it, it has been a continent of few opportunities I think in the past in a difficult environment but we do think that we're at a point in time now where there is an opportunity to leverage it. We believe as a company we're well-placed to do that. This is not a new game for us, actually we started many years ago building up and we're actually in a position now to talk about it. For us it's extremely important that we deliver to all our stakeholders so you heard how important to all of our people the customers are to us, looking after them. We clearly want to acquire more customers. We want to do work for the communities we serve but at the same time we want to deliver great results to shareholders as well. And we are going to be balancing this growth with return and making sure that where we allocate capital we do it in a sensible way. And I think in this business we have a long track record of making acquisitions that have been good acquisitions. So, there have been quite a number over the last four or five years in this business that have all been really good acquisitions for this group. And then the final message I want to leave you with is how increasingly you're going to see collaboration between the group companies to drive the results of this business. So, before we go this evening, this is where you have to now listen carefully. Because we don't want you to get lost in Cape Town. So the first thing, transport details for the next 24 hours. Okay, the buses are going to leave here at 5.45pm which is in five minutes time. They will pick you up this evening from your hotels at 7.00pm and take you to the restaurant which is in town. The buses will then go back from that restaurant from 9.30pm onwards, so depending on how much of an evening you want there will be buses home from 9.30pm. I can't guarantee there'll be transport till all hours, but there'll be to certain hours I'm guessing. Tomorrow morning you'll be picked up from your hotel at 8.15am and taken to a central point for the branch tours. Don't worry about which group you're in, we'll look after you once you're there and we'll take in the branch tour and we'll say goodbye to you at lunchtime and each and every one of you should have had an email with your specific individual transport requirements for later tomorrow afternoon or evening. So if there's any issues please chat to Caral-Anne I'm guessing probably would be the best person. Dinner tonight should be fun, it's in the Africa Café and Patrick has written a little note to promise that there will be no live animals other than some of you, so.

You can feel safe. And one more last instruction, if, well, it's not an instruction, if you want to fill this in, a bit of fun, we'll put your details on it, we'll email you back what kind of customer categorisation you are. I know you're all very wealthy asset managers so you'll all be rich wealth creators I'm guessing is the bucket you'll fall in, but fill it in for a bit of fun. And let's go and have a good evening. Thanks a lot.