ANNUAL REPORT
& ACCOUNTS 2014

INVESTMENT | SAVINGS | INSURANCE | BANKING

OLDMUTUAL

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Find out more about Old Mutual

Corporate website
www.oldmutual.com

Annual Report
www.oldmutual.com/reportingcentre

Responsible Business Report
www.oldmutual.com/reportingcentre

How are we integrating responsible business throughout the Annual Report?
This year, our Annual Report does not have a standalone responsible business section. Our work on responsible business can be found throughout the report, from our KPIs to our Business Unit reviews. This reflects our Group Strategy, with responsible business the fourth pillar.

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WELCOME TO OUR
ANNUAL REPORT 2014

Our story

Old Mutual began in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times.

Today, 170 years on, we build on this heritage of trust and accountability by meeting a broad range of our retail and commercial customers' financial services needs at each stage of their lives.

We take a long view, aiming ultimately to enable a positive future for all our stakeholders.

Our vision

To be our customers' most trusted partner – passionate about helping them achieve their lifetime financial goals

Our mission

To enable a positive future for all our stakeholders: our customers, employees, communities, environment and shareholders

Our values

Accountability, Integrity, Respect, Pushing Beyond Boundaries

Our strategy

Creating enterprise value through growing in markets of greatest opportunity and where we have a strong competitive positioning, while becoming recognised as the financial services leader in responsible business

GROUP AT A **GLANCE**

Our Group operates in over 30 countries.

Group

Highlights

- Strong operating performance in all operations
- Successful product innovation and roll-out in South Africa and the UK
- IPO of OM Asset Management on the New York Stock Exchange, providing financial flexibility to grow
- Significant capital commitments in Africa and in the UK:
  - Ecobank Transnational Inc – 20% ownership for £305 million, providing banking access across 36 African countries
  - Old Mutual Finance – acquired further 25% stake for £63 million, a major distribution channel for the mass foundation market
  - Quilter Cheviot, a UK discretionary investment manager for up to £585 million.

Position

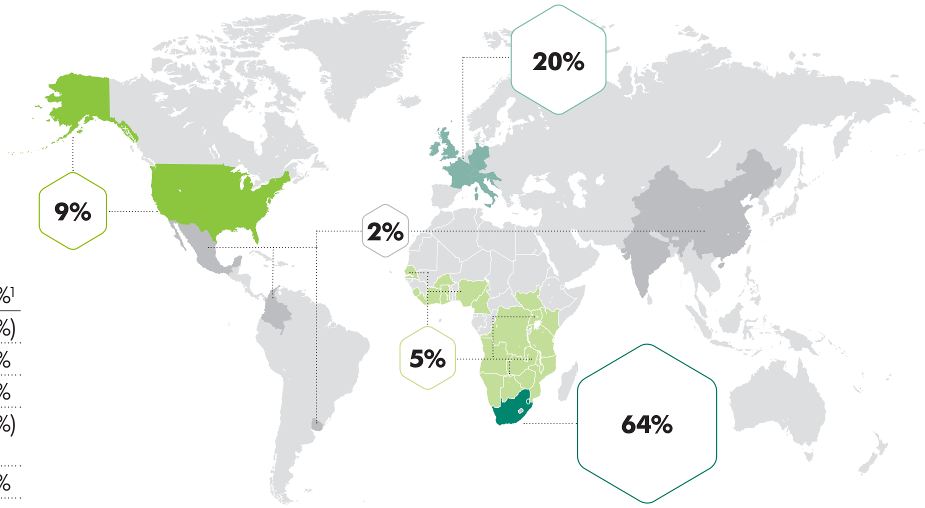
Leading investment, savings, insurance and banking group.

Financial highlights	2014	+/-%[1]
AOP (pre-tax and NCI)	£1,605m	–
	(+16% in constant currency)	
FUM	£319.4bn	+9%

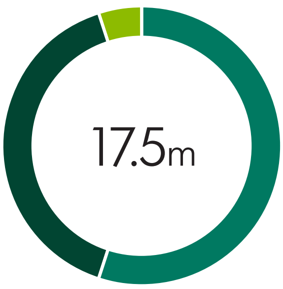
www.oldmutual.com

Group AOP by geography
(post-tax and NCI)

	2014	+/-%[1]
South Africa	**628**	(4%)
UK, Europe & cross-border	**195**	3%
United States	**94**	16%
Africa (excluding South Africa)	**48**	(14%)
Other markets	**21**	11%



Customer numbers



- Old Mutual Emerging Markets **55%**
- Nedbank **40%**
- Old Mutual Wealth **5%**
- Institutional Asset Management[3]

AOP by business unit (pre-tax and NCI)

- Old Mutual Emerging Markets **38%**
- Nedbank **48%**
- Old Mutual Wealth **14%**
- Institutional Asset Management **8%**
- Interest and central costs **(8)%**

Employees by business unit

- Old Mutual Emerging Markets **42%**
- Nedbank **50%**
- Old Mutual Wealth **5%**
- Institutional Asset Management **2%**
- Other **1%**

We operate under the following four business divisions.

Old Mutual Emerging Markets

We provide
Innovative long-term savings, protection, investment and lending solutions.

Position
No.1 in total life sales in South Africa

Financial highlights	2014	+/-%[2]
AOP	£617m	+23%
FUM	£50.3bn	+8%

Highlights
- Grew the South African Wealth offering significantly, adding new products and services.
- Acquired majority share in Old Mutual Finance to accelerate distribution in core Mass Foundation market.
- Launch of 2-IN-ONE, a new savings product allowing clients to save for their long term goals while providing flexible access to funds.
- Winner of the Deloitte Best Company to Work for Survey in 2014 (large company category).

www.oldmutual.co.za

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Nedbank

We provide
A wide range of wholesale and retail banking services and a growing insurance, asset management and wealth offering.

Position
2014 South African Bank of the Year (The Banker, a member of the FT Company)

Financial highlights	2014	+/-%[2]
AOP	£770m	+14%
FUM	£12.6bn	+11%

Highlights
- Invested in Africa through acquisition of stake in Banco Único in Mozambique and the exercise of right to subscribe for 20% shareholding in Ecobank Transnational Inc, further strengthening our strategic alliance in Africa.
- Announced creation of an integrated corporate and investment bank to enable better client service and unlock additional revenue growth.
- Our early action to reduce our home and personal loan portfolios has resulted in significantly improved impairments in 2014.
- We have advanced R1.2 billlion to affordable housing developments across South Africa and R113 million to enterprise development.

www.nedbank.co.za

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Old Mutual Wealth

We provide
Integrated wealth management products, services and advice, combining asset management as well as saving and investment solutions to affluent and high net worth clients in the UK, Europe and selected international markets.

Position
2014 Global Group of the Year – Old Mutual Global Investors (Investment Week Fund Manager of the Year)

Financial highlights[4]	2014	+/-%[1]
AOP	£199m	+11%
FUM	£82.5bn	+12%

Highlights
- Accelerated strategy to build the UK's leading vertically-integrated retail investment business through the acquisition of Intrinsic, the UK's largest distribution network, and Quilter Cheviot, a strong discretionary investment management business.
- Strengthened Old Mutual Global Investors through the hire of UK equity, Asian equity, pan-European small company and fixed income absolute return asset management capabilities.
- Completed sale of non-core European businesses in Poland, Austria, Germany, Liechtenstein, France and Luxembourg.

www.oldmutualwealth.co.uk

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Institutional Asset Management

We provide
A diverse range of investment strategies and products, operating as OM Asset Management in the United States, and delivered via a multi-boutique model to institutional investors around the world.

Position
Leading Institutional Asset Manager

Financial highlights	2014	+/-%[2]
AOP	£131m	+24%
FUM	£174.0bn	+5%

Highlights
- Successful partial IPO of Old Mutual Asset Management in the United States.
- Strong sales into non-US equity and alternatives during the year, improving asset mix and margin.
- The Global Distribution initiative generated $6 billion of assets (funded in 2014). Global Distribution is an important channel to generate future positive cash flows.

www.omam.com

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1 Reported currency movement against prior year
2 Local currency movement against prior year
3 Institutional clients
4 Old Mutual Wealth financial highlights exclude European businesses sold during 2014

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

"I am pleased to report on the steady transformation of the Old Mutual Group. Our vision is to be our customers' most trusted partner in financial services, taking firm steps as a responsible business leader in each of our markets, while being clear in our strategic choices."

Patrick O'Sullivan
Chairman

Overview of the year

The Group delivered excellent underlying results despite volatile market conditions and further currency depreciation in our major market. We also made significant progress towards our strategic targets. Among the year's highlights were the launch of OM Asset Management plc, our US institutional asset manager, on the New York Stock Exchange and Nedbank's acquisition of a 20% stake in Ecobank Transnational Inc., with its wide footprint of businesses in Nigeria and other sub-Saharan African countries. Old Mutual Wealth acquired independent financial adviser group Intrinsic Financial Services and agreed the acquisition of UK wealth adviser Quilter Cheviot, and we disposed of several Skandia legacy businesses in continental Europe. These are all important steps towards our vision of securing strong, value-adding and differentiated positions in the chosen markets in which we have competitive advantage and the opportunity to thrive.

Our adjusted operating earnings per share were 17.9 pence, 3% lower than in 2013 – but up by 13% on a constant currency basis. In South Africa, the rand's average exchange rate against sterling fell by 18% over the year, reducing our reported earnings in sterling.

The strengthening of the Group balance sheet over the past few years provides us with an appropriate foundation on which to transition during 2015 to the Solvency II regime, effective from January 2016.

Elevating good governance

The Board embraces good governance as a driver of culture and outperformance in the long term. I welcome the focus that our businesses are placing on treating customers fairly, ethical values, strong capital and risk management. People in our businesses also appreciate this, as evidenced by our culture survey results and our 'top employer' ratings in many markets.

Board developments

The main Board changes during 2014 have been in executive roles: Ingrid Johnson succeeded Philip Broadley as Group Finance Director and Paul Hanratty joined as Chief Operating Officer. Reuel Khoza will be retiring as a non-executive director at our AGM in May 2015, and also stepping down as Chairman of Nedbank. We are very grateful for his contribution to the Board and to Nedbank over the past nine years. His understanding of our markets and his own

"As a responsible business with a view to the long term, we focus on areas where we can make a material impact and create meaningful change."

finely developed leadership ideas have been of great benefit to the Group. He will be replaced on the Old Mutual Board by Vassi Naidoo, his successor as Nedbank Chairman.

Diversity is one of our strengths, and we were pleased to be recognised recently for having one of the FTSE 100's most improved Board gender profiles, with female membership now at 38%.

Responsible business

We recognise that we have a responsibility and opportunity to give customers easier access to appropriate financial services products that deliver real value, financial security and peace of mind. As a responsible business with a view to the long term, we focus on areas where we can make a material impact and create meaningful change. In this way we deliver better service to our customers, support the communities in which we operate, and play an important role in helping to create a regenerative economic cycle. We need to upgrade our efforts in this area continually, and I am delighted that Gail Klintworth has joined our senior executive management team as Group Customer Director. Her previous experience with Unilever will ensure that Old Mutual takes major strides with its social responsibilities in the years ahead. Our Responsible Business Report gives further details of our targets and progress in this area.

Conclusion

As shareholders will appreciate, the Old Mutual Group has been radically restructured over the past several years. When our recent acquisitions are integrated, it will be evident that we have created significant medium-term growth opportunities. Our challenge now is to deliver. As always, we are entirely dependent on our employees to win in the markets we serve. On behalf of my Board colleagues, I thank them for everything they do and look forward to delivering on our commitments.

Patrick O'Sullivan
Chairman

Gail Klintworth
Group Customer Director

We are clear about the role we play in society, and our responsibility to help drive positive change. Our purpose is to enable our customers to thrive by helping them achieve their lifetime financial goals, while we invest their funds to secure a positive future for them, their families, their communities and the world at large.

Old Mutual's focus on responsible business is nearly 170 years old. It is now being refreshed through many positive initiatives across our five pillars of being responsible to customers, employees, communities, the environment and in our investments. But we have more to do. We will be raising our ambitions, especially in making a difference through our unique contribution of enabling financial wellbeing and driving responsible investment. We look forward to partnering with our many stakeholders on this journey.

CHIEF EXECUTIVE'S REVIEW

This year has seen further progress in the transformation of Old Mutual.

"This has been a good year for Old Mutual with strong underlying financial performance, significant strategic developments and continued operational delivery."

Julian Roberts
Group Chief Executive

A strong financial performance

This has been a good year for Old Mutual with strong underlying financial performance, significant strategic developments and continued operational delivery. Net client cash flows (NCCF) for the Group, excluding our non-US affiliate, were £11.2 billion. Gross sales of £26.3 billion were up 11% in constant currency, with funds under management (FUM) up 6% to £319.4 billion also in constant currency. Profits grew strongly in the year up 16% in constant currency to £1.6 billion, flat in reported currency. Group return on equity (RoE) at 13.3% was within our target range of 12-15%.

Equity markets performed strongly in South Africa and the United States with the JSE All Share up 18% on average and the Russell 1000 Value up 16% on average in the year. Equity market performance was more muted in the UK, with the average level of the FTSE 100 up 3%. We saw a further weakening of the rand with the average rate declining by 18% against sterling in the period while the closing year-end rand exchange rate declined only 3%. This has had a negative impact on our sterling reported results.

In mixed macro-economic conditions

Macro-economic conditions in South Africa remained relatively weak with GDP growing by 1.5%, mainly due to labour disputes in the mining and manufacturing sectors. Power shortages are expected to continue in 2015

Group highlights

£11.2 bn
Net client cash flows (NCCF) for the Group excluding our non-US affiliate

£26.3 bn
Gross sales of £26.3 bn were up 11% in constant currency

16%+
Profits grew strongly in the year, up 16% in constant currency

13.3%
Group return on equity (RoE) at 13.3% was within our target range of 12-15%

with the consequence that GDP is forecasted to grow moderately by 2.1%. However, a prolonged period of low oil prices could benefit the South African consumer as a significant proportion of disposable income at the lower end of the socio-economic scale is spent on transport and food costs, both of which should reduce. Sub-Saharan Africa continued to experience strong growth of 4.8%, with growth predicted to increase marginally in the region to 4.9% in 2015.

In the UK, the economy grew by 2.6% in 2014, the fastest since 2007, and similar levels of growth are expected in 2015. Inflation fell during the year and unemployment continued to fall. The US experienced GDP growth of 2.4% which is forecast to accelerate to 3.6% in 2015.

Strategic overview

Strategic delivery in our chosen markets

This year has seen further progress in the transformation of Old Mutual. We have reshaped the business and in time this should lead to a different earnings profile for the Group. We have a simple, focused strategy based on growing in our chosen markets where we have significant competitive advantage: building an African financial services champion; building the leading retail investment business in the UK, and growing our multi-boutique asset management business in the US.

The final substantive part of our streamlining, simplification and de-risking programme, embarked on in 2010, was completed with the minority Initial Public Offering (IPO) of OM Asset Management (OMAM) on the New York Stock Exchange on 9 October 2014. We also disposed of a number of non-core European businesses in the year: the Skandia businesses in Austria, Germany, Poland and Liechtenstein, with France and Luxembourg sold on 2 February 2015.

We have invested in the Group via acquisitions and operational improvements to maintain and enhance our performance. Significant investments include: Quilter Cheviot for up to £585 million in February 2015, including £42 million in new equity, to provide Old Mutual Wealth with a high quality discretionary investment management capability, which was financed via the disposal of non-core European assets and from the proceeds of OMAM's IPO; in Africa, we announced our intention to acquire a majority stake in UAP Holdings (UAP), an East African insurance business for £162 million; we purchased an additional 25% of Old Mutual Finance for £63 million; and Nedbank bought a 20% stake in Ecobank Transnational Incorporated (ETI) for £305 million. Operationally, we are investing in new platform technology in the UK which will transform our customers' experience, boost product capability and lower our cost base from 2017 onwards.

Our focus now is on integrating the acquisitions, delivering operational improvements and creating value from these investments. Following the completion of the UAP transaction in 2015, we will have deployed R3.6 billion of the R5 billion we identified to fund acquisitions. We are investing in Africa for the medium-to long-term and, while quality insurance assets in Africa have become increasingly scarce, we have maintained a disciplined approach to acquisitions, only deploying capital in line with our allocation criteria. Additionally, we ensure that any business we acquire has a strong cultural fit with Old Mutual.

We are building an African financial services champion

At the heart of our strategy to build an African financial services champion is our strong southern African franchise. We are making good progress in aligning Old Mutual, Nedbank and Mutual & Federal (M&F) to become the leading financial services group in southern Africa. We are seeing more cross-selling between our businesses, with, for example, our South African Retail Affluent and Mass Foundation businesses selling more iWYZE products. We have previously stated that we were targeting pre-tax AOP revenue, cost and capital synergies of R1 billion by the end of 2017 and we are making good progress having identified more than 50% of the synergies. We are making a significant investment in our technology in South Africa and the rest of Africa to improve the experience for customers and intermediaries, to provide simpler and more efficient back office processes, support growth in the rest of Africa and integrate platforms across our life, property & casualty and banking businesses. We have addressed areas which we needed improving: for example, new product launches have contributed to an increase in single premium sales in our Retail Affluent business by 29%; Old Mutual Investment Group (OMIG) continues to deliver good investment performance in our key equity funds, including Old Mutual Investors Fund and the Old Mutual Active Quant Fund, and is showing improving performance in our key multi asset class fund, the Old Mutual Balanced Fund; and at M&F we are continuing to see the benefits of price remediation and claims savings initiatives proving particularly successful.

The regulatory environment in South Africa is expected to undergo significant transformation in the medium term as changes such as the proposed Retail Distribution Review (RDR), Solvency Asset Management, Pensions Reform, Treating Customers Fairly and Twin Peaks regulatory reform are implemented. We continue to engage constructively with the various regulatory authorities in this regard.

Our offering in East Africa, where we are looking to buy controlling stakes in financial services businesses with both retail and wholesale capabilities, was significantly strengthened when we agreed to buy a majority stake of 60.7% in UAP Holdings, subject to various regulatory approvals. UAP has a strong position in East and Central Africa and a product offering that is highly complementary to our existing businesses. It is a sizeable business and one that provides a platform for us to expand in the fast growing East African region. In Kenya, UAP has the third largest property & casualty (P&C) market share; the second largest health insurance business; a substantial property investment portfolio and a fast growing life assurance business, which, when combined with our existing Kenyan life business, will be the fourth largest in the country. It has well established and diverse distribution networks. In Uganda, it has the second largest P&C and health insurance businesses, and the third largest life business. It also has small P&C businesses in Rwanda, Tanzania and South Sudan, and an insurance brokerage in the Democratic Republic of Congo.

We expect the acquisition to complete in the first half of 2015, and following completion we will look to combine our Kenyan businesses to have one integrated financial services provider. Our focus initially will be on revenue generating initiatives. For example, we see excellent opportunities to offer P&C products utilising UAP expertise to Faulu's large retail client base, which is broadly similar to our Mass Foundation Cluster (MFC) in South Africa. In West Africa our life and P&C businesses have been growing organically and will look to grow further via partnerships and distribution deals. We have also rolled out new products in Nigeria, leveraging our South African expertise and tailored to local needs and culture, including a retail risk product and savings product. In Ghana, we launched a

CHIEF EXECUTIVE'S REVIEW
continued

"This year has seen further progress in the transformation of Old Mutual. We have reshaped the business and in time this should lead to a different earnings profile for the Group."

funeral policy in June and a credit life product sold via the Ecobank branches in July. We have also added a further 226 advisers in Ghana, bringing the total to 327.

Nedbank exercised its right to subscribe for a 20% stake in ETI for a sum of £305 million. The transaction strengthens the already strong strategic alliance between the two banks, which was established in 2008, to provide their respective clients a seamless one bank experience across 39 countries and comprising more than 2,000 branches. Nedbank has appointed a Director to the Board of ETI and a programme of collaboration has been put in place to realise synergies and drive cross-border collaboration between the two organisations.

Building the UK's best retail investment business

Two years ago, we made the decision to build a modern, capital-light, advice-led vertically-integrated business based on our core UK operation. We wanted leading customer offerings in each layer of the wealth management value chain: advice and distribution; platform wraps; wealth solutions; and asset management. We took this decision due to the fundamental shift in UK retail financial services.

Over the past several years, a number of factors have combined to cause a shift from traditional life assurance to a new more customer-focused, capital-light model. These include structural factors such as the introduction of significant new regulatory frameworks, for example Solvency II, RDR and, more recently, the liberalisation of the UK pensions regime. The introduction of quantitative easing and the resulting sustained period of low interest rates has been significant as the long-term liability for guarantee products has been harder to match, leading to these products disappearing and investment risk being pushed back on to customers.

These factors have had several consequences. New regulatory regimes have led to the development of capital-efficient products as old style products are proving too capital intensive. Pricing transparency has caused margin compression, and hence the need for businesses to participate in more of the value chain. Following the introduction of new rules on the provision of financial advice, the high street banks, historically providers of this service have largely taken the decision to exit and therefore financial adviser networks have become more popular – particularly given the significant changes in retirement provisions.

RDR is encouraging financial advisers to switch from independent to restricted advice, so the need for investment providers to have their own distribution network is becoming increasingly important. Additionally, financial advisers are focusing on providing financial planning and pensions advice and outsourcing investment management to discretionary investment managers.

Customer demands have also forced changes on the sector. Products need to be designed to meet specific outcomes that customers desire in their retirement – retirements that are becoming increasingly long as longevity increases. Customers now expect their financial services provider to be digitally accessible necessitating significant investment in IT overhauls.

These changes to the industry provide a compelling opportunity for businesses which have the right customer offering, which we believe must include advice given changing regulations and the complexity of the current landscape.

In asset management, we have scaled up Old Mutual Global Investors (OMGI) by hiring expertise in certain asset classes, with the consequence of FUM reaching £21.0 billion at the end of 2014, up from £12.6 billion when OMGI was created in August 2012. During the year we added capabilities in Asian Equities, Fixed Income Absolute Return and European Equities. We will continue to add capabilities selectively. Additionally, our purchase of Quilter Cheviot provides Old Mutual with a leading position in discretionary investment management, with 165 investment managers directly managing customers' money through a bespoke advisory service.

We have introduced a number of wealth solutions that can help our customers in the accumulation phase of their life, as well as in the decumulation phase. Managed portfolio services (MPS), which allow financial advisers to outsource the investment management function, are proving particularly popular. For example, *WealthSelect*, which provides financial advisers with access to the most comprehensive range of portfolio management, solutions in the market, with a free to the client MPS, has attracted around £700 million of net new money in 2014.

We already have one of the leading wrap platforms with £30.8 billion of FUM and a wide selection of products available. Last year, we took the decision to transform our platform into one of the most flexible in the market, with added functionality and product offering, through an outsourcing agreement with IFDS. The transformation will take time, cost and effort but is critical to the success of the business.

On 1 July 2014 we bought Intrinsic, one of the UK's largest financial adviser networks with over 3,000 advisers. The business is now integrated in the Old Mutual Wealth model and we are well placed to capitalise on the RDR-driven trend towards restricted advisers and financial planners. The UK Platform, personal protection products and elements of OMGI's fund range have been added to Intrinsic's product panel for its 930 restricted advisers, up from 699 at the end of 2013. Quilter Cheviot also increases our distribution reach, through financial advisers, professional service firms and direct sales teams.

We believe that the liberalisation of the UK pensions market will result in an increase in the demand for advice as those approaching retirement explore their options. When the liberalised pension's regime comes into force from 6 April 2015, Old Mutual Wealth will be able to offer a full suite of flexible options. Through our Collective Retirement Account (CRA) we already offer both capped and flexible drawdown as well as investment solutions for decumulation, and from April we will offer all CRA customers flexible access to their pensions savings.

We are pleased with the significant progress that Old Mutual Wealth is making in its transition to a vertically integrated business and we are seeing evidence that the model is working: more money is flowing into the Platform from our adviser network and moremoney is flowing from the Platform into OMGI. We have set a target for the existing Old Mutual Wealth businesses to achieve £270 million of AOP by the end of 2015, not including Quilter Cheviot, and we are confident that we will achieve this.

Continuing to grow and improve OM Asset Management

In 2010, we said that we were exploring a minority IPO of our US asset management business, with the timing determined by our progress against our goals of growth, improved margins and investment performance, as well as by the conditions of the equity markets.

OMAM has gone through a significant transformation since that period to ensure it met our criteria for listing. We brought in a new management team to oversee the transformation of the business. We took the decision to focus on long-term, institutionally driven, active asset management to generate alpha for our clients, and we disposed of those affiliates that were loss-making or did not generate the returns we expect. We decided to build a global distribution capability and in 2014, this team raised $5.5 billion in total assets funded in OMAM affiliates, and non-US based clients now account for 20% of FUM.

On 9 October 2014, we announced the IPO of 22,000,000 OMAM shares at $14 a share. The underwriters also exercised an overallotment option on 2,231,375 OMAM shares. As a consequence, Old Mutual plc now owns 94,555,859 shares, or 78.8%, of the issued share capital of OMAM. The gross proceeds for the Group from the IPO process, including the pre-IPO dividend, totalled £317 million.

The purpose of the IPO was to enhance OMAM's financial and operating flexibility to deploy capital to continue to grow, develop further its multi-boutique asset management business and provide the Group with enhanced financial flexibility. We will remain a supportive shareholder in this process.

Business review

The following business commentary refers to the locally reported currency.

Old Mutual Emerging Markets

Old Mutual Emerging Markets had a very strong year with AOP up 23% to R11.0 billion. Gross sales were up 12% to R185 billion, although NCCF was down 14% to R21.3 billion due to a number of large institutional outflows. FUM was up 8% to R905 billion.

In South Africa, gross sales were up 14% driven primarily by product innovation. In our Retail Affluent business, Annual Premium Equivalent (APE) sales were 9% up on the previous year, as single premium sales saw growth of 29%, bolstered by strong *XtraMAX* sales. Regular premium sales were down 6% as the tough economic environment led to lower *XtraMAX* savings and *Greenlight* sales. However non-covered sales were up 16% due to higher unit trust sales and strong flows into Wealth. Old Mutual Wealth's growth continued with net inflows of R8.9 billion in the year.

APE sales in MFC were up 11% on the prior year, with a particularly strong performance in the second half, due to the very successful launch of the 2-IN-ONE savings product and improved adviser productivity. We launched 2-IN-ONE in August 2014 in response to the specific need of our customers to access a portion of their savings in a way that would not attract surrender charges, as well as being an affordable alternative to short term loans. Since launch, sales have totalled R630 million. The MFC business has continued to grow, with 255,000 net new customers added in 2014 and now has more than 2.8 million customers, with an adviser force of 4,142.

As a result of health care intervention in South Africa, we have seen a significant improvement in the life expectancy of people living with HIV. While this is an issue that affects the whole of society, we have taken the decision to release some of the reserves we had previously set aside due to mortality rates, and will be using a proportion of these provisions to increase the level of cover for our existing MFC customers. Additionally, given the improved mortality experience in South Africa, we will now be able to offer customers products which are more affordable and provide better value.

Gross sales in Corporate were up 46% to R36.8 billion, with profits up 7% to R1.3 billion. Corporate achieved strong recurring premium growth in the year up 105%, mainly due to strong *Superfund* and group assurance sales. Corporate has made excellent progress with transforming the administration business following the launch of the new *Superfund* umbrella.

OMIG delivered modest 2% profit growth, mainly due to increased completion fees following several successful deployments in the Alternatives Boutiques, although offset by lower OMSFIN profits. Low-margin institutional outflows from listed asset management boutiques led to an outflow of R4.6 billion against R5.7 billion of net inflows in the prior year.

Old Mutual Finance (OMF) grew loans by 20% over the prior year to R9.9 billion. Its collections ratio was 91.2% and together with loan growth led to credit loss ratios reducing to 12.4% from 14%. Sales through the OMF branch footprint now account for more than a quarter of MFC life APE sales.

P&C in South Africa continued to show progress in its turnaround with an underwriting margin of 0.9%, against (5.6)% last year, and an underwriting profit of R81 million compared to an underwriting loss of R469 million following price remediation and improved claims management. Gross written premium of R10.8 billion, up 2%, reflects the active management of the quality of the book, albeit at a cost in terms of market share. The claims ratio of 69.5% is significantly better than the prior year of 76.3%. We are exploring direct insurance opportunities that the recent acquisition in Kenya presents. In this regard we have entered into an agreement with three industry experts to consider the strategic direction, innovation and centres of excellence that would be necessary to facilitate the successful implementation of this initiative.

Profits in Rest of Africa were up 5% as we invested in distribution, IT, brand building and improved our governance infrastructure. On a like-for-like basis, APE sales were up 17% on the previous year as a result of increased adviser numbers in Kenya and the inclusion of Ghana for the first time. Non-covered sales were up 16% due to strong unit trust flows in Zimbabwe and large sales to the National Social Security Fund in Kenya.

Asia and Latin America profits grew by 39% due to a strong performance by Colombia, improved results in China, significant growth in AIVA and favourable exchange rate movements.

Nedbank

Nedbank produced a strong set of results, with headline earnings up 14% to R9.9 billion, driven by good net interest income growth and a lower credit loss ratio, despite strengthening central provisioning and increasing coverage levels. Net interest income (NII) grew by 8% due to an increase in average interest-earning banking assets. Non-interest revenue (NIR) was up 5%, with an improved second half performance. Impairments were down 19% and the credit loss ratio continued to improve with all clusters now within or below their target levels.

The combined clusters have developed competitive client value propositions and strong market positioning as reflected in headline earnings growth of 19.3% and an increased ROE of 19.7% (2013: 18.7%) against a higher average total capital allocated at R51.4 billion (2013: R45.5 billion).

Nedbank Capital grew headline earnings by 23.3%, with this strong performance driven by good NII growth and improvements in impairments. Lower NIR growth reflects the high 2013 base in trading income related to renewable-energy transactions. Pre-provisioning operating profit growth was 12.0%. Headline earnings growth of 15.8% in Nedbank Corporate was underpinned by strong NII and NIR growth. The increase in NII was supported by commercial mortgage and corporate lending activities and endowment benefits. The growth in NIR was from core transactional income and private-equity investments. Low levels of impairments continue to reflect good risk management across the portfolio.

Nedbank Business Banking's strong increase of 17.8% in headline earnings and improving ROE follow the normalisation of impairments from a large single-client default in 2013 and solid NII growth from increased product volumes and higher endowment earnings. Lower NIR reflects the impact of maintaining transactional fees at 2013 levels as well as the proactive reduction of transactional banking fees in alignment with market practices. Pre-provisioning operating profit was up 5.8%. Headline earnings in Nedbank Retail grew 15.7% and benefited from an improvement in impairments in personal loans and home loans. NIR was influenced by the strategic decision to slow down personal loans and maintain transactional fees at 2013 levels. Consequently, pre-provisioning operating profit decreased by 4.1%.

Nedbank Wealth's headline earnings growth of 15.8% was off a high 2013 base. This was largely due to record earnings growth in Wealth Management and continued momentum in Asset Management, partially offset by relatively slower growth from Insurance. The performance in Insurance resulted from lower levels of sales of traditional insurance products, including homeowner's cover and personal-loan-related insurance products. The Rest of Africa Division, previously included in the Centre, reported earnings of R357 million (2013: R173 million), showing strong growth, including associate income from ETI as estimated by Nedbank on a prudent basis effective from the fourth quarter, as ETI reports later than Nedbank. The division also reported stronger performance from all five of its regional subsidiaries.

Old Mutual Wealth

Old Mutual Wealth produced a good performance with profits up 5% to £227 million, from £217 million in 2013, with strong performance from OMGI and the UK Platform offset by the reduction in AOP from the divested European businesses and lower profits in our International business. Excluding the divested European businesses, profits were up 11%. Gross sales were up 11% on the prior year at £16.0 billion, with NCCF of £3.7 billion 61% higher than 2013, which led to an increase in FUM to £82.5 billion.

In the UK, NCCF at OMGI of £2.5 billion was significantly higher than in the prior year (2013: £0.7 billion) with strong performance across most funds. The Global Equity Absolute Return fund was our top selling fund with net flows of £1.4 billion, and the UK Alpha fund attracted more than £0.8 billion of net flows. Our adviser network Intrinsic contributed £179 million of NCCF from July through to December via Cirilium. OMGI's FUM at the end of the year was £21.0 billion, up 31%, including £2.0 billion of FUM from Cirilium. Gross flows into OMGI from the UK Platform were £1.8 billion in the year (2013: £0.8 billion), OMGI now manages 12% of the FUM on the Platform, up from 8.5% in 2013. OMGI's success was recognised at the 2014 Investment Week Fund Manager of the Year Awards where it was awarded Global Group of the Year.

The UK Platform saw gross sales of £5.1 billion (2013: £4.7 billion) although NCCF was lower than the prior year at £2.0 billion due to increased re-registrations and one IFA moving £153 million to their own discretionary fund management solution. FUM on the Platform now stands at £30.8 billion, up 13% since the start of the year, which, along with flat costs led to an operating profit of £19 million (2013: £13 million).

Platform sales through Intrinsic restricted advisers totalled £178 million, with £68 million of NCCF. Sales are on an upward trend, with £43 million in December against an average of £27 million per month in the period since acquisition. This represented 10% of Platform sales in December, with more than 50% going into the CRA.

International's profits were disappointing at £37 million, down 24% on the previous year, due to foreign exchange movements restricting profits and other one-off costs. Gross sales were £1.8 billion, 4% lower than the prior year, with sales in the UK and South Africa higher than in the previous year but with lower sales in all other regions. All regions, except the UK, contributed to positive NCCF of £0.3 billion and FUM of £15.6 billion.

The transaction to acquire Quilter Cheviot completed on 25 February 2015 and we can now start progressing with the integration of the business into Old Mutual Wealth. Quilter Cheviot performed in line with our expectations, with NCCF of £1.1 billion leading to FUM of £16.7 billion.

We also completed the rebrand from Skandia to Old Mutual Wealth in September 2014. The initial response to the rebrand has been highly promising with consumer awareness of Old Mutual Wealth at 30% and at 98% amongst the financial adviser network.

Institutional Asset Management

OMAM

OMAM had a very good year with profits up 32% to $211 million (2013: $160 million) due to increases in management fees and some performance fees. AOP margin increased to 40% before affiliate key employee distributions. NCCF was very strong at $9.5 billion, with gross inflows of $32.0 billion driven by global equities, emerging markets equities, international equities, US dividend focus equities, US mid cap value equities and real estate assets.

Our Global Distribution initiative performed well, raising $5.5 billion in total assets funded in OMAM affiliates, as we continue to expand our non-US client base, which currently account for 20% of FUM.

Non-US affiliate

Underperformance in 2013 and some senior personnel turnover resulted in net outflows during the year of £6.3 billion. FUM now stands at £32.3 billion. Investment performance in 2014 has improved meaningfully relative to 2013, with 81% of portfolios beating their benchmarks on an asset weighted basis compared to 26% in 2013. The longer term track records also remain strong across the product line for three year, five year and longer periods. The business has now completed a re-organisation to provide stable management and investment teams going forward and future succession. It is confident that it now has the right platform, products and performance going forward, although a risk remains for further outflows due to the delayed impact of the legacy issues on certain client mandates.

For more information on our businesses, see
p36

A focus on financial wellbeing and responsible investment

We have committed a strategic priority to be recognised as a leader in responsible business in each of the markets in which we operate, and we have appointed Gail Klintworth as Group Customer Director to run this process. We have many excellent examples of our progress as a responsible business, across the five pillars of being responsible to our customers, communities, employees, the environment and in our investments, built on a strong foundation of ethics and good governance. We are now seeking to raise our ambition in the two areas where we believe we can have the most significant impact: financial wellbeing and responsible investing and we will be working with our partners, including the Cambridge Institute for Sustainability Leadership, to drive impactful action through each of our business units.

CHIEF EXECUTIVE'S REVIEW
continued

"Our focus now is on integrating the acquisitions, delivering operational improvements and creating value from these investments."

Black economic empowerment

Old Mutual, through Old Mutual South Africa (OMSA) and M&F, announced its Broad-Based Black Economic Empowerment (BBBEE) transaction in 2005. This was aligned with and implemented in collaboration with Nedbank (see announcement by Nedbank on 23 February 2015). All the resultant schemes had the objective of creating sustainable value and mutual benefits for the business and a broad base of diverse partners and beneficiaries, including strategic Black Business Partners (BBPs), clients and community interest groups affiliated with Old Mutual. The schemes were also expanded to include employees at all levels within Old Mutual.

The OMSA BBBEE (except for employee schemes) transaction unwinds on 1 May 2015, with the various schemes settling any remaining debt due to Old Mutual under the BBBEE transaction. It is envisaged that the remaining Old Mutual plc shares in the employee schemes will continue to be used to attract and retain talented Black management into Old Mutual, while the dividends received on the remaining Old Mutual plc shares in the client and community schemes will continue to be distributed to beneficiaries. The BBPs will take delivery of the remaining Old Mutual plc shares in their schemes after 1 May 2015. Discussions are ongoing between Old Mutual, Nedbank and the BBPs on areas for future collaboration.

Further details will be communicated post expiry of the Old Mutual BBBEE transaction.

Dividend

The Board has considered the position in respect of the final dividend for 2014 and is recommending the payment of a final dividend for 2014 of 6.25p per Ordinary Share (or its equivalent in other applicable currencies). Based on this recommendation the full-year Ordinary dividend would be 8.7p, a 7% increase on the prior year. No scrip dividend alternative will be available in relation to this dividend.

The Board reaffirms its policy of intending to pursue a progressive dividend policy consistent with our strategy, having regard to overall capital requirements, liquidity and profitability, and targeting a dividend cover in the range of 2.0 to 2.25 times AOP earnings in future. Interim dividends will routinely be set at 30% of the prior year's full ordinary dividend.

Board changes

We were pleased to welcome Ingrid Johnson and Paul Hanratty to the Board as Executive Directors. Ingrid Johnson was appointed Group Finance Director on 1 July 2014, succeeding Philip Broadley who stepped down from the Board on 31 August 2014. Paul Hanratty was appointed Chief Operating Officer and joined the Board on 1 July 2014. We are also pleased to announce that on 1 May 2015 Vassi Naidoo will join our Board as a non-executive director as well as the boards of our banking subsidiaries, Nedbank Group Limited and Nedbank Limited, as their prospective new Chairman. He will succeed Dr Reuel Khoza who has now served nearly nine years on the Old Mutual Board and will not be seeking re-election at this year's Annual General Meeting.

Outlook

In our main market of South Africa, economic conditions are likely to remain challenging in the short term particularly as the continuing power shortages are expected to constrain growth. However, a prolonged period of low oil prices will keep inflation down which is positive for the consumer. Our businesses in South Africa are in good shape and we are confident about their resilience in 2015, despite these headwinds.

In the UK, we are well positioned to benefit from investment from customers looking to take advantage of the new pension withdrawal rules that come into effect in April. We expect demand for advice to increase as a consequence of these changes.

In the US, our focus will remain on pursuing growth initiatives, including further penetration of non-US markets and through partnerships with scale asset management boutiques and building its business following the successful IPO.

We have invested significantly in our chosen markets to grow profits over the long term while maintaining appropriate levels of capital and leverage. Our focus for 2015 is on integrating the acquisitions, delivering operational improvements and creating value from these investments.

OUR VISION, MISSION, STRATEGY AND VALUES

Our vision

To be our customers' most trusted partner – passionate about helping them achieve their lifetime financial goals

Our mission

To enable a positive future for all our stakeholders: our customers, employees, communities, environment and shareholders

Key long-term trends influencing our strategy

- Digitalisation, mobile technology and increasing transparency are transforming wholesale and retail markets across banking, investment, life and P&C products
- In emerging markets, rapidly rising numbers of entrepreneurs and aspiring middle market consumers are stimulating an increased need for financial services products
- In developed markets, demographics and regulatory reform are driving growth in retirement demand with individuals needing to take more responsibility for retirement savings
- Global and local impact of youth unemployment, social inequality and environmental challenges are contributing to increasing volatility
- Mass urbanisation and rapidly expanding mega cities are posing significant infrastructure challenges, but also concentration opportunities for financial services providers.

Our strategy

Creating enterprise value by growing in markets of greatest opportunity and where we have a strong competitive positioning, while becoming recognised as the financial services leader in responsible business

Our strategic priorities in our chosen markets

1

In Africa
Build a financial services champion

In Southern Africa, through continued organic growth and collaboration in broad financial services markets

In the Rest of Africa, by creating leadership positions in wholesale and retail financial services through inorganic and organic expansion and by building value in delivering financial services via key long-term partnerships

2

In the UK
Build the leading retail investment business

By vertically integrating advice, platforms, wealth solutions and asset management and offering these best-in-class wealth solutions in our markets beyond the UK

3

In the US
Grow our multi-boutique institutional asset management business

Through organic growth, inorganic opportunities and expanding distribution

4

Across our markets
Become recognised as the financial services leader in responsible business

By increasing our impact in enabling financial wellbeing and responsible investment

Our values

Accountability, Integrity, Respect, Pushing Beyond Boundaries

IN AFRICA
Build a financial services champion.

Our positioning in Africa

We have a strong foundation in South Africa, operate in eight of the 15 Southern African Development Community (SADC) countries, have a 170-year heritage and a trusted brand, and are recognised as a leader in community development. We have deep management capability, capital available for expansion and established expertise in serving and growing developing markets. Our strong positioning in southern Africa makes an ideal base for expansion into sub-Saharan Africa's growth markets – notably Kenya, Ghana and Nigeria – and for building an African financial services champion.

Building a financial services champion

In South Africa, we will maintain our leading positions and continue to grow our investment, savings, insurance and banking businesses – while delivering collaboration synergies among our businesses, particularly in South Africa. The robust growth in the mass and middle-income retail markets will continue to support strong growth in our insurance and banking businesses.

In the Rest of Africa, we will expand through acquisition and through partnerships as well as by organic growth and investment in new technologies.

In East Africa and SADC, we intend to expand the number of countries in which we offer banking services: Nedbank's recent acquisition of a 36% stake in Banco Único in Mozambique, and our recent acquisition of micro-lender Faulu in Kenya are a start to this programme. The majority stake we have agreed to secure in the flagship Kenyan insurer, UAP, combined with the existing Old Mutual businesses in Kenya, gives us the scale and product breadth to capitalise on the significant insurance growth expected in the region, particularly considering current low penetration rates. The UAP acquisition accelerates our entry in markets such as Uganda, Tanzania and Democratic Republic of Congo.

In West & Central Africa we will grow banking through our partnership with Ecobank. This relationship was cemented by Nedbank's 2014 acquisition of a 20% stake in the business. Ecobank has the largest banking network across Africa, comprising more than 2,000 branches, providing a highly attractive platform for selling our insurance and P&C products. In Ghana and Nigeria, we will grow our insurance businesses through bancassurance and our own distribution, while exploring opportunities in other countries.

Africa

Projected population 2016	**1.2bn**
Projected mobile phone penetration 2016	**~79%**

Established market

Core growth market

Network market

1 Ecobank alliance

2 UAP presence

Our African footprint

Becoming the number one insurance business

By 2020 we aim to be the number one or two business in our established and core growth markets in Africa, achieving an ROE within the range of 20-25%.

Recent banking and insurance acquisitions

36%
stake in Banco Único in Mozambique, with a pathway to control

20%
stake in Ecobank

60.7%
intended stake in UAP

Steady product expansion

For our insurance business, we have set aside R5 billion for expansion in Africa and so far committed R3.6 billion. In the next three years our priorities for insurance are to maintain leadership in our well-established SADC markets (South Africa, Namibia, Botswana, Zimbabwe, Malawi and Swaziland), deepen the bancassurance relationship with Ecobank and build significant scale in our core growth markets – Ghana, Nigeria and Kenya – both organically and inorganically. A key element in this is our recently announced intention to increase our stake in UAP to 60.7% for US$253 million. This acquisition positions us within the top four life insurers and top three general and health insurers in Kenya overall. It also establishes our presence in four additional East and Central African countries including Uganda, Tanzania, Rwanda and Democratic Republic of Congo.

We see particular opportunities to write specialty business in P&C insurance on a pan-African basis and are currently developing plans to pursue this. In our current markets there are opportunities for cross-selling across the Group as well as opportunities to leverage our relationships with intermediaries and corporates to follow our South African corporate clients as they expand their African operations.

For banking expansion in Africa, we are following a two-pronged strategy over the next three to five years to give our customers access to a wide sub-Saharan banking capability.

Firstly, in West and Central Africa, we will deepen the Ecobank alliance, exporting capabilities and increasing collaboration in priority countries across our own and Ecobank's footprint. We will also explore further strategic alliances to access key economic corridors in Africa.

Secondly, in the SADC and East Africa regions, we will expand our existing banking footprint of wholly-owned or controlled banking businesses beyond the current five countries that we operate in through selective opportunities.

From little things bigger things can grow

If a business is too small to interest a mainstream lender, how can it raise the funding it needs to grow? That's the challenge Faulu, our Kenyan microfinance business, exists to overcome. Carolyne Chelegat, a typical customer, is a market trader selling peanuts. Faulu gave her six weeks' business training, then a series of affordable micro-loans. These enabled her to increase her stocks and buy machines to make peanut flour – and now, peanut butter.

Customers love the new products and business is good, enabling her to provide for her family and her community.

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Faulu adviser: Agnes Wambugu (left)
Customer: Carolyne Chelegat, Business woman (right)

"Faulu has really boosted my business. Now I'm self-reliant."

Carolyne Chelegat, Kenya

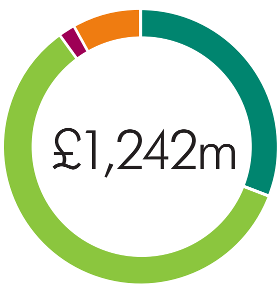
In South Africa

Grow, improve and align our investment, savings, insurance and banking businesses.

Positioned for growth

In South Africa one of our major opportunities remains the continued rapid growth in the retail mass market, which we will access leveraging both Old Mutual's longstanding leading position in this market and Nedbank's progressive digital capabilities. In addition, Nedbank and OMSA will both be driving growth in the affluent market segments to increase their combined domestic market share.

Earnings in South Africa (2014)



- Life & savings **31%**
- Banking & lending **59%**
- Property & casualty **2%**
- Asset management **8%**

Sustained performance and growth

In South Africa we will continue to drive organic growth and collaboration in broad financial services. Despite challenging market conditions, our insurance and banking businesses in South Africa are performing well and delivering strong earnings growth. The businesses are well positioned in their market segments and have robust strategies for delivering value to shareholders, while also creating long-term value for all our stakeholders.

Our insurance businesses aim to continue growing in the fast-expanding foundation, mass and middle-income markets, developing their leading wealth management proposition for the affluent market, growing public-sector distribution and using our corporate client bases to acquire new retail customers.

In addition, our domestic P&C business, Mutual & Federal, will continue its business transformation, most notably improving claims efficiency and reducing operating expenses, improving underwriting in personal lines and offering its products to the extensive South African client bases of the wider Group.

Our banking businesses will grow their transactional banking franchise across all customer segments, drive growth through client-centred innovation, optimise, simplify and rationalise their operations to improve efficiency, manage their loan book and client base to maximise economic profit, and increase collaboration with other Group operations.

Accelerated momentum in collaboration

Our businesses are making good progress towards delivering their additional R1 billion pre-tax target of identified collaboration opportunities: a portion of senior managers' long-term incentive rewards in all three businesses is linked to delivery of this. In line with the requirements of the new Twin Peaks regulations, we also plan to establish a new governance structure during 2015 for our South African businesses, which will further support collaboration.

Leading in technology

A win-win for our customers

Nedbank's leading digital and mobile technologies are a competitive advantage enabling more customer-centric and cost-effective ways to serve customers within South Africa, but also in key growth markets elsewhere in Africa, where digital access to financial services is becoming an increasingly popular channel. According to the 2014 findings of the Savings & Investment Monitor ~56% of Kenyan consumers and ~51% of Nigerian consumers would consider buying a financial product online, compared to South Africa where 20% of consumers would make a financial services purchase on the internet, depending on the type of product.

In other emerging markets

Continue to build our franchises and partnerships.

Building on sound foundations

Latin America

In our Latin American businesses we have historically focused on products without a life insurance wrapper – pensions, unit trusts and institutional asset management solutions. Going forward, we see good prospects for life insurance, as per-capita GDP steadily improves.

In Colombia we are the second largest provider of voluntary pensions, with 60 years' experience and a market share of 30%. We will continue to build our Colombian wealth and asset management capabilities.

In Mexico, we are one of the main players in managing defined contribution pensions. We will expand our onshore distribution through our Uruguay-based business, AIVA, which gives us strong distribution of offshore wealth products in many countries across the region. We are also leveraging AIVA's franchises to distribute onshore life and savings products in Mexico. We continue to expand our retail mass business in Mexico cautiously, applying our South African experience in this market.

Asia

In Asia, we operate with joint venture partners in both India and China, where we have life insurance licences for protection, savings and investment across various customer segments. We are also seeking institutional investment mandates.

In China, Old Mutual Guodian Life Insurance, our 50:50 partnership with the respected state-owned Guodian Group, is improving its performance with new forms of distribution and access, including telesales and online. We continue to explore the best strategic options for our joint venture to expand distribution, improve profitability and use our capital more efficiently.

In India, we continue to build our 26:74 joint venture with Kotak Mahindra Bank, which has developed into a sustainably profitable operation.

While recent regulation of India's insurance distribution has slowed sales growth, the business has adapted well and is competitively poised for growth. We welcome proposed regulatory changes that will allow greater flexibility around the ownership structure of our joint venture.

Expanded banking footprint in India

At the end of 2014, Kotak announced plans to merge with ING Vysya to create a pan-India banking network with 1,214 branches. The two banks offer a widened geographic footprint across which we hope to extend our life insurance operations.

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Enabling financial wellbeing in Colombia

As part of our Latin American rebranding from Skandia to Old Mutual, we distributed over 10,000 financial planning games and 2,500 financial education guides, with the aim to improve financial wellbeing across Colombia. These games were designed to be played by families together, and were sent to employees, retail customers and advisers.

Focusing on life events and the financial challenges that can come with these, the game aims to provide a light-hearted way to explain the importance of savings, investment and protection at different life stages.

IN THE UK
Build the leading retail investment business.

2

Integrating our newly acquired capabilities.

Transforming Old Mutual Wealth

Our strategy is to build the UK's leading vertically-integrated retail investment business with advice, investment platforms, wealth solutions and asset management propositions that are each outstanding in their fields and which, when combined as an integrated proposition, deliver superior outcomes for customers and shareholders alike. We are doing this by combining the existing capabilities of Old Mutual Wealth and Old Mutual Global Investors with the recently-acquired advice capabilities of Intrinsic and the leading discretionary investment management skills of Quilter Cheviot.

In line with our strategy, we have transformed our Wealth earnings profile by selling non-core European assets in Poland, Germany, Austria, France, Luxembourg and Liechtenstein for a combined £245m during 2014, and by reinvesting the proceeds in Intrinsic and Quilter Cheviot. We are focusing our business on key UK and International cross-border markets, upgrading our technology platform and building our vertically-integrated model.

Specifically, the strategic priorities for the next three years are: building an integrated business with a unifying culture and a trusted brand; becoming recognised as a leading responsible business; transforming our platforms; building an outstanding asset management capability; broadening our proposition and diversifying distribution.

INTRINSIC

Key acquisitions

A full set of building blocks

Acquiring Intrinsic, one of the UK's largest distribution networks with more than 3,000 financial advisers, has enabled us to capitalise on the Retail Distribution Review-driven shift to restricted advice.

We have strengthened our capabilities in Old Mutual Global Investors by hiring UK equity, Asian equity, pan-European small company and fixed income absolute return asset management capabilities. We also acquired Cirilium as part of the Intrinsic transaction.

We acquired Quilter Cheviot to provide us with a discretionary investment management capability, which has completed the full set of building blocks for an integrated wealth management business.

Positioned to win

Our retail investment business in the UK is growing rapidly, we are particularly well positioned following recent regulatory changes and pension reforms and we remain on track to deliver the £270m profit goal from our existing businesses in 2015.

Integration across all four elements of the value chain

Advice

Platforms

Wealth Management Solutions

Asset Management

Increasing in-house flows

We aim to increase in-house flows significantly between these businesses

OLDMUTUAL WEALTH (Platform)

OLDMUTUAL INTERNATIONAL (Platform)

OLDMUTUAL GLOBAL INVESTORS

INTRINSIC

IN THE US

Grow our multi-boutique institutional asset management business.

3

Further developing our US asset management business.

2014 IPO enables strong growth

Our Old Mutual Asset Management business (OMAM) serves institutional investors worldwide. It offers a diverse range of actively managed strategies and products through seven core affiliates. This multi-boutique model combines the investment talent, entrepreneurialism, focus and creativity of leading asset management boutiques with the expertise and capital of a larger firm. This allows our affiliates to focus on delivering superior investment performance, innovative offerings, and excellent client service.

OMAM has a four-part growth strategy: delivering core affiliate growth through strong investment performance and positive net client cash flows; investing in collaborative organic growth of existing affiliates through product diversification; expanding global distribution to drive new flows; and establishing new affiliate partnerships through merger and acquisition activity.

The successful partial IPO of OMAM in October 2014 enhances OMAM's financial and operating flexibility to deploy capital to continue to grow and to further develop its multi-boutique asset management business. It also provides the Group with enhanced financial flexibility.

Old Mutual will continue to be a supportive shareholder of OMAM, recognising that its current 78% shareholding in OMAM may be further diluted as a result of OMAM's strategy of growth by acquisition.

We will continue to support the fixed income specialist boutique, Rogge, which was excluded from the IPO, as it completes its management transition and the transformation of its business.

Our Institutional Asset Management business

Our Institutional Asset Management business (IAM) consists of OMAM, which completed its IPO on the NYSE in 2014, and Rogge, a UK-based fixed income manager. The IPO of OMAM was an important strategic action for Old Mutual as it unlocks value for the Group.

Benefits of a shared centre

Affiliates of OMAM benefit from a powerful global distribution model offering potential for substantially increased net client cash flows. It gives affiliates access to marketplaces that they would find difficult to reach on their own.

Improving wildlife

Campbell Global, an OMAM affiliate, has partnered with the US Fish and Wildlife Service and Texas Parks and Wildlife Department to enhance 1,500 acres of pine forests and associated habitat. The project is part of a plan to improve wildlife habitat and conserve forests across Texas, including partnerships with The Longleaf Alliance, The Nature Conservancy and the National Wild Turkey Federation. Campbell Global is also working with partners on the West Coast of the US on environmental enhancement projects, including landscape restoration with the Redwood Forest Foundation.

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ACROSS OUR MARKETS

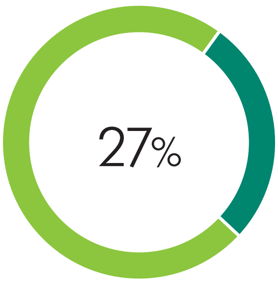
Become recognised as the financial services leader in responsible business.

4

Lead in responsible business across all our markets.

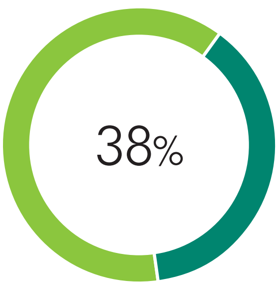
Gender diversity

Executive composition



- Female **27%**
- Male **73%**

Board composition



- Female **38%**
- Male **62%**

Building on our values

Since our inception 170 years ago, our reason for existing has been to help our customers achieve their lifetime financial goals, whilst investing their funds in ways to enable a positive future for all our stakeholders: our customers, employees, communities, environment and shareholders. We do this by operating a responsible and sustainable business and re-investing the funds we accumulate into the development of local economies. By serving our retail customers, financing and funding enterprise of all sizes, private and public, providing capital and facilities and paying due tax we enable economies to create long-term prosperity, and so create a virtuous circle that uplifts our communities, now and for generations to come.

Our long-standing values of accountability, integrity, respect, and pushing beyond boundaries guide how we do business every day and are woven into our culture.

Accountability is in our DNA

Over the past years accountability has consistently featured in our annual culture survey results as our leadership's top personal value, top current value and most desired organisational value.

Culture survey results

Accountability ranking	Personal value	Current values	Desired values
Old Mutual Leadership Group	#1	#1	#1

This sense of accountability is the foundation from which we aim to become recognised as the financial services leader in responsible business.

Leading in responsible business

In South Africa, we have a history of being recognised as a leader in community development and responsible business and we aim to be known this way across all our markets. Our approach to achieving this is two-fold, firstly through ensuring good governance across our Group to safeguard us and our stakeholders, and secondly through making a positive difference to society by acting responsibly to our customers, employees, communities, environment and in our investments.

With regards to being responsible to our employees, we have significantly improved gender diversity to 38% at Board and 27% at Executive level.

Going forward, our ambition is to make a significant difference in each of our markets, focusing our efforts in the areas where we can have most impact: enabling financial wellbeing and driving responsible investment.

Creating new homes for Harare

The well-performing Housing Fund, started in 2011, aims to create 15,000 low-cost housing units in five years. Its first initiative is the Budiriro Housing Project, launched by a three-way agreement between the City of Harare, Old Mutual and its wholly-owned banking subsidiary, CABS.

This $62 million project shows how the private sector can partner with local and central government to address some of society's most basic needs. We focused on housing for people on low incomes as they are the worst affected by Zimbabwe's huge housebuilding backlog. The first batch of houses were handed over in September 2014.

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Our approach to leading in responsible business

1

Ensuring good governance by

- Always treating customers fairly
- Adhering to strong ethical values and by leveraging the power of diversity
- Ensuring strong capital and risk management capabilities.

2

Making a positive difference to society through our five pillars of responsible business

Responsible to our customers

- Investment and Savings Monitors
- Smartmax, 2in1, iWyze, MyFinancial Fitness, OnTheMoney, TCF
- Numerous Trust awards

Responsible investment

- Ideas Managed Fund – **R5.8bn**
- FutureGrowth – **R6bn**
- 15 Equatorial Principle Deals – **$965m**
- Targeted Infrastructure – **R18bn** since 2009
- Nedbank Green Bond
- Old Mutual Agricultural Investment Fund – target **$500m**

Responsible to our employees

- Top Employer Status
- Strong diversity and BEE scores

Responsible to our communities

- South Africa Schools Investment fund
- Masizizane youth SME loans
- Strong employee volunteering

Responsible environmental management

- CO_2 targets for Employees/Property
- Nedbank Green Affinity Banking

3

Increasing our impact through a focus on

Enabling the financial wellbeing of our customers

We define financial wellbeing as:

Being and feeling financially secure, able to provide for yourself and your family, now and in the future.

At Old Mutual we focus on enabling financial wellbeing through improving access to financial services and financial education.

Driving responsible investment in each of our markets

We define responsible investment as:

A cross cutting approach to investment that integrates the consideration of material environmental, social and governance factors into investment and ownership practices.

DELIVERING ON OUR STRATEGY

We have made significant progress in 2014 and for the period 2015-2017 will continue to deliver on our key strategic priorities.

Priorities for 2014	Progress during 2014
1 In South Africa Align OMSA, Nedbank and Mutual & Federal to become the leading and most trusted financial services group	■ Good progress towards delivering the target of R1 billion of pre-tax synergies through identified collaboration opportunities ■ Nedbank progressed tilting of its portfolio, avoided credit losses through pro-active management of lending activity and took a leadership position in renewable energy loans ■ OMEM increased its 50% ownership with the purchase of a further 25% of Old Mutual Finance, launched and rolled out its Wealth proportion to the higher affluent part of the market and its 2-IN-ONE product for the mass foundation market, reinvigorated its retail affluent product suite and moved pension customers under more cost-effective corporate umbrella funds. It reorganised its asset management business, Old Mutual Investment Group (OMIG) improved its investment performance, and successfully integrated Mutual & Federal's P&C business into OMEM.
2 In Africa Build an African financial services champion, while continuing to grow in other emerging markets	■ Nedbank acquired an initial 36% stake in Banco Único in Mozambique, with a pathway to control ■ Nedbank acquired 20% stake in Ecobank with Board representation ■ OMEM announced its intended acquisition of 60.7% stake in UAP and completed integration of the Life and Property & Casualty businesses of Oceanic in Nigeria, Provident Life Assurance in Ghana and Faulu Microfinance Bank Limited in Kenya ■ OMEM increased distribution through Bancassurance partnerships such as Ecobank in Ghana and Nigeria, through additional modern channels such as mobile phones in Kenya, is in the process of building a tied distribution capability in Nigeria and launched extensive brand-building campaigns in Kenya and Nigeria.
3 Old Mutual Wealth Transform to build the best retail investment business in the UK	■ Acquired Intrinsic to capitalise on RDR-driven shift to restricted advice ■ Acquired Quilter Cheviot for £585m to capture flows into discretionary investment management and to add core capability ■ Strengthened asset management skills to increase own share of assets under management, building UK equity, Asian equity, pan-European small company and fixed income absolute return product capabilities, and acquired Cirilium as part of Intrinsic transaction ■ Transformed earnings profile by selling non-core European assets of Poland, Germany, Austria, France, Luxembourg and Liechtenstein for a combined £245m ■ Continued to build IT capability ■ Successfully completed the rebrand of all Skandia businesses to Old Mutual Wealth and Old Mutual International.
4 US Asset Management Continue to improve and grow our multi-boutique asset management business	■ Successful IPO of OMAM on NYSE ■ Successful international distribution platform for affiliates ■ Achieved solid margins relative to peers and strong levels of net new money flows across core affiliates ■ Continued active prospecting for new affiliate partnerships ■ Collaborated with OMIG in the Middle East and with Nedbank in Africa ■ Continued to attract, develop and retain key talent.
5 Responsible business In each of our markets, become the recognised financial services leader in responsible business	■ Appointed Group Customer Director & Responsible Business Lead at Group Exco level ■ Reviewed responsible business activities across the Group to agree key focus areas and metrics for Old Mutual leading as a responsible business ■ Signed Partnering Against Corruption Initiative (PACI) anti-corruption pledge ■ Strategic partnership established with the Cambridge Institute for Sustainability Leadership ■ Improved leadership gender diversity (38% Board, 27% Executive female representation).

Priorities for 2015-2017

Key management actions for 2015-2017

1 In Africa
Build a financial services champion

In South Africa
- Increase collaboration – progress towards synergy target of R1bn
- Grow Mass Foundation, Middle Income and Wealth Insurance markets, and improve profitability in Corporate
- Deliver consistent investment performance at OMIG
- Continue M&F transformation to restore profitability and market share
- Grow transactional banking franchise; drive client-centred innovation; optimise, simplify and rationalise the business; and tilt the portfolio to maximise economic profit.

In the Rest of Africa
- Increase collaboration across insurance, banking and asset management businesses.
- Insurance activities: integrate UAP and Old Mutual Kenya to create leading Kenyan business; build on entry positions in other markets in East Africa; build existing businesses in West Africa and explore inorganic opportunities to build scale in these markets; and build towards target of 10 million customers in the Rest of Africa by 2020
- Banking activities: deepen the Ecobank alliance, incorporate Banco Único into one bank operating model, and target two to three acquisitions in priority countries in SADC and East Africa.

In other Emerging Markets
- Continue to invest and grow selectively in Latin America and Asia
- Expand franchises in Colombia and Mexico
- Continue to build joint venture with Kotak Mahindra in India
- Continue to partner with Guodian Group in China.

2 In the UK
Build the leading retail investment business

- Build one integrated business with a unifying culture and a trusted parent brand
- Successfully transform platform administration through delivery of IT project
- Build an outstanding asset management capability to drive increasing internal share of assets under management
- Expand product proposition, particularly for at-retirement products
- Diversify distribution through digital, Quilter Cheviot and Intrinsic
- Continue to deliver operational efficiency.

3 In the US
Grow our multi-boutique institutional asset management business

- Generate core affiliate growth through strong investment performance and positive net client cash flows
- Invest in collaborative organic growth of existing affiliates
- Increase global distribution flows and prospecting for affiliates
- Establish new affiliate partnerships
- Continue to deliver operational efficiency.

4 Across our markets
Become recognised as the financial services leader in responsible business

- Integrate being a responsible business into the core strategies of each of our businesses
- Focus on enabling financial wellbeing and responsible investing in every market, and set appropriate targets.

BUSINESS MODEL

Our responsible approach to business generates value for all our stakeholders.

We are focused on becoming our **customers'** most trusted partner...

Customers' needs
We focus on our customers' long-term needs. Customers need to protect themselves and their families against critical life events and to provide for future education, healthcare and retirement needs, particularly against a backdrop of reduced government and employer capacity to provide these services.

Customer relationships
Our brand's strong reputation reflects our experience in the markets in which we operate, strong customer and adviser relationships and our focus on gathering feedback. This feedback allows us to improve our products and services and design new products to better meet the needs of our customers.

17.5m
Customers across our markets

Sales direct/intermediaries/digital

Payments claims and interest

Highlights

+59%
Increase in customers in Rest of Africa

£4.9bn
Net client cash flow

...by providing a range of **products** that help them to achieve their lifetime financial goals.

£319bn
Funds under management

Investments and savings
We provide appropriate and tax-efficient investment products that help our customers accumulate assets to safeguard their futures.

Fees (funds under management x margin)

£10.8bn
Risk reserves

Insurance
Our protection business provides life assurance and general insurance products that offer financial security against single or multiple risks including death, disability and property & casualty risks.

Underwriting income and investment gains (premiums and investment income – claims)

£36.2bn
Deposits

Banking
Our banking services include retail and wholesale lending, deposit taking, transactional banking and savings/current accounts.

Interest (average banking assets x net interest margin)

Our customers and our markets are influenced by several key **trends**:

Fast expanding foundation and mass segments leading to middle-income market growth in South Africa

Strong growth opportunities on the African continent, where financial services penetration is low

Changing regulatory environment driving product innovation and vertical integration

Focus on **responsible business**, particularly financial wellbeing and responsible investment

We use our **expertise and innovation** to meet the needs of our customers…

Skills and expertise
We are committed to developing our employees' skills and expertise. We actively foster customer-centric culture that allows us to better meet our customers' needs.

Financial strength
We have strong capital cover in our core businesses and at Group level. Our financial strength gives customers confidence to save, invest and protect themselves with us.

£1,605m[1]
Adjusted operating profit

Highlights

£1.0bn
Cash held

£2.0bn
Capital strength (EU Financial Groups Directive)

…enabling us to generate **value** for all our stakeholders.

Relationships
We deliver value in its wider sense. Our operations generate employment, investment and tax revenues around the world. We support the communities in which we operate and work with partners to build skills and jobs. We actively engage with governments and regulators to help shape the future operating environment.

Reinvestment into our business
- In Africa acquire and partner to grow life, P&C, asset management and banking operations
- In the UK integrate our platform, advice, wealth management solutions and asset management businesses
- In the US grow our multi-boutique asset management business.

13.3%
Return on equity

Highlights

£411m
Returns to shareholders

£78m[2]
Returns to bondholders

£1,309m[3]
Taxes to governments

Reinvestment
into our business for future growth £845m[4]

Employee development
and reward over £1,860m

Investment
in our communities of £17m[5]

1 Pre-tax and NCI
2 Interest repaid on our debt during period
3 Taxes paid and collected
4 Includes capital investment and new business strain on covered business
5 Donations made through our foundations and other community investment projects (excludes employee donations through workplace fundraising)

OUR **MARKETS**

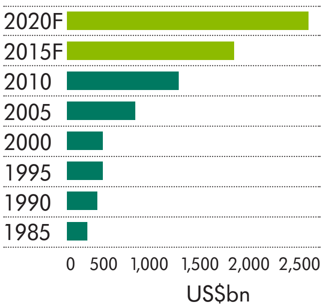
An overview of the dynamics driving our key markets: retail and wholesale in sub-Saharan Africa, UK retail investment, and US wholesale institutional investment.

Key long-term trends impacting our strategy

- Digitalisation, mobile technology and increasing transparency are transforming wholesale and retail markets across banking, investment, life and P&C products
- In emerging markets, rapidly rising numbers of entrepreneurs and aspiring middle market consumers are stimulating an increased need for financial services products
- In developed markets, demographics and regulatory reform are driving growth in retirement demand with individuals needing to take more responsibility for retirement savings
- Global and local impact of youth unemployment, social inequality and environmental challenges are contributing to increasing volatility
- Mass urbanisation and rapidly expanding mega cities are posing significant infrastructure challenges, but also concentration opportunities for financial services providers.

Sub-Saharan Africa's GDP to reach US$2.3 trillion by 2020

Growth in Africa's GDP[1]



Source: IMF Regional Economic Outlook 2012

[1] Includes South Africa

Our business and strategy reflect demographic and regulatory trends in our largest markets. Populations are growing in all our markets – and mostly, living longer. However, age distribution varies significantly, so we match our products and distribution to local demand dynamics.

Living standards and expectations have also risen. In the more developed markets people will spend longer in retirement, so need higher pension savings to fund their desired standard of living and healthcare. In emerging markets, economic empowerment and urbanisation are driving demand for a broad range of flexible protection, savings and investment products.

Dramatic increases in entrepreneurial activity and trade liberalisation are taking place within and between our emerging markets. This is stimulating international interest in participating in these markets. As a consequence we expect a rapid rise in demand for wholesale financial services and products.

Regulation and digitisation present both threats and opportunities for us. Generally, regulation drives more transparent product pricing, with more explicit consideration of what products and services deliver for customers. Technology is providing new and cheaper ways to access and transmit money and information to service both wholesale and retail customers, and to increase financial inclusion. Existing sources of economic profit pools are challenged by these developments, but by reorganising and reprogramming business models and structures we can develop new sources of profitable growth and access to new and emerging markets. Changes in our business models will now be continuous and radical and our Group's interactions with stakeholders will also need to adapt.

Overall, we can see all these themes as opportunities – as long as we are dynamic and agile while maintaining control over our risks. We are well positioned in our markets, continue to offer and develop the products that customers need, and are building effective distribution channels.

Africa

In a global economic context, Africa is currently modest, but in natural resources and opportunities, it offers great potential.

Emerging economies have outstripped developed economies' GDP growth for some years. GDP per capita in both South and sub-Saharan Africa more than doubled between 2003 and 2013, and annual GDP growth in sub-Saharan Africa exceeded 4% in seven of those 10 years[2]. The IMF has forecast that sub-Saharan Africa's GDP will reach US$2.3 trillion by 2020. We aim to attract a proportion of that discretionary income into savings. Our work on financial wellbeing and literacy in the region supports the development of this new market.

As emerging markets develop, average incomes rise and demand for financial services evolves from simple funding and transactional products to more sophisticated protection and savings. Our strategy is to shape our offering to fit the wider macro marketplace and improve access to our products and services. However, current GDP levels trail those of Europe, the US and developed Asian markets and the proportion of GDP spent on financial services is relatively low.

Like Asia, Africa is becoming increasingly urbanised. McKinsey has forecast that by 2020 more than half of African households will have discretionary income, up from 85 million households to almost 130 million. Our African operations are generally based in countries where urban populations have high or fast-growing per-capita incomes.

Across the continent, large groups of younger consumers are reaching working age. This should drive growing demand for financial services and rising GDP per capita. The shift has been evident in South Africa for some time, profoundly changing both consumption patterns and service delivery to retail consumers. Given more stable regulatory and economic conditions and improved infrastructure, large numbers of enduring commercial enterprises are emerging – driving demand for local and cross-border financial services.

Africa's considerable natural resources are mostly untapped, including some 60% of the world's uncultivated arable land. The US Geological Survey estimates that Africa will expand its production of 15 important metals by 78% between 2010 and 2017. The application of technology should accelerate sustainable social and economic development, giving Africa the opportunity to realise its full potential by improving efficiency, enabling citizens, and creating jobs and opportunities.

[2] World Bank Development indicators

South Africa

At present South Africa faces continued relatively slow growth, fiscal and current account deficits, electricity constraints and socio-political challenges. Economic growth was weak in 2014, but in 2015 to 2017 is set to improve to between 2.5% and 3.0%[1]. Unemployment averaged over 25% between 2000 and 2014. Real incomes at the lowest levels of society have benefited from increased social grants and above-inflation public sector wage growth, but there is still significant disparity between upper and lower income levels.

These effects, coupled with high debts and servicing costs, continue to put pressure on consumers' disposable incomes – squeezing their savings rates, ability to service their debt, and propensity to buy and retain insurance and other financial services products.

However, South African corporations generally remain well capitalised, with low gearing and loan demand. Credit servicing ratios are strong and credit losses are at historically low levels.

The healthy corporate sector contrasts with stretched government finances and personal income inequality, indicating long-term structural issues. These are being addressed through the National Development Plan. Major infrastructure projects now in progress are aimed at boosting economic growth.

The rand fell significantly against international benchmarks in 2013, stabilising in late 2014. This reflected the relatively weak economic outlook – and also, in the US, moves to reduce monetary stimulus and raise domestic interest rates, which reduced appetite for emerging market currencies. The rand is deeply liquid, so generally reacts ahead of other emerging market currencies. This has amplified inflation in the South African economy, but falls in imported fuel costs reduced the pressure in early 2015.

1 South African National Budget

Saving for the future

The 2-IN-ONE savings plan allows customers to save for their long-term goals (like paying for their children's education) while having the flexibility to access some of the funds in the short term if they need it.

The need for this product was reinforced by the findings from the latest Old Mutual Savings and Investment Monitor, which indicated that consumers are experiencing immense financial pressure and that their savings have become a lot more short-term focused.

This is exactly where the 2-IN-ONE savings plan comes into its own.

www.oldmutual.com/rb-inpractice

Senior adviser: Liziwe Zondi (left)
Customer: Benjamin Peter Nyanyatsi (right)

"The plan allows me to access money should I need it, without tapping into or penalising my long-term savings."

Benjamin Peter Nyanyatsi, South Africa

OUR **MARKETS** continued

"For 2015, it is about execution. Good execution of the integration of the businesses we have bought. Good execution to carry on improving and growing our UK business. I think we are very well positioned in the markets that we are in."

Julian Roberts
Group Chief Executive

Asia

Asian growth remains strong relative to the rest of the world but has slowed in absolute terms, mainly as Chinese reported growth has eased.

Government financial conditions are generally sound, with low levels of international debt.

In the major economies of India and China, consumer power is beginning to shift the regulatory and economic trends towards retail products and services. Greater freedom of expression, spurred by technological developments, is also driving more scrutiny of industry activity and its long-term environmental impacts.

Financial services provision continues to be dominated by banks, with insurance companies often using distribution agreements. Regional asset management markets are increasingly important, creating collective savings pools, and regulation is supporting this.

Asian cultures still tend to support self-provision for health care, education and retirement. While financial services penetration is rising, large populations bases such as those in Indonesia remain under-serviced.

Latin America

Latin American economic activity declined in 2014, largely due to falling raw material prices and financial strain from high government debt. Brazil is by far the region's largest economy, accounting for nearly half the continent's GDP. But per-capita GDP is similar in several other countries, and 30% higher in Chile and Uruguay – so the opportunities for financial services extend well beyond Brazil.

While bank distribution is important in most countries, technological developments such as mobile phones offer alternative channels.

In most cases, market share is highly concentrated among the top five players.

Product sets are broad in asset management and life assurance, with pensions, mutual funds as well as traditional life protection being offered. Banking products include term deposits, saving accounts and varied forms of retail and corporate loans.

10,000 clicks to make a soccer field

We like to help people achieve their goals – sometimes quite literally. In Cazucá, one of the most deprived parts of Colombia's capital, Bogotá, many children lack basic schooling and easily fall prey to drugs and gang culture. Local charity Tiempo de Juego (Game Time) offers sports coaching as a healthier alternative. In support, we offered to build them a soccer field – if the community backed us by giving us 10,000 clicks on a specially created website. The story went viral, we easily passed our 10,000-clicks goal, many locals became volunteer helpers – and the kids got their soccer field.

www.oldmutual.com/rb-inpractice

UK

The UK is now recovering strongly from a significant loss of economic output after the global financial crisis. Government finances remain heavily stretched, following the largely government-funded recapitalisation of the banking sector and a significant fall in tax revenues.

Equity and debt markets have recovered from their lows but have not shown significant long-term growth over 2009 levels.

The UK has undergone considerable reforms of both the wholesale and retail financial services sectors. These have covered both conduct of business and regulation of capital levels required in the industry.

The investable asset pool in the UK is some £4.4 trillion, of which about £3.3 trillion is relevant for the life and wealth industry. This is expected to reach around £5 trillion by 2020.

Significant changes announced in pensions regulation are likely to boost demand for asset management and drawdown products for the decumulation stage of retirement provision.

Demographic developments are adding to the growth in demand for retirement income as large numbers of people reach the immediate pre- and post-retirement phases of their lives. Low interest rates, constrained by government economic policy, have cut the incomes of many relying on annuity pensions or interest on savings. This is increasing the attraction and development of new savings products – for example there is strong interest in the potential returns offered by equity income and higher-yielding assets.

US

Despite heightened volatility in public securities markets, US equities markets continued to recover in 2014 – the S&P 500 rose 11% – contributing to overall growth in US corporate profits.

Non-US developed and emerging markets were challenged: the MSCI EAFE index declined 7% over the year and the MSCI Emerging Markets index declined 5%.

Key factors were the US Federal Reserve's tapering of quantitative easing (QE) and currency weakness resulting from the strength of the US dollar.

Strong equity performance and continued low interest rates impacted bond markets as investors shifted asset allocations in favour of equities. Non-US developed markets may face further challenges in 2015 if US interest rates rise as QE tapering ends.

Generating superior investment returns

OMAM's unique aligned partnership model provides the stability and foundation for strong affiliate growth as it offers affiliates key economic incentives such as equity ownership and profit sharing, along with operational autonomy, within a partnership structure that promotes and supports affiliate growth. OMAM shareholders and affiliate employees' economic interests are aligned to support long-term profit.

KEY PERFORMANCE INDICATORS (KPIs)

Financial and non-financial KPIs that we use to monitor the performance of our business.

Non-financial KPIs

Our customers

Customer numbers (m)

Target 2015

	OMEM	Total
2014	**10m**	**17.5m**
2013	8m	16.1m
2012	7m	14.4m

Emerging market customers   Other customers

Description

Customer numbers are an indication of the scale of our business. A growth indicates that we have an attractive proposition for new customers, and are meeting the needs of our existing customers.

Net promoter score (NPS)*

OMEM	**52%**
Nedbank	**75%**
Old Mutual Wealth	**32.8%**

*NPS is a measure of customer advocacy – it is not measured for IAM

Responsible investment

Investment capabilities applying our RI Standard

Target 100%

	%
2014	**40**

Description

This figure shows the percentage of business units that have reported full compliance to the application of the Group Responsible Investment (RI) Standard through our bi-annual Letter of Representation. Our RI Standard drives the integration of ESG factors into our business.

Target

Our target is 100% integration of ESG factors into our investment decisions by 2017.

70%

of proxy votes cast in listed equity investments

Our employees

Cultural entropy (%)

Target 2015   Target range 9-13%

2014	**12.3%**
2013	11.7%
2012	11.4%

Description

Cultural entropy measures the amount of negative or limiting values that exist within an organisation which results in unproductive work (the lower the score the healthier the culture).

Target

We aim to have cultural entropy of between 9 and 13% across all our business units, which we define as a healthy working culture.

75.2%

of our employees recommend Old Mutual as a place to work

Our communities

Community investment (% of pre-tax AOP)

Target 1%

	%	Total
2014	**1.1**	**£17.1m**
2013	1.0	£16.1m
2012	1.0	£14.0m

Description

The value of Old Mutual's community investment made through our Foundations and other community projects (excluding employee donations through workplace fundraising and in-kind donations).

Target

Our target is to donate 1% of our pre-tax AOP to charitable organisations.

18%

of our employees volunteer during working hours

Environmental management

Carbon emissions (tonnes of CO_2e)

	Base 2010	**2014**	Target 2020
Per employee in our employee occupied properties	4.17	**3.60**	3.336
Per m^2 in our property portfolio	0.21	**0.20**	0.168

Description

Our carbon emissions cover our Scope 1 and 2 emissions in our employee-occupied locations and Old Mutual investment property. Scope 1 are direct emissions from sources that are owned or controlled by the Group. Scope 2 emissions are indirect emissions resulting from the use of power (such as electricity) purchased by the Group.

Target

Based on our 2010 figures, we aim to reduce our carbon emissions by 20% by 2020 in both our employee-occupied sites and investment property portfolio.

Our Group carbon intensity for 2014 was 1.7 tonnes CO_2e/£m FUM (2013: 3.0).

Governance

Inclusion in indices related to operating as a responsible business

	Base 2012	2013	**2014**	Target 2015
FTSE4Good	Yes	Yes	**Yes**	Yes
JSE SRI Index	Yes	Yes	**Yes**	Yes

Description

We invest time and effort to put in place appropriate processes, policies and governance structures to ensure we meet and aim to exceed internationally recognised responsible business practices.

Target

Our target is to maintain our listing on the FTSE4Good and JSE SRI Index.

Financial KPIs

Adjusted Operating Earnings per Share (p)

Performance

	2015-2017 LTI Target range 5-10%	Actual	Growth
2014		**17.9p**	**-3%**
2013		18.4p	+5%
2012		17.5p	+11%
2011		15.7p	+10%
2010		14.3p	+23%

Relevance

Adjusted Operating Earnings per Share (EPS) is an indicator of our profitability that measures how much we earn for the average number of ordinary shares in issue during the period. The trend in the movement of EPS demonstrates our rate of growth.

Performance against targets

Sustainable growth in earnings per share through continued revenue growth and operational efficiency.

Long-term incentive (LTI): 5% to 10% compound annual growth between 2015-2017 (17.5% weighting for sterling profit growth and 17.5% weighting for rand profit growth).

For more information on Adjusted Operating Earnings see p54

Return on Equity (%)

Performance

	2015-2017 LTI Target range	
2014		**13.3%**
2013		13.6%
2012		13.0%
2011		14.6%
2010		14.2%

Relevance

Return on Equity is an indicator of our profitability and capital efficiency in using the resources provided by our shareholders.

Performance against targets

We will continue to drive profitability throughout our businesses and make the best possible use of the capital invested.

Long-term incentive (LTI): 12% to 15% Return on Equity (35% weighting).

For more information on RoE see p56

Net client cash flow/opening funds under management (%)

Performance

	0
2014	**1.7%**
2013	5.9%
2012	1.9%
2011	-3.9%
2010	-2.5%

Relevance

Net client cash flow/opening funds under management measures our success in attracting new business and retaining existing customers, and provides a good indication of investor confidence in our ability to manage their funds effectively.

Performance against targets

Grow funds under management through positive net cash flows (cash inflows e.g. premiums, deposits and investments greater than cash outflows e.g. paying out claims, annuities and redemptions).

For more information on NCCF/FUM see p38, p44 and p46

Capital strength (£bn)

Performance

2014	**£2.0bn**
2013	£2.1bn
2012	£2.1bn
2011	£2.0bn
2010	£2.1bn

Relevance

Capital strength measured under the EU Financial Groups Directive.

Performance against targets

Retain regulatory capital at its current level, whilst complying with local statutory requirements.

For more information on Capital strength see p56

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has remained resilient and the risk management focus is now on execution given a number of recent strategic changes.

Our principal risks have been determined by assessing the possible effects on our reputation, our stakeholders, our earnings, capital and liquidity, and the future sustainability of our business. They are summarised in the table below. These risks are largely strategic in nature. They are closely monitored and overseen by Group management and are reported to the Board on a regular basis.

During the year the Group underwent a number of strategic changes. The pace and scale of these changes mean that strategic execution risk is now our key principal risk. As in previous years, economic conditions in South Africa, the changing location of credit risk across the Group and the level of currency translation risk remain principal risks impacting Old Mutual. The risk of changing customer needs and regulatory change remains important for Old Mutual and its peers.

Our business is also affected by a number of risks inherent to the products we offer, such as exposure to market levels, interest rates and insurance liability risk. These drive a significant proportion of our capital requirements and earnings volatility exposure. Given the nature of our product offering, market risk is material, as we are exposed to the impact of market movements on asset-based fees – which are generated from client-selected investments. More information on our risk and capital management and risk profile is contained in the 'Risk and capital management' section of this Annual Report. Additional risk information is disclosed in the consolidated financial statements, note E, in this Annual Report.

1. Strategic execution risk and pace of change across the Old Mutual Group

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
Currently, and for the foreseeable future, there is a high degree of execution risk associated with the pace and scale of change across the Group. Most notably: ■ Nedbank and Old Mutual Emerging Markets are simultaneously expanding into key African growth markets. At the same time they are increasing collaboration across the South African investment, savings, insurance and banking businesses. In addition, significant investment is planned in updating and enhancing technology within these businesses ■ Old Mutual Wealth is focusing on the integration of recent acquisitions, growing its asset management capability and implementing its outsourcing of technology and administration to IFDS ■ OM Asset Management plans to expand and grow a multi-boutique asset management business through acquisitions of additional affiliates ■ Across the Group we aim to become recognised as the financial services leader in responsible business across our markets. This will require operational, performance and management changes throughout the business.	As part of delivering our growth strategy, we announced and completed various acquisitions and partnerships in 2014. Old Mutual Emerging Markets acquired stakes in a number of businesses across Africa during 2014. Work will continue on integrating these businesses. Acquisitions are planned to continue, with the intended acquisition of the majority holding in UAP expected to complete during 2015. In 2014 Nedbank finalised the acquisition of a 36% shareholding in Banco Único in Mozambique and exercised its option to take a 20% share in Ecobank. Further strategic partnerships and acquisitions will be pursued. The Old Mutual Wealth strategy seeks to transform the business into a simpler, vertically integrated business with updated IT systems. While the level of operational risk in Old Mutual Wealth is within risk appetite, it remains high in the short-term, reflecting the execution of the outsourcing arrangement with IFDS and the acquisitions of Intrinsic and Quilter Cheviot. The partial IPO of the OM Asset Management business was completed in 2014. OM Asset Management set out its growth agenda in the IPO. It will identify and seize opportunities as they arise, in line with the key risks outlined at the time of its listing. The additional litigation and regulatory risks introduced by listing are managed through our ongoing risk management processes.	Strong governance structures exist, combining Group executives, local executive leadership and non-executive directors with the requisite blend of skills and experience to challenge key strategic initiatives effectively. Within the business units, oversight committees exist at both executive and Board levels to oversee strategic IT and outsourcing projects. For key projects across the Group, there is centralised oversight at Group level over and above the business unit oversight. The impact of these changes on the risk profile of the business is managed dynamically through Group risk governance and monitoring processes. We mitigate the increased operational risk by maintaining our focus on the control environment and prompt escalation.

2. Uncertain economic conditions in South Africa

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
A significant portion of our earnings comes from our South African businesses. In our insurance and investment businesses, our earnings are at risk if our customers are unable to keep up premiums, cancel existing policies or withdraw their savings earlier than anticipated. Additionally, our future profits will be at risk if customers do not buy insurance policies from us or invest their savings with us at the levels we anticipate. Low interest rates may also negatively impact endowment income in our banking businesses. All our businesses are exposed to increased expense growth from high levels of inflation. A weak economic environment impacts credit risk in our investment, insurance and banking businesses. (Credit risk is discussed further below.) We have exposure to South African sovereign debt and parastatals, but only within the South African businesses, in line with market and regulatory expectations.	The global economic outlook remains uncertain. The South African economy is integrated in the global economy but is also impacted by domestic factors. During 2014 South Africa's economic growth forecasts were revised downwards after protracted labour disputes and power shortages. These also prompted a sovereign credit downgrade by rating agencies. If sovereign credit was further downgraded, the impact on the Group's business outside South Africa would be limited. Within South Africa the impact would be reflected in consequential changes in underlying economic and market-related factors, such as the level of interest rates, foreign exchange rates and international capital flows. Subdued global demand and persistent infrastructure constraints are expected to limit growth in the South African economy. This will continue to weigh on household disposable income in the medium term. However, a prolonged period of low oil prices, leading to lower transport and food costs, could help support disposable income and spending.	We monitor multiple external economic factors and incorporate them into stress and scenario testing to understand our earnings and capital resilience to severe macro-economic events. We offer solutions to help clients in tougher times, and focus on understanding individual customers' financial positions at the point of sale. For example, the 2-IN-ONE savings product for the mass foundation market launched in 2014. See the case study in the 'Our markets' section on page 27. Our businesses manage premium collections and credit payments, while monitoring for early indicators of financial distress. We manage our cost base judiciously, while investing sustainably for the future. The Group's plan to grow the sources of earnings outside South Africa, in the medium-term, is expected to diversify its exposure to this risk.

3. Credit risk and location of credit risk across the Group (continued overleaf)

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
One of our largest risks to Group earnings is our exposure to banking credit risk from lending and other financing activities through our ownership of Nedbank, and to a lesser extent our exposure within Old Mutual Emerging Markets. Credit risk exposure within Old Mutual Emerging Markets is growing as a proportion of this division's own risk exposure. Despite tight controls and processes, banking profits remain sensitive to relatively small movements in credit loss ratios. Our exposure to Nedbank is primarily risk to earnings, as Nedbank's capital and liquidity requirements are both met from its own available resources.	Credit risk across the Group increased during 2014 due to the acquisition of Faulu and an increase in Old Mutual Emerging Markets' stake in Old Mutual Finance from 50% to 75%. Although Nedbank's 20% ownership of Ecobank is accounted for as an equity share, this indirectly increases our credit risk. Our credit risk remains within appetite. However, the high levels of personal indebtedness and pressure on consumers in South Africa remain a challenge, as do other macro-economic factors outside our control, such as commodity prices. Our lending credit exposure is concentrated in secured lending through Nedbank.	We monitor credit loss ratios on an ongoing basis and they are broadly within target range. In addition, we review the quality of credit portfolios to ensure credit impairment provisions are adequate. For unsecured lending, Nedbank and Old Mutual Finance continue to focus on quality of business through regular adjustment of affordability and credit scorecards and risk-based product metrics (loan term, size and interest rates), based on changing market conditions. Stress testing is carried out at both Nedbank and Old Mutual Emerging Markets to understand exposure to credit events. Our portfolio tilt strategy in our banking loan exposures is designed to provide more robust long term returns with lower volatility for deteriorating credit experience.

3. Credit risk and location of credit risk across the Group continued

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
Within Old Mutual Emerging Markets, banking credit risk is expected to increase due to planned growth. Banking credit risk arises in: ■ Our unsecured lending business, Old Mutual Finance ■ Faulu, a Kenyan consumer finance business acquired in 2014 ■ A building society in Zimbabwe known as CABS. Investment credit risk arises in: ■ Old Mutual Specialised Finance ■ The South African life business, predominantly through the management of assets backing annuity products. There is also credit risk exposure within Mutual & Federal through holdings in the credit guarantee insurer, CGIC. Credit risk outside Nedbank and Old Mutual Emerging Markets is relatively limited.	Unsecured lending exposure is small in comparison to the total lending book. Within Old Mutual Finance we have experienced controlled growth in unsecured lending from a low base, applying stringent affordability requirements and strict credit criteria. Within Nedbank, unsecured lending growth is expected to remain slow. We are planning to further grow our lending businesses in Faulu, CABS, Old Mutual Finance and Old Mutual Specialised Finance, and this will be underpinned by strong credit risk management together with risk oversight and governance.	Large concentrations are monitored at Group level. These relate primarily to investment credit, as there is little concentration or aggregation of individual credit exposures outside Nedbank and Old Mutual Emerging Markets.

4. Currency translation risk and location of capital

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
At Group level our earnings, dividend and regulatory surplus capital are expressed in sterling but the majority of the Group's earnings and its surplus capital are denominated in South African rand. The translation of our rand earnings will be affected by movements in exchange rates. From a capital perspective, our capital is held where our risks are located and the risk would only be realised if we were to require a transfer of surplus capital between regions during periods of stress. Our philosophy is to maintain strongly capitalised subsidiaries reflecting local regulatory capital requirements. Our principal balance sheet businesses in South Africa (including their own subsidiaries) are appropriately capitalised for the international standards of Basel III and expected Solvency II equivalent regimes.	In 2014, the rand depreciated from R17.43 to R18.00 against the pound, following a 27% depreciation during 2013. This reflects the relative weakness of South Africa's economic outlook and also, in part, a reduction in US appetite for emerging market currencies. We see macro-economic factors that point to possible further rand weakness in the medium term. These include the current account deficit and the possibility of capital outflows from South Africa as some external investors may sell their holdings of South African government bonds should global interest rates rise. We are preparing to comply with Solvency II and SAM regulatory requirements, which will be effective from January 2016. The rules have yet to be finalised. We expect greater clarity to emerge during 2015.	We hold our capital resources (including the Group's issued debt) to meet capital requirements in matched currencies and service interest on debt with matching earnings. The balance of cash flows earned in rand and other currencies is closely monitored and the dividend policy, through its link to earnings, in part addresses this risk. We use forward currency contracts to hedge expected rand cash flows needed to make dividend payments in sterling. Regular stress and scenario testing supports understanding and monitoring of the resilience of the Group's capital and capacity to pay dividends in the event of significant currency movements or restrictions (however remote) on the flow of funds from South Africa. The Group's plan to broaden the source of earnings in currencies other than the rand is expected to provide more diversified earnings by currency, although this is a longer-term mitigant.

5. Changing shape of the industry due to changing customer needs and regulations, particularly consumer-focused regulations

How it impacts Old Mutual	2014 and beyond	Risk mitigation and management actions
Attracting new and retaining existing customers is key to the delivery of our strategy. New and evolving consumer-focused regulation, non-traditional distribution methods, new technologies, changing demographics and changing customer needs and preferences are altering the distribution and competitive landscape across our geographies. This may place business plans and our growth strategy at risk if our business model is not flexible enough to let us adapt quickly and effectively to the changing landscape. Within Old Mutual Wealth our acquisition of Intrinsic increases the risks associated with providing advice to customers, such as litigation and regulatory intervention. Specific consumer-focused regulation impacting Old Mutual includes: ■ In the UK, the ongoing impacts of the Retail Distribution Review (RDR) and new pension withdrawal rules effective from April 2015 ■ In South Africa, Treating Customers Fairly, Retirement Fund Reform and a review of adviser remuneration models similar to the UK's RDR. In addition, the planned move to Twin Peaks regulation. Furthermore, increasing regulatory requirements impact the cost and complexity of doing business. Consumers' use and preference for digital technology is increasing. Maintaining adequate cyber security, with appropriate protection for client assets and data, is also a key risk for Old Mutual's retail businesses given the external threat environment and increasing reliance on technology.	Our customers' needs are evolving. Consumers want to be more in control of their finances. As digital technology advances, they increasingly rely on and prefer technological tools for a variety of tasks. Despite this, the need for individual attention remains. Consumers seek quality as well as original offerings that meet their personal needs, and it is important that service remains convenient in terms of both time and effort. Regulators in many jurisdictions continue to focus on the fair treatment of customers and both principles and appropriate regulation in this area are evolving. In particular, there is increased focus on product design, advice, and the product life cycle after the sales process. Products and practices which might in the past have been considered normal might no longer be acceptable. There will be a need to adapt and evolve new products and operations – while remaining mindful that the long-term nature of the business means legacy products will take time to run off.	Strategic initiatives across the Group are streamlining our business so we can adapt more easily to changing customer needs and regulations. They include implementation of IT solutions that allow us to deploy new products and system changes more quickly, making use of outsourcing partners where IT is not our core competitive proposition. In addition, our brand promise and commitment to operating as a responsible business, with a strong customer focus and culture, position us well to respond to consumer-focused regulation. Where similar regulatory themes are developing, we transfer knowledge from different geographies across the Group to anticipate and implement new regulations. We proactively prepare for anticipated regulatory changes and engage with regulators to avoid or mitigate unexpected adverse impacts. A group-wide Information Security Steering Committee considers cyber security, with particular focus on education, awareness, monitoring and understanding of the threat environment. Our ACT NOW! Leadership Behaviours, which are formally measured as part of our performance management system, include a metric for 'putting the customer first'. We measure our culture around treatment of customers annually through our group-wide culture survey.

OLD MUTUAL EMERGING MARKETS BUSINESS REVIEW

"Solid operational delivery and strategic progress in Africa."

Ralph Mupita
Chief Executive Officer
Old Mutual Emerging Markets

+23%
AOP (pre-tax)

+59%
Customers in Rest of Africa

Business review

Old Mutual Emerging Markets operates in 14 countries across Africa, Latin America and Asia. We provide individuals, corporates and institutions with long-term savings, protection, lending, investment solutions and general insurance in these geographies and through these business segments:

South Africa

Retail Affluent offers a wide range of wealth creation and protection products as well as asset management products to middle-income and high-net worth customers.

Mass Foundation offers a selection of savings and protection products in the lower income and foundation market, as well as lending products through Old Mutual Finance (OMF).

Corporate segment caters for the needs of institutional and corporate investors and employers through retirement and group risk products.

Old Mutual Investment Group (OMIG) is a multi-boutique asset management and investment business that offers clients access to a full array of investment offerings, styles and asset classes. Its priority is to deliver performance through focus.

Mutual & Federal (M&F), our property & casualty business, offers an extensive range of insurance products and solutions to meet personal, commercial and corporate needs. It also provides cover for the agricultural, engineering and marine sectors.

Rest of Africa

Outside South Africa, we operate in Namibia, Zimbabwe, Malawi, Kenya, Swaziland, Botswana, Nigeria and Ghana, where we offer various corporate and retail solutions in life and savings, property and casualty, asset management and banking. Our products are supported by sound financial advice, efficient service and value for money for our customers.

In East Africa, we have agreed to acquire a 60.7% stake in UAP Holdings (UAP), subject to various regulatory approvals. UAP has a strong position in East and Central Africa and a product offering that is highly complementary to our existing businesses.

Asia and Latin America

In Colombia we operate in the affluent market, providing mandatory and voluntary pensions, investment and saving solutions, offshore investment products and institutional asset management.

In Mexico we offer the corporate market voluntary private pension plans and we provide the retail market long-term savings and risk products, customer solutions and advice.

AIVA is our Uruguay-based distribution platform spanning the Latin American region. It provides services to a network of independent financial advisers, wealth managers and other institutions.

Old Mutual-Guodian is a 50/50 joint venture in China with Guodian, one of the country's largest power producers. It provides long-term savings solutions through a tied adviser force and a telesales company. Customers include Guodian employees and affluent bank customers.

Old Mutual Kotak Mahindra is our 26% owned joint venture in India with Kotak Mahindra Bank, providing life insurance, retirement pensions, savings and investments.

Competitive environment

In South Africa, we rank first among our peers (measured as total life sales), with over 25% market share as at June 2014 and has been growing steadily over the past five years.

In the rest of Africa, competition continues to grow as companies seek to establish dominant positions across the continent. Our primary competitors in sub-Saharan Africa are a combination of our large South African insurance peers and large local firms, with limited competition from the large international insurers. We continue to defend our dominant market positions in the Southern

"Improving data connectivity and affordability is a major priority for the financial services players... to interact with and serve their customers better."

African Development Community (SADC) region, while our businesses in the key growth hubs of East and West Africa are developing rapidly from a relatively small base.

In Mexico we have a strong corporate business, with 4% of the corporate pension market. In Colombia we have circa. 29% of the voluntary unit trust market. In India, Kotak Life Insurance ranks 9th out of 23 life companies and in China our joint venture with Guodian ranks 9th out of 24.

Market trends

The South African regulatory environment is undergoing significant transformation in the medium term as changes such as the proposed Retail Distribution Review (RDR), Solvency Asset Management (SAM), Retirement Fund Reform, Treating Customers Fairly and the Twin Peaks regulatory reform are implemented. We continue to engage constructively with the various regulatory authorities in this regard. There has been a recent shift in the rise of non-traditional competitors as a result of the regulatory changes that allow for such non-traditional players to participate in the insurance industry resulting in our competitors expanding into the rest of Africa.

In the affluent market, there has been a rapid rise in the black middle income class in South Africa, driven by economic growth, government income redistribution programmes and empowerment initiatives. Gauteng has the highest number of high income and high net worth customers in the country, as well as the largest share of the growing black middle class.

As a result of health care intervention in South Africa, there has been a significant improvement in the life expectancy of people living with HIV. While this is an issue that affects the whole of society, Old Mutual has taken the decision to release some of the reserves previously set aside due to mortality rates, and will be using a proportion of these provisions to increase the level of cover for existing mass foundation customers. Additionally, given the improved mortality experience in South Africa, we will now be able to offer customers products which are more affordable and provide better value.

In the rest of Africa, markets are characterised by a youthful demographic. The number of middle class households is on the rise and this is expected to drive consumer spending and fuel demand for financial services products. Despite the growing prosperity, a large proportion of the market still falls into the lower income strata and this is where we see the importance of technology in improving accessibility. Similar to South Africa, there has been a steady development of regulations across emerging markets in the rest of Africa.

Colombia and Mexico markets are undergoing a number of reforms. For Colombia, the tax reform is aimed at increasing its tax base to cover fiscal deficit by preventing tax evasion and increasing corporate tax rate. For Mexico, tax reform is primarily focused on providing tax benefits for private pension plans and personal deductions for individual pension plans.

Through its pension fund reforms, Colombia plans to set up a new compulsory state-run pension fund to operate alongside those of private insurers. In Mexico, ongoing financial reforms are aimed at strengthening existing financials laws and the regulator's ability to enforce these laws. This includes structural changes to the banking and securities commission. Implementation of Solvency 2 by Mexican insurers is ongoing and is expected to boost confidence in the insurance sector.

In India, despite the parliamentary committee's recommendation to raise the foreign investment limit to 49%, the government failed to pass the Insurance Bill via the normal route. Consequently the government opted to pass the FDI limit via an ordinance which was approved by cabinet in December 2014. This is positive for our business as it will allow us to move from the current 26% ownership levels to 49% in the near term.

The China Insurance Regulatory Commission released an updated draft on 2nd generation solvency reforms. The draft shows that China Risk Oriented Solvency System (C-ROSS) will be implemented timeously in 2015. Currently, the results from the C-ROSS impact study are wide ranging but it is clear that it will increase regulatory compliance and risk assessment requirements on insurers. Insurers will need to adjust their business structures in line with capital requirements.

As technology evolves, smartphones and mobile devices are becoming increasingly affordable. Improving data connectivity and affordability is a major priority for the financial services players who are introducing technology-enabled applications and tools to interact with and serve their customers better. Key to technology transformation and improving the customer experience is the transition from old business line-specific platforms and IT to an integrated capability in line with growing customer-centric demands.

OLD MUTUAL EMERGING MARKETS
BUSINESS REVIEW continued

Performance

Pre-tax AOP increased by 28% (23% including long-term investment return to R11.0 billion) benefiting from impact of higher asset based fees, life underwriting profits (including favourable mortality experience), the consolidation of OMF and the turnaround from an underwriting loss to profit at Mutual & Federal (M&F).

NCCF declined by R3.4 billion to R21.3 billion mainly due to relatively low-margin institutional client outflows in a number of OMIG listed asset management boutiques. Corporate was successful in securing large single premium flows and delivered a net positive NCCF of R8.6 billion.

FUM increased by 8% to R905 billion driven by positive cash flows, strong market performance and investment returns of the international assets enhanced by a stronger US dollar.

Gross sales increased by 12% to R185 billion. In South Africa, Retail Affluent, Mass Foundation and Corporate business grew sales 10%, 12% and 46% respectively reflecting, good sales performance. OMIG sales declined by 4% mainly due to several large mandates secured in 2013. New Markets (Asia and Latin America) grew sales by 6% underpinned by improved productivity and the weaker rand.

Strategic direction

Our strategic intent remains focused on building an African financial services champion. At the heart of this strategy is the strengthening of our Southern African franchise, strategic acquisitions in East Africa and organic growth in West Africa through alliances and partnerships. In South Africa we continue to develop our growth markets and we are making good progress in aligning Old Mutual, Nedbank and Mutual & Federal (M&F) as we drive group collaboration. Across all our businesses, we are simplifying our IT platforms to support our strategy of serving customers via omni-channel, including digital.

In South Africa, our key strategic themes include: deploying an integrated proposition for our mass market customers, capturing niche middle-income and affluent growth segments, improving profitability and growing our umbrella offering in the Corporate business, delivering consistent long-term investment performance in OMIG, and growing M&F's competitiveness through multi-channel distribution and Group collaboration.

In Rest of Africa, the macro-economic environment remains attractive with positive demographic trends and sub-Saharan Africa's aggregate annual GDP growth expected to exceed 5%. We have now committed R3.6 billion of our R5 billion allocation and will continue pursuing our strategy to become the African financial services champion.

Regionally, our focus areas include:

- SADC – defend our leading market shares through new products and channels and by expanding our offering to reach key market segments
- East Africa – complete and integrate integrate our recent acquisition of UAP, subject to regulatory approvals, and fully leverage and commercialise Faulu to accelerate organic growth
- West Africa – continue to build value from our Ecobank partnership and investigating additional inorganic opportunities.

In Asia, we continue to grow our joint ventures with Kotak Mahindra and Guodian. In Latin America, we continue to build on our strong

Highlights (including P&C)	2014	2013	Change
			Rm
AOP (pre-tax)[1]	**11 033**	8 969	23%
Covered sales (APE)	**9 706**	8 442	15%
NCCF (Rbn)	**21.3**	24.7	(14%)
FUM (Rbn)[2]	**904.9**	840.8	8%
Gross sales (Rbn)	**185.0**	165.0	12%
Pre-tax FUM operating margin[3]	**126bps**	114bps	12bps
IFRS profit after tax attributable to equity holders of the parent (£m)	**395**	339	17%

1 From January 2014, all P&C business has been reported as part of Old Mutual Emerging Markets. Comparatives have been restated

2 Comparative information for FUM has been restated to include Property & Casualty FUM of R2.9 billion

3 Pre-tax operating margin is calculated as pre-tax AOP divided by average FUM and has been restated to include Property & Casualty

Supporting economic transformation in South Africa

We believe we have a responsibility to support the communities in which we operate and we continue to invest significantly in infrastructure and local projects that will achieve sustainable change in the lives of our stakeholders in these communities.

- Volunteerism is core to our culture with well over 1,000 employees volunteering for various community projects
- Old Mutual Education Flagship Project made an impact on teaching and learning in 134 schools to the benefit of 4,100 educators and 105,000 learners
- Since inception, Masisizane Fund has disbursed R152 million to small and medium enterprises (SME) with an additional R36 million disbursed for wholesale funding through micro finance institutions
- Our Housing Fund, Schools Fund, IDEAS Renewables Energy Fund and Agri Fund have collectively invested over R1.1 billion
- Old Mutual and Nedbank jointly pledged $1 million towards the African Union-Private Sector Ebola fund
- Our current BEE deal with our Black Business Partners expires in May 2015. Old Mutual Emerging Markets and Nedbank (together 'OMEM and Nedbank consortium'), Brimstone Investment Corporation Limited, Women's Investment Portfolio Holdings Limited and Izingwe Financial Investments (Proprietary) Limited have initiated discussions on the nature of their future relationships, including on-going commercial relationships and potential co-investment in BEE operating businesses
- Old Mutual South Africa has achieved Level 2 BBBEE status for the fourth consecutive year.

Many of these initiatives are aligned to South Africa's National Development Plan and are aimed at positive sustainable outcomes to be shared by a broad base of communities.

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businesses in Colombia and Mexico, in particular growing the retail mass and corporate businesses in Mexico by expanding our onshore distribution through AIVA.

Risk

Our risk strategy is integrally linked with our business strategy, with risk mitigating actions designed to improve the prospects of achieving our goals.

In pursuing growth across Africa, we take on both execution risk in concluding acquisitions and then integration risk. Our M&A processes are designed to ensure that we understand the risks in the businesses we target. Learnings from the due diligence inform the business integration programmes post-acquisition. Specialists in the various aspects of integration provide expertise to ensure a sound and complete transition.

The regulatory landscape is changing across many of the jurisdictions in which we operate Some changes have far-reaching implications for us, but also provide new opportunities. Responding positively is vital to achieving competitive advantage and reducing risk.

A central part of our strategy is to build integrated financial services businesses in our key markets. To support this we plan to grow our lending businesses in Kenya (Faulu), Zimbabwe (CABS) and South Africa (Old Mutual Finance and Old Mutual Specialised Finance). The growth in credit risk exposure will be mitigated by strong risk management as the first line of defence and tight oversight and governance as the second line. Our strategy includes specified credit risk exposure limits.

A subdued South African economy and high customer indebtedness levels present challenges to growing our business in South Africa. However these effects will not be felt uniformly across the market, and we will be smart in identifying sectors where we can grow our customer base. In line with responsible business practice, we will also work with customers who overstretch themselves, to help with their debt rehabilitation where possible.

We closely monitor the extent to which energy supply constraints could impact business operations in South Africa and are putting appropriate plans in place to mitigate this risk.

Given our significant asset-based fee income, we are exposed to market risk and a market correction may cause earnings volatility. Where we have liabilities with guarantees, our Balance Sheet Management team actively manages the associated market risks.

Outlook

Emerging markets continue to operate in a challenging economic and socio-political environment. The energy constraints in South Africa remain a concern and are likely to dampen growth prospects in 2015. However, lower oil prices are expected to result in a sharp decline in inflation and therefore higher disposable income for consumers, particularly those in the retail mass segment. GDP in South Africa is expected to rise 2.1% in 2015.

In sub-Saharan Africa, growth is expected to remain at similar levels as 2014. However, the growth outlook has deteriorated in Nigeria as lower oil revenue could slow down the economy and force the government to cut expenditure. In Ghana, real GDP growth will be strong over the coming years, fluctuating between 6% and 8%. Forthcoming IMF support will underpin investor confidence and rising oil and gas output will provide a significant boost to the economy.

Growth prospects for Colombia and Mexico remain fairly positive, but downside risks to the 2015 outlook persist if low oil prices are prolonged – the slump could reduce the attractiveness of opportunities for energy investment and oil revenues. The Chinese government is expected to continue its economic reform this year, which implies weaker but more balanced economic growth.

We are on track to meet our objective of 10 million customers in the Rest of Africa by 2020 and we continue to aim for an overall RoE target of between 20% to 25%.

Improved life expectancy

HIV/AIDS is considered one of the most prevalent causes of deaths in South Africa. However, due to the increased use of anti-retroviral treatment, people who are HIV positive are now living longer and the insurance industry (including Old Mutual) is paying fewer death claims, particularly in the low income market.

The improvement in mortality experience of Old Mutual South Africa (OMSA), has led to the following:

1. Launching an innovative new funeral product range that requires no medical underwriting and provides customers with excellent value for money. Key features of the new products are:
   - Lower premiums for customers: eg a typical 33 year old will pay 20% less in premiums under the new funeral range
   - Higher cover levels
   - More regular cash-backs whilst maintaining profitability to the shareholder.
2. Enabling existing customers to benefit from the improvement in long term mortality experience: eg for the 2014 cover reviews, **322 916** low income market customers received increases of up to **17%** of their sums assured.

OMSA has recognised the significant improvement in the life expectancy of their customers as a result of health care intervention in South Africa, and has responded by developing products that are more affordable, more competitive and attractive, without compromising the interests of the shareholder.

NEDBANK
BUSINESS REVIEW

"Strong headline earnings growth of 14% and good progress with our five strategic focus areas."

Mike Brown
Chief Executive Officer
Nedbank

Business review

Structure and services

Nedbank is positioned as a bank for all, servicing multiple market segments. It provides a wide range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering through three main business clusters: Nedbank Retail & Business Banking, Nedbank Corporate & Investment Bank and Nedbank Wealth.

Nedbank Group is listed on the Johannesburg and Namibian Stock Exchanges, with a market capitalisation of over R120 billion at the end of 2014. Old Mutual is the majority shareholder, with a 54% stake at 31 December 2014.

Geographic presence

Headquartered in Sandton, Johannesburg, the banking group has a regional branch network of over 1,050 staffed outlets across South Africa, banking subsidiaries in six African countries – Namibia, Lesotho, Malawi, Swaziland and Zimbabwe – and an initial shareholding of 36.4% in Banco Único in Mozambique. In addition, Nedbank has representative offices in Kenya and Angola and a presence in key financial centres including London, the Isle of Man, Guernsey, Toronto and Dubai.

Since 2008 we have had a strategic alliance with Ecobank Transnational International (ETI), a banking group based in Togo, West Africa. This enables us to service our customers in 39 countries across Africa. During 2014 we became a 20% shareholder in ETI.

Competitive position and competitors

South Africa has a strong, four-pillar banking industry: Standard Bank holds 25% of total advances, First Rand 22%, Barclays Africa 21% and Nedbank 19%.

Nedbank Group is the fourth largest South African bank measured on market capitalisation, total assets and headline earnings. We are a top-two corporate bank and a market leader in commercial property finance. Our repositioned retail bank has gained 2.7 million customers over the past few years to 6.9 million. And through our pan-African banking alliance with ETI, we give our customers access to Africa's largest banking network.

We hold leadership positions in sustainability, transformation and community development; and our Fair Share 2030 strategy will ensure we continue making a difference in the communities we operate.

+14%
Headline Earnings

+8%
Net Interest Income

			Rm
Highlights	**2014**	2013	Change
AOP (pre-tax)	**13,757**	12,026	14%
Headline earnings	**9,880**	8,670	14%
Net interest income	**22,961**	21,220	8%
Non-interest revenue	**20,312**	19,361	5%
Net interest margin	**3.52%**	3.57%	
Credit loss ratio	**0.79%**	1.06%	
Return on Equity	**15.8%**	15.6%	
Common equity Tier 1 ratio[1]	**11.6%**	12.5%	
IFRS profit after tax atributable to equity holders of the parent (£m)	**315**	327	(4%)

[1] Calculated by Nedbank on a Basel III basis including unappropriated profits

"Nedbank's favourable financial results for 2014 are underpinned by a strong balance sheet."

Performance

In 2014 Nedbank produced strong headline earnings growth of 14% to R9,880 million (2013: R8,670 million). Growth was driven by increased net interest income, improvements in impairments, and growth in non-interest revenue, particularly in H2. Headline earnings included associate income from our shareholding in ETI for Q4.

Return on average ordinary shareholders' equity (ROE) increased to 15.8% (2013: 15.6%) and ROE excluding goodwill was 17.2% (2013: 17.2%), supported by a higher return on assets of 1.27% (2013: 1.23%).

Our balance sheet is well positioned. Our Basel III common-equity tier 1 ratio of 11.6% (2013: 12.5%) after acquiring approximately 20% of ETI is above the mid-point of our Basel III 2019 internal target range. Funding and liquidity levels remain sound, with year-end statutory liquid assets and cash reserves increasing 19% to R82.6 billion (2013: R69.7 billion).

Strategic direction

We made good progress with our five key strategic focus areas:

- **Client-centred innovation:** We continue to introduce innovative products such as Send-iMali™, the MyFinancialLife™ retirement calculator, our Greenbacks Rewards Programme SHOP Card and, for wholesale clients, our world-class Plug and Transact™ token and Market Edge, a merchant analytics tool. To date we have converted 171 outlets to the Branch of the Future format and we plan to convert 75% of outlets by 2017. Digital channels are increasingly important – in 2014, digitally enabled clients increased by 48% while the value of Nedbank App Suite transactions increased 66% to R58 billion. Our ability to add functionality without clients having to reinstall the Nedbank AppSuite™ helped to make Nedbank a finalist once again for the MTN 'Best Android Consumer App' award in 2014. Our banking solutions also won us the 2014 'African Banker Award for Innovation'. The introduction of our new transactional switch in 2014 will further enhance our electronic transactional capabilities in the future.
- **Growing our transactional banking franchise:** Our strategic decision to build our franchise and client relationships by freezing transactional fees at 2013 levels and reducing selected fees in some businesses delivered rapid results: client attrition metrics improved, cross-sell increased and client gains continued in both total and main banked categories. In Brand Finance South Africa's Top 50 Most Valuable Brands Survey, our brand value increased 15% to R12.6 billion in 2014 and Nedbank was rated the country's third most valuable bank brand.
- **Optimise and invest:** Across Nedbank we have launched various cost and efficiency optimisation initiatives. Through our 'rationalise, standardise and simplify' IT strategy we are cutting our core systems from 250 to 60; we decommissioned 18 in 2014, bringing the total so far to 74. On 1 January 2015 our replacement SAP enterprise resource planning system went live for finance and procurement – on time, on budget and within scope; human resources will follow later in the year. In addition, we are working on a range of alliances and synergies with other Old Mutual Group businesses in South Africa and have made substantial progress towards the 2017 Group target of R1bn for collaborative initiatives. We expect less than 30% of this to accrue to Nedbank.
- **Strategic portfolio tilt:** The benefits from our early action to reduce our home loan and personal-loan portfolios have been clear in our 2014 results. We continue to prioritise growing activities that generate economic profit, such as transactional deposits, transactional banking and investment in the rest of Africa. This shift of emphasis over the past four years has enabled the group to maintain a sound balance sheet and reduce impairments while delivering dividend growth ahead of Headline Earnings per Share growth.
- **Pan-African banking network:** During 2014 we concluded the acquisition of an initial 36.4% shareholding of Banco Único in Mozambique, with a pathway to control in 2016. In our Rest of Africa subsidiaries we made good progress in implementing a standardised operating model, and plan to introduce our Flexcube IT system in Namibia in 2015. This has strengthened Nedbank's franchise and client proposition in the Southern African Development Community and East Africa. In West and Central Africa our alliance with ETI continues to deliver value, and in October 2014 we exercised our rights to subscribe for a 20% shareholding in ETI for US$493.4 million.

Risk

Nedbank's favourable financial results for 2014 are underpinned by a strong balance sheet across all the core dimensions of capital adequacy, liquidity and funding; credit asset quality aided by the strategic portfolio tilt strategy and appropriately conservative provisioning; excellence in risk and balance sheet management; an enabling but prudent risk appetite framework; and a seamless implementation of Basel III.

During 2014 Nedbank underwent a number of strategic structural changes. Together with volatile macro-economic conditions, level of credit risk, changing consumer needs and the impact of regulation, this will bring a high level of execution risk. Execution risk will be given heightened focus in a refresh of our best practice Enterprise-wide Risk Management Framework (ERMF), which underpins risk management. The ERMF sets out our risk appetite, comprehensive stress and scenario testing, and we have a robust and strategic risk plan for the future.

Credit and liquidity risk remain a key focus and our strategic portfolio tilt strategy over the last four years has enabled us to maintain a sound balance sheet and reduce impairments.

Our African strategy and recent further investments in ETI and Banco Único make risk management in our African investments and operations a key focus area. Our pan-African risk strategy allows us to address our risk appetite holistically and contains extensive initiatives to support risk frameworks and programmes and enhance governance and risk management in these investments.

We are well positioned to elevate risk management to become a competitive differentiator.

Outlook

The South African economy is forecast to improve modestly off a low base, although growth will be constrained by disruptions to power supply and weaker growth anticipated in key export markets, particularly in the eurozone and China.

GDP growth is currently forecast at 2.5% for 2015 as the economy recovers from the effects of strike action and exports are boosted by a weaker rand. Risk to this appears to be on the downside. The sharp drop in global fuel prices has improved the inflation outlook, and interest rates are expected to remain unchanged at current levels until late in the year. The softer interest rate outlook and lower borrowing costs should support consumer credit demand and limit credit defaults in 2015, notwithstanding the weak job market and still high consumer debt levels.

Retail banking conditions are therefore likely to improve modestly, but growth in wholesale banking may moderate from current levels as fixed-investment plans and credit demand will be limited by the severity and extent of infrastructure constraints, rising production costs, soft global demand and low international commodity prices.

Fair Share 2030 – building a better society

To be a thriving bank in the long term, we need to operate in a thriving society. Fair Share 2030 is Nedbank's strategy to get money working for the future we all want. It provides an annual flow of funding – starting with a target of R6 billion in 2015 – to support new products, services, and projects that promise to deliver progress towards defined social and environmental goals.

We want this lending to enable outcomes that would otherwise not have happened – so that we actively contribute to closing the gap to the future we want, rather than merely reclassifying existing business.

A Proof of Concept phase conducted in 2014 generated important insights that have informed our business planning and will prove invaluable as we scale up through 2015 and beyond. In particular, we now understand better how new products and services can be developed and new partnerships created to drive intentional non-financial impacts while still generating a decent financial return.

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OLD MUTUAL WEALTH
BUSINESS REVIEW

"Strong delivery while significantly transforming our business."

Paul Feeney
Chief Executive Officer
Old Mutual Wealth

+61%
Net Client Cash Flows

+11%
AOP pre tax, excluding divested European business

Business review

Structure

Old Mutual Wealth is one of the UK's largest investment and asset management businesses. We provide advice-led investment solutions to customers in the UK and a number of international cross-border markets – including the Far East, Middle East, Europe, Latin America and South Africa – through our International cross-border business. We also operate in Italy and have a life book closed to new business in Switzerland.

In the past year we have transformed the business. We acquired the Intrinsic adviser network in July 2014 and Quilter Cheviot, a discretionary fund manager, in February 2015. We also sold six of our European businesses in 2014 and early 2015, simplifying our operations to focus on a select number of core growth markets while reducing our operational and regulatory risk exposure.

Products and services

- **UK**: We are a leading provider of platform-based retail investments, offering innovative solutions for wealth building and management. We serve a largely affluent customer base through multi-channel distribution
- **Old Mutual Global Investors (OMGI)**: A leading UK-based investment manager, with highly rated, experienced portfolio managers and a strong long-term track record. We distribute products through wholesale channels and other Group businesses, and are committed to providing responsible investment options that meet our customers' needs
- **International cross-border**: Focusing on high-net worth and affluent local customers and expatriates in key markets across the world, our innovative, advice-led product range serves their needs from a number of international jurisdictions
- **Intrinsic**: The UK's largest distribution network with over 3,000 financial advisers, offering expert individual advice to help our customers secure their financial future
- **Quilter Cheviot**: One of the UK's leading discretionary investment managers, we build and actively manage investment portfolios tailored to the individual needs of an affluent and high net-worth client base
- **Italy**: Offers saving and investment solutions for affluent and high net-worth customers, distributed through private banking partners.

Competitive environment

We operate in a dynamic and evolving industry where we compete with traditional insurers, asset managers and advice propositions. Key competitors include Hargreaves Lansdown, Standard Life and St James's Place. We have a market-leading retail platform in the UK and our prominence in asset management earned us top-10 rankings for UK net retail sales in the 2014 Pridham reports.

Among numerous awards in 2014, OMGI won 'Global Group of the Year' at the 2014 Investment Week Fund Manager of the Year Awards and our International business received accolades for 'Best New Product in Asia' for the Silk Life Plan and 'Best Online Proposition in Europe and UK Offshore' for Wealth Interactive.

Market trends

Investment markets in the UK and Europe were volatile across 2014 and the prospects for global economic recovery remain uncertain. The popularity of risk-adjusted absolute return asset classes has increased as investors look for alternative investment options to earn positive returns. Equity asset classes remain more attractive than bond markets as interest rates remain low. In equity markets we have experienced strong flows as well as strong returns.

OLD MUTUAL WEALTH
BUSINESS REVIEW continued

In the UK, our major market, we benefited from the increase in ISA allowance in 2014 and are well positioned to take advantage of the new pension withdrawal rules outlined in the 2014 Budget, effective from April 2015. The increased flexibility and changes in the charging basis of the UK platform market have resulted in higher levels of registration and re-registration of non-insurance wrapped business for us and the industry as a whole.

The Retail Distribution Review (RDR) requires all platform customers to be migrated onto transparent charging structures no later than April 2016; we have committed to migrating all customers by December 2015.

Performance

Old Mutual Wealth AOP increased by 5% to £227 million (2013: £217 million). This reflected strong growth in our asset management and UK Platform businesses, partially offset by the reduction in AOP from the divestment of some of our European businesses. On a like-for-like basis, AOP increased by 11%.

NCCF of £3.7 billion was up by 61% (2013: £2.3 billion), with strong sales in OMGI, UK Platform and Italy. Retention in our closed book of business also improved.

FUM rose by 5% to £82.5 billion, due to good fund performance and strong NCCF, despite volatile market conditions. Excluding divested operations, FUM grew by 12%.

Gross sales increased by 11% to £16.0 billion (2013: £14.4 billion), with strong performances by OMGI and the UK Platform.

Strategic direction

Our strategy is to create the UK's leading vertically-integrated retail investment business in the UK, enabling positive futures for our customers and with a focus on responsible investment. We will achieve this by offering advice, investment platforms, wealth solutions and asset and investment management propositions that are each outstanding in their fields and which when combined as an integrated proposition, deliver superior outcomes for customers and shareholders alike. We are doing this by combining our UK and International platforms with the existing capabilities of OMGI and the recently-acquired advice capabilities in Intrinsic and the leading discretionary investment management skills of Quilter Cheviot.

The priorities for Old Mutual Wealth over the next three years are to:

- Continue to build an **integrated business** with a strong core culture and a trusted brand. We will focus on the underlying strengths of each of our businesses to ensure we fully capitalise on the benefits of integration, and build a central culture whilst preserving our individual business identities
- Become recognised as a **responsible business**, including offering innovative products and funds with responsible investment features
- Successfully **transform our platforms** to be more profitable, flexible and competitive through successful implementation of our outsourcing agreement with IFDS and the delivery of Wealth Interactive
- Continue to build an **outstanding asset and investment management** capability to meet our customers' investment needs by bringing in new talent and integrating new investment capabilities into our product plan
- Expand our **product proposition** through an enhanced protection product suite, an improved retirement offering to capitalise on the UK Budget changes and International solutions that meet customer needs across many jurisdictions
- Diversify our **distribution** to reach a greater share of the market – capitalising on the new customer channels gained through the Intrinsic and Quilter Cheviot acquisitions, supported with a digital proposition online.

Risk

One of the key risks facing Old Mutual Wealth is increased execution risk relating to the acquisition and integration of Intrinsic and Quilter Cheviot and the implementation of the outsourcing arrangement with IFDS. Execution risk arises as a result of our strategy to become the leading retail investment business. We accept this risk within reasonable limits to further our strategic aims. We mitigate this risk by:

- Ensuring that strong governance structures and oversight of the integration of Intrinsic and Quilter Cheviot and the implementation of the IT outsourcing programme is in place
- Implementing Group risk governance and monitoring processes via specific check points and aligned escalation procedure within acquired companies
- Maintaining our focus on the control environment and prompt escalation to mitigate operational risk arising
- Ensuring customer service remains a priority by monitoring performance against agreed service standards and against measures of customer and adviser satisfaction.

The environment in which we operate is changing in relation to our customers' needs and the growth of conduct regulation. Our strategy has been designed to meet these changing consumer needs and to react to changing regulations. We proactively prepare for anticipated regulatory changes and engage with regulators to ensure we are aligned and responsive to those changes.

Market risk is inherent to our business. Global market volatility and economic uncertainty may negatively impact fund-based revenues. We seek to manage and mitigate this risk through a comprehensive range of internally

Highlights	2014	2013	Change £m
AOP (pre-tax)	**227**	217	5%
NCCF (£bn)	**3.7**	2.3	61%
FUM (£bn)	**82.5**	78.5	5%
Gross sales	**15,992**	14,434	11%
Platform FUM invested in OMGI (£bn)	**3.7**	2.3	61%
Pre-tax revenue operating margin[1]	**36%**	36%	–
IFRS profit after tax attributable to equity holders of the parent[2]	**(37)**	38	(197%)

1 Pre-tax operating margin is calculated as pre-tax AOP divided by net revenue
2 A full reconciliation of IFRS profit to AOP can be found on page 61. The main adjusting items include restructuring costs associated with our outsourcing arrangement with IFDS, one-off losses from the disposal of our non-core subsidiaries in Poland, Austria, Germany and Liechtenstein, as well as the amortisation and impairment of goodwill and acquired intangibles

"...we continue to target £270 million of pre-tax AOP for 2015 excluding earnings from Quilter Cheviot."

managed investment solutions, which are designed to cater for a wide range of economic conditions.

Outlook

We made significant progress in transforming our business in 2014. Given stable markets, we continue to target £270 million of pre-tax AOP for 2015 excluding earnings from Quilter Cheviot.

Following our acquisition of Quilter Cheviot we will enhance our range of investment services tailored to the growing affluent and high-net worth customer segments and offer further opportunities for our existing customer base.

The addition of our UK Platform products to the Intrinsic restricted advice panel has already generated good growth over 2014 and we anticipate this will continue in 2015. We expect sales of our protection products through Intrinsic to gain traction next year and further grow our business. We launched our Practice Buy-Out initiative in early 2015, which will encourage retention while growing our adviser network, and will assess opportunities to further scale our model as they arise.

In OMGI, the recent addition of new teams and fund managers reflects continuing action to broaden our product range. We plan further development of our asset management capabilities, in particular through our offshore distribution strategy and the inclusion of Cirilium.

WealthSelect is demonstrating popularity and performance as an investment solution and we expect that momentum to continue into 2015.

In the UK Platform we have removed our pension drawdown fee and minimum platform charge to ensure we are competitive and well-positioned to attract new investment from customers looking to take advantage of the new pension withdrawal rules that come into effect in April 2015.

With Wealth Interactive now implemented in our International business, we can deliver flexible and user-friendly products on an efficient platform, while adapting to the challenging regulatory environments in which we operate. We expect our Silk Life Plan to boost sales volumes in our Asian markets. In Hong Kong we launched the Wealth Management Plan on 1 January 2015 to comply with new regulation in the region. And in Florida we obtained an offshore insurance exemption in 2014 which we expect to increase local sales to non-resident foreign nationals.

Our earning profile will continue to shift to our new modern source of profits and away from our heritage businesses. We believe we have the right business model to drive substantial growth, earnings and value.

Sustainable investments for sustainable returns

At Quilter Cheviot, we noticed investors were realising that financing companies which provide the products, services and technologies to deliver a cleaner and more efficient economy can deliver strong investment performance. In response we launched our sustainability investment strategy, the Climate Assets Fund, in March 2010.

The Climate Assets Fund seeks to achieve long-term capital appreciation and income through multi-asset allocation – investing in global equities along with fixed interest and other alternative investments such as green infrastructure funds. The investment focus is on companies offering solutions to the emerging global challenges of delivering 'more with less' for a rapidly growing population with a finite supply of resources in a carbon constrained environment. Current investment examples include companies involved in railway transportation, energy efficient solutions, water infrastructure, recycling packaging, and organic and natural food.

It was named Best New Entrant in the Climate Change 2010 Awards and, more recently, was shortlisted for a performance award at the Professional Adviser Awards 2015.

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INSTITUTIONAL ASSET MANAGEMENT
BUSINESS REVIEW

Old Mutual's Institutional Asset Management business consists of US-based affiliates (OM Asset Management) and a non-US affiliate.

OM Asset Management (OMAM)

"A successful IPO, strong net client cash flows of $9.5 billion and AOP up by 32%, as business momentum continues."

Peter Bain
Chief Executive Officer
OM Asset Management

Business review

We are an institutionally driven active investment management business, working through a diversified multi-boutique framework that seeks to generate consistent and sustainable returns for clients around the globe. We provide strategic capabilities to our affiliates, helping them to become their clients' trusted partner by delivering superior investment performance, innovative offerings, and focused service.

We offer a broad range of investment strategies through seven affiliated investment firms:

- Acadian Asset Management LLC
- Barrow, Hanley, Mewhinney & Strauss, LLC
- Campbell Global, LLC
- Copper Rock Capital Partners LLC
- Heitman LLC
- Investment Counselors of Maryland, LLC
- Thompson, Siegel & Walmsley LLC.

Market trends

Current institutional search activity favours specialised strategies in asset classes such as global equity, US equity and alternatives (including real estate and timber). Investors remain focused on products with potential for meaningful outperformance (alpha generation), as well as strategies to diversify their investment portfolios.

Performance

OMAM generated strong 2014 results in volatile equity markets, including increased profits and FUM growth.

IFRS AOP of $211 million was up 32% (2013: $160 million) – due largely to increases in management fees resulting from higher average FUM and increased performance fees.

OMAM FUM grew 11% to $220.8 billion (31 December 2013: $198.8 billion) with $12.9 billion of market appreciation contributing 6.5% growth and $9.5 billion of positive net client cash flows contributing 4.8% growth.

The OMAM Global Distribution initiative raised $5.5 billion in total assets funded in 2014 as we continued to work with our affiliates to expand their non-US client base in key markets and jurisdictions around the world.

+32%
AOP pre-tax

40%
Operating margin before affiliate key employee distributions

Highlights: Old Mutual Asset Management[1]	**2014**	2013	Change
			$m
AOP (pre-tax)	**211**	160	32%
Operating margin, before affiliate key employee distributions	**40%**	35%	
Operating margin, after affiliate key employee distributions	**33%**	30%	
Net client cash flows ($bn)	**9.5**	10.1	(6%)
Funds under management ($bn)	**220.8**	198.8	11%
IFRS profit after tax attributable to equity holders of the parent (£m)[2]	**77**	54	43%

[1] 2013 comparatives include Echo Point, which was discontinued in Q4 2013
[2] Institutional Asset Management reported, includes non-US affiliate

Strategic direction

OMAM's successful partial IPO in October 2014 enhances our growth potential by providing broader financing options to support the execution of our business strategy and provides a strong platform for new partnerships.

We will continue to focus on the core elements of our growth strategy:

- Delivering core affiliate growth through strong investment performance and positive net client cash flows. Our affiliates are recognised leaders in their respective investment disciplines, and their superior long-term investment performance continues to attract new business from around the globe.
- Investing in collaborative organic growth of existing affiliates through product diversification. We work closely with our affiliates to identify investment strategies that build on their existing capabilities, while enabling them to diversify their businesses, product offerings and client bases. We are currently working with several affiliates to expand their product offerings to include multi-asset class and liability-driven investment strategies, as well as global and non-US equity products.
- Expanding global distribution to drive new flows. Our global distribution platform now services international marketplaces through experienced professionals, each of whom brings extensive investment and sales and marketing experience.
- Establishing new affiliate partnerships through investments in additional affiliates. Since our IPO, we have been very active in identifying and developing relationships with a wide range of high-quality investment management boutiques. We will continue to cultivate relationships with firms that seek an engaged and supportive partner to help them grow and enhance their business for the long term.

Risk

Market risk is inherent to our business. Global market volatility and economic uncertainty may negatively impact asset-based management fee revenues. This risk is mitigated by the quality and diversity of the investment products offered by our seven affiliates. The new regulatory requirements following our public listing are an important area of focus for us and we are actively engaged where needed to mitigate this risk and proactively monitor the various jurisdictions in which we operate for any relevant regulatory changes. As part of our strategy to grow the business we aim to selectively pursue partnerships with additional boutique asset management firms. Execution of these growth opportunities creates change risk and requires significant resource commitment. These risks are mitigated through extensive due diligence prior to executing a transaction, including ensuring that target firms have track records of operating as successful, standalone enterprises as well as demonstrating a strong cultural fit and shared strategic vision with us.

Outlook

Our business continues to pursue growth initiatives, including developing capabilities in multi-asset class, liability-driven investment and global/non-US equities and further penetration of non-US markets through our Global Distribution initiative. We also continue to seek partnerships with at-scale asset management boutiques with strong investment and executive talent and a vision to enhance and expand their business.

OMAM announced its inaugural quarterly dividend of $0.08 per share based on a 25% payout on 2014 economic net income of $1.26 per share.

Enhanced financial flexibility

Following its successful IPO, OMAM has been trading on the New York Stock Exchange since October 2014. The IPO will enhance OMAM's financial and operating flexibility to deploy capital to continue to grow, develop further its multi-boutique asset management business and provide the Group with enhanced financial flexibility.

The IPO included 22 million OMAM shares at $14 a share. The underwriters also exercised an overallotment option on a further 2.2 million OMAM shares, reducing Old Mutual plc's shareholding to 78.8%.

The gross proceeds for the Group from the IPO process totalled £317 million, including the pre-IPO dividend.

Rogge Global Partners

Rogge Global Partners is a global fixed-income specialist providing sophisticated strategies to institutional investors.

Underperformance in 2013 and some senior personnel turnover resulted in net outflows of £6.3 billion in 2014. FUM now stands at £32.3 billion. Investment performance improved meaningfully in 2014, with 80% of portfolios beating their benchmarks on an asset-weighted basis compared to 26% in 2013. The longer-term track records also remain strong across the product line for three-year, five-year and longer periods.

The business has now completed a re-organisation to provide stable management and investment teams going forward and future succession. It is confident that it now has the right platform, products and performance going forward, although a risk remains for further outflows due to the delayed impact of the legacy issues on certain client mandates.

ROGGE GLOBAL PARTNERS

FINANCIAL DISCLOSURE **SUPPLEMENT**

Five-year analysis of key shareholder metrics covering profit, cash, capital and value.

Adjusted Operating Profit (AOP) reflects the underlying performance of the business. It is intended to exclude any distortions from one-off items, market volatility and accounting treatments that are not reflective of Old Mutual's performance.

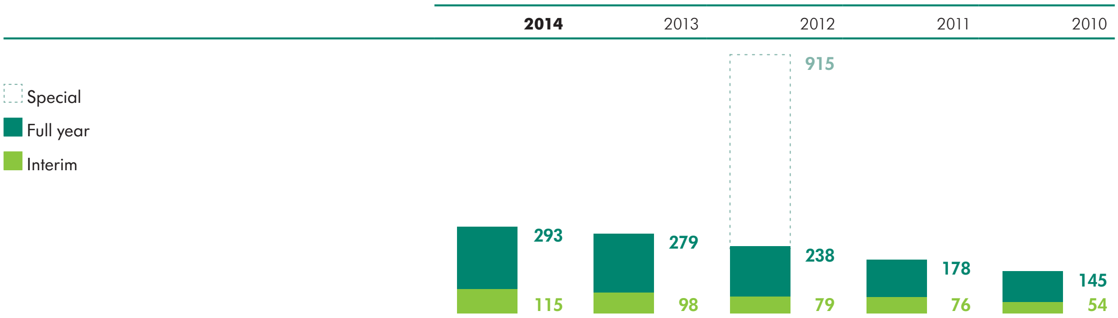
Long-Term Investment Return (LTIR) represents that rate of return that is expected to be earned on assets in the long term. This eliminates short and medium effects of market volatility.

Excess assets – The value of assets that exceed the required assets to be held for regulatory purposes.

Earnings

AOP core operations (£m)	2014	2013	2012	2011	2010[3]
Old Mutual Emerging Markets	**617**	594	648	659	642
Nedbank	**770**	797	825	755	601
Old Mutual Wealth	**227**	217	195	223	248
Institutional Asset Management	**131**	111	91	67	72
	1,745	1,719	1,759	1,704	1,563
Finance costs	**(78)**	(92)	(130)	(128)	(128)
LTIR on excess assets	**24**	43	54	37	31
Net interest payable to non-core operations	**(5)**	(11)	(18)	(23)	(39)
Other net expenses	**(81)**	(47)	(53)	(75)	(56)
AOP	**1,605**	1,612	1,612	1,515	1,371
EPS (pence)	**17.9**	18.4	17.5	18.0[2]	16.3[2]
AOP (ZARm)[1]	**28,683**	24,335	20,976	17,641	15,505
EPS (cents)	**319.9**	277.8	227.7	209.5[2]	184.8[2]

Dividends declared



	2014	2013	2012	2011	2010
Total (£m)	**408**	377	1,232	254	199
Dividend per share (pence)	**8.70**	8.10	25.00	5.00	4.00
Dividend per share (cents)[1]	**155.48**	122.28	325.30	58.22	45.24

Holding Company cash

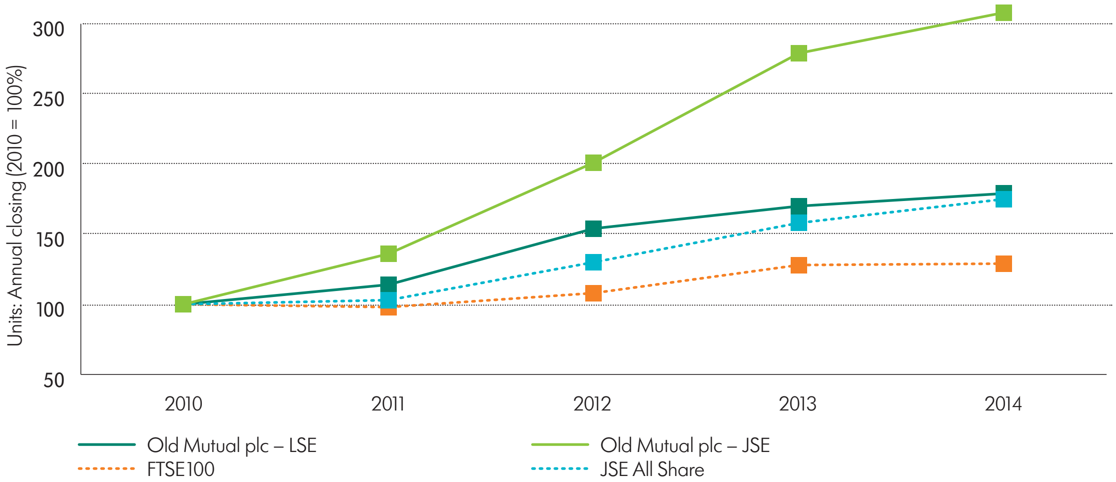
	2014	2013	2012	2011	2010
plc opening balance	**545**	472	441	438	414
Operational remittances from business units	**464**	544	470	748	476
Net capital flows	**504**	114	2,174	(57)	–
	1,513	1,130	3,085	1,129	890
Net debt (repaid)/raised	**–**	(176)	(1,073)	(339)	(110)
	1,513	954	2,012	790	780
Interest paid	**(64)**	(78)	(142)	(155)	(138)
Group head office expenses[4]	**(55)**	(54)	(54)	(57)	(60)
Other operational flows[4]	**20**	58	(117)	(25)	(36)
Ordinary cash dividends	**(411)**	(335)	(268)	(112)	(108)
Special dividend	**–**	–	(959)	–	–
plc closing balance (£m)	**1,003**	545	472	441	438

Note: Cash is as per plc holding company and does not include any free cash held in subsidiaries. Allocations between lines have been restated where necessary to ensure a like-for-like comparison.

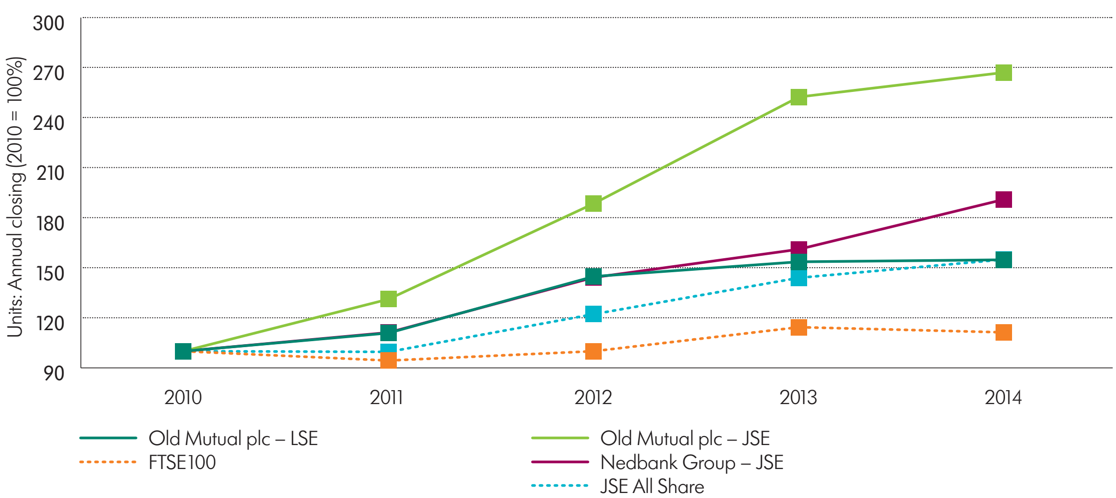
1 Sterling AOP, EPS and dividend per share are converted into ZAR multiplying the reported AOP, EPS and dividend per share by the average ZAR:GBP rate of each year
2 Restated to reflect the share consolidation
3 Excludes Nordic, which was discontinued in 2010
4 Group costs reflect the income statement charge. Any subsequent recharges or recoveries from BUs are included in Other operational flows. Comparatives have been restated to reflect this

Total shareholder return is an annualised percentage that is calculated by adding the appreciation in the share price and the total dividends paid to the shareholders.

Total shareholder return (rebased)



Share price indices (rebased)



Balance sheet and financing

	2014	2013	2012	2011	2010[1]
Net assets (£m)	**9,545**	9,037	9,773	9,147	9,736
Net debt (£m)	**467**	746	1,000	2,002	2,436
Total interest cover	**16.8x**	14.4x	8.8x	7.7x[1]	8.1x
Hard interest cover	**5.0x**	4.2x	1.9x	1.7x[1]	2.6x
Net asset value per share	**140.3**	137.7	145.8	140.2[1]	151.0

Total interest cover: Measure of the Group's ability to meet its interest payments by calculating number of times a company could make interest payments on its debt using pre-tax earnings excluding African profits.

Hard interest cover: Measure of the Group's ability to meet its interest payments by calculating number of times a company could make interest payments on its debt using pre-tax earnings excluding African profits.

Regulatory capital

		2014	2013	2012	2011	2010
Old Mutual plc	FGD	**163%**	169%[2]	159%[2]	154%[2]	146%[2]
OMLAC(SA)	FSV	**3.1x**	3.3x	4.0x	4.0x	3.9x
Old Mutual Wealth	Solvency I	**2.6x**	2.6x[2]	2.3x[2]	2.0x[2]	2.8x[2]
Nedbank (Total capital ratio)	Basel III/II.5/II	**14.6%**	15.7%	15.1%	14.6%	15.0%

Note: Nedbank's capital requirements: 2013 and 2012 – Basel III; 2011 – Basel II.5; 2010 and 2009 – Basel II.

1 Excludes Nordic, which was discontinued in 2010

2 As reported to the Prudential Regulatory Authority (PRA), previously Financial Services Authority (FSA)

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee comprises the Group Chief Executive, the Chief Operating Officer, the Group Finance Director and eight other members of senior executive management of the Group.

1. Julian Roberts (57)
Group Chief Executive

Also Chairman of NYSE-listed OM Asset Management plc and a non-executive director of Nedbank Group Limited, Nedbank Limited and Old Mutual Emerging Markets.

Julian Roberts has been Group Chief Executive of Old Mutual plc since 2008. He joined the Group in August 2000 as Group Finance Director, moving on to become CEO of Skandia following its purchase by Old Mutual in 2006. He was previously Finance Director of Sun Life & Provincial Holdings plc (part of the AXA Group) and, prior to that, Director and CEO of Aon UK Holdings Limited.

2. Paul Hanratty (53)
Chief Operating Officer and Chairman, Old Mutual Emerging Markets

Also a non-executive director of Old Mutual Wealth Management Limited

Paul Hanratty has been Chief Operating Officer since July 2014 (having previously been Group Operating Officer from March 2013) and Chairman of Old Mutual South Africa (OMSA) since September 2009. He joined OMSA in 1984. He is a Fellow of the Institute of Actuaries and has held a number of roles at Old Mutual, including Head of Product Development, General Manager Finance and Actuarial, Head of the Retail business of OMSA, and CEO of Long-Term Savings. He joined the Board of OMSA's life business in 2003 and became Managing Director of OMSA in 2006.

3. Ingrid Johnson (48)
Group Finance Director

Also a non-executive director of Old Mutual Wealth Management Limited

Ingrid Johnson has been Group Finance Director since July 2014. Prior to taking on this role, she had 20 years' broad-based financial services experience with Nedbank Group in both line and financial roles. She was appointed to the Nedbank Group Executive Committee in 2008. Her most recent responsibility there, in addition to being a Prescribed Officer, was as Group Managing Executive: Retail and Business Banking. She assumed this role in August 2009, taking responsibility for the turnaround of the Retail Banking cluster and managing the integration of Imperial Bank, in addition to retaining her role of leading the commercial cluster, Business Banking, which she had held since 2005.

4. Peter Bain (56)
President and Chief Executive Officer, OM Asset Management plc

Peter Bain is President and Chief Executive Officer of OM Asset Management plc, the 78.8%-owned US-based institutional asset management business of Old Mutual plc. He has more than two decades of experience leading and advising firms in the investment management industry. Previously he was a Senior Executive Vice President at Legg Mason, Inc., where he held leadership positions from 2000 to 2009. Most recently he served as Head of Affiliate Management and Corporate Strategy there, with responsibility for overseeing the firm's investment managers. Prior to that, he was Chief Administrative Officer, responsible for the firm's overall administration and operations.

5. Mike Brown (48)
Chief Executive, Nedbank Group

Mike Brown has been Chief Executive of Nedbank Group Limited since March 2010. He was previously the Chief Financial Officer of Nedbank Group and of Nedbank Limited from November 2004. Prior to that, he headed Property Finance at Nedbank and before that he was an executive director of BoE Limited.

6. Paul Feeney (51)
Chief Executive, Old Mutual Wealth

Paul Feeney has been Chief Executive of Old Mutual Wealth, a leading UK wealth and investment management group, since July 2012. He joined Old Mutual in January 2012 as CEO of Asset Management within the Long-Term Savings Division before moving into his present position. Prior to joining Old Mutual, he was Executive Director and Global Head of Distribution for BNY Mellon Asset Management and, before that, Group Managing Director of Gartmore Investment Management and CEO of Natwest Private Banking.

7. Ian Gladman (50)
Group Strategy Director

Ian Gladman has been Group Strategy Director since January 2012. He had previously worked at UBS Investment Bank for 16 years, most recently as Co-Head of Financial Institutions, EMEA, covering a wide range of UK and European insurance companies, banks and asset managers. He was previously Head of Corporate Finance, South Africa for UBS from 1998 to 2001, during which time he led the local UBS team advising Old Mutual on its demutualisation and original listing. He also advised Nedbank on a number of assignments and BoE on its acquisition by Nedbank. Prior to joining UBS, he worked at Goldman Sachs and at JP Morgan.

8. Sue Kean (52)
Chief Risk Officer

Sue Kean has been Chief Risk Officer since January 2011, having joined Old Mutual in July 2010 as Head of Governance and Regulatory Compliance. She has over 25 years' experience in insurance and financial services. She previously worked at Friends Provident and Aviva in a variety of risk and regulatory roles. She also spent time at the Financial Services Authority, and held positions in relation to Solvency II on industry bodies such as the Chief Risk Officer Forum and the European insurance trade body, the Comité Européen des Assurances (CEA).

9. Gail Klintworth (51)
Group Customer Director

Gail Klintworth has been Group Customer Director since August 2014. She had previously worked for Unilever for 28 years, most recently as their Chief Sustainability Officer from 2012 to 2014. She was appointed Executive Vice President Global Savoury Category, a €5 billion business with a presence in 150 countries, in 2010. Between 2007 and 2010, she was CEO of Unilever South Africa, responsible for a turnover of €1.2 billion. In 2004, she was appointed Chairman of Unilever Home and Personal Care, based in South Africa, with full executive responsibility for operations there, in which capacity she also led a cross-functional board team and was a member of the Africa-Middle East regional board.

10. Ralph Mupita (42)
CEO, Old Mutual Emerging Markets

Ralph Mupita has been CEO of OMEM since February 2012, after joining Old Mutual in 2001. His previous roles in Old Mutual include Managing Director of Old Mutual Unit Trusts and OMSA's Strategy Director. In 2008, he was appointed Managing Director of OMSA's Retail Affluent division and in April 2011 he became CEO of Old Mutual Life and Savings. He is a director of OMEM, OMLACSA, Old Mutual Africa Holdings and OMIG, and serves on various external boards such as the Association for Savings & Investments SA, Business Leadership South Africa, and the University of Cape Town (Graduate School of Business) advisory board.

11. Don Schneider (57)
Group Human Resources Director

Don Schneider has been Group HR Director since May 2009. He was previously Senior Vice President and Head of Human Resources for the Global Wealth Management Division of Merrill Lynch. Prior to that, he headed HR for their Global Markets and Investment Banking Division. He originally joined Merrill Lynch in 1997 as Head of International Human Resources, based in London, where he was responsible for all HR activities outside the US. Prior to that, he worked for Morgan Stanley for 13 years and held a variety of senior HR roles in both New York and London.

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FINANCIAL REVIEW AND RISK

In this section, we set out a review of our financial performance during 2014, and our risk and capital management framework.

FINANCIAL REVIEW

"Following a transformational year of corporate activity and capital reallocation to our chosen markets, we are well placed, with appropriate levels of capital, liquidity and gearing given regulatory and economic uncertainties."

Ingrid Johnson
Group Finance Director

Group financial highlights

Group highlights[1]

£m

	2014	2013 (constant currency)	change	2013 (as reported)	change
Adjusted operating profit (pre-tax, £m)[2]	**1,605**	1,388	16%	1,612	–
Adjusted operating earnings per share (pence)	**17.9p**	15.9p	13%	18.4p	(3%)
Group net margin[3]	**47bps**	45bps	2bps	48bps	(1bps)
Return on equity[4]	**13.3%**			13.6%	(30bps)
Net asset value per share (pence)[5]	**140.3p**	136.4p	3%	137.7p	2%
Old Mutual Emerging Markets MCEV value (£m)	**3,108**	2,860	9%	2,953	5%
Net client cash flow (£bn)	**4.9**	14.6	(66%)	15.5	(68%)
Group customer numbers (millions)	**17.5**			16.1	9%
Funds under management (£bn)	**319.4**	301.7	6%	293.8	9%
Total dividend for the year (pence)	**8.7p**	–	–	8.1p	7%
IFRS profit after tax attributable to equity holders of the parent	**582**	–	–	705	(17%)

1 The figures in the table are in respect of core continuing operations only, unless otherwise stated
2 A full reconciliation of IFRS profit to AOP can be found on page 61
3 Ratio of AOP before tax to average funds under management in the period. Nedbank calculation also includes average banking assets
4 RoE is calculated as core continuing operations AOP (post-tax) divided by average ordinary shareholders' equity (ie excluding the perpetual preferred callable securities). It also excludes the equity associated with non-core operations
5 Net asset value per share is calculated as ordinary shareholders' equity (ie excluding the perpetual preferred callable securities) divided by the actual shares in issue at the end of the period

AOP analysis

Financial results in this part are on a reported basis unless otherwise stated.

£m

AOP analysis by line of business	2014	2013	% change
Line of business			
Life & Savings	**610**	645	(5%)
Asset Management[1]	**301**	264	14%
Banking & Lending[2]	**799**	806	(1%)
Property & Casualty	**35**	4	775%
	1,745	1,719	2%
Finance costs	**(78)**	(92)	(15%)
Long-term investment return on excess assets	**24**	43	(44%)
Net interest payable to non-core operations	**(5)**	(11)	(55%)
Corporate costs	**(55)**	(54)	2%
Other net (expenses)/income	**(26)**	7	(471%)
Adjusted operating profit before tax	**1,605**	1,612	–
Tax on adjusted operating profit	**(439)**	(424)	4%
Adjusted operating profit after tax	**1,166**	1,188	(2%)
Non-controlling interests – ordinary shares	**(280)**	(279)	–
Non-controlling interests – preferred securities	**(18)**	(19)	(5%)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent[3]	**868**	890	(2%)
Adjusted weighted average number of shares (millions)	**4,845**	4,836	–
Adjusted operating earnings per share (pence)	**17.9**	18.4	(3%)

1 Includes Institutional Asset Management, OMGI, OMEM and Nedbank's asset management businesses
2 Includes Nedbank, OMSFIN, Faulu in Kenya, CABS in Zimbabwe and from FY 2014 Old Mutual Finance
3 IFRS profit after tax attributable to equity holders of the parent was £582 million for the year ended 31 December 2014 (2013: £705 million). A full reconciliation of IFRS profit to AOP can be found in the Financial Performance review

AOP by line of business

Life & Savings profits were 5% lower following the sale of Austria, Germany and Poland during the year and the impact of the weaker rand notwithstanding a good underlying performance in Old Mutual Emerging Markets.

Asset Management earnings increased by 14% with strong dollar profit growth in OM Asset Management (OMAM); a strong performance in the South African Old Mutual Wealth business and exceptional profit growth of 120% in Old Mutual Global Investors (OMGI).

Banking & Lending profits were marginally down with good local currency profit growth in Nedbank's banking and lending profits, up 16%, and increased lending profits in OMEM, as a result of the increased contribution by Old Mutual Finance, following its consolidation from the beginning of the fourth quarter, and the first time inclusion of Faulu. These operational improvements were offset by the weaker average rand rate.

Property & Casualty earnings rose strongly driven by a turnaround in underwriting profits in South Africa, which has benefited from targeted management pricing actions and claims initiatives, particularly in Personal which has seen an exceptional turnaround. Both Commercial and Corporate & Niche also saw strong underwriting improvements.

Finance costs are down in 2014 following the repayment of £176 million of debt in the fourth quarter of 2013.

Long-term investment return (LTIR) on excess assets decreased in 2014 as a result of a lower asset base following acquisition activity in Old Mutual Emerging Markets, as well as the impact of the weaker rand.

Net interest payable to non-core operations was lower in 2014 as a result of the cancellation of Bermuda loan notes in the second half of 2013 and 2014, as well as lower prevailing interest rates.

Corporate costs marginally increased with continued efficiency savings largely offsetting ongoing Solvency II preparation costs.

Other net (expenses)/income decreased due to lower fair value gains on seed capital as well as brand-building costs for the Group through investing in Old Mutual Wealth's positioning in the UK.

Tax

The AOP effective tax rate (ETR) for the Group has increased slightly to 27% (2013: 26%).

Because over 80% of the profits and tax before non-controlling interests arise in emerging markets and Nedbank, movements in the ETR in these businesses have a large impact on the Group ETR. The ETR in Nedbank remained stable but the ETR in our emerging markets businesses increased due to a reduction in non-taxable and low taxed income and the impact of non-deductible losses in Africa.

The ETR for our Old Mutual Wealth business is generally lower than those in our emerging markets businesses given the lower corporate tax rate in the UK and in the International division.

Interest and head office costs incurred in the UK can be offset against profits in Old Mutual Wealth UK.

Looking forward, and depending on market conditions and profit mix, we expect the ETR on AOP in future periods to range between 25% and 28%.

AOP by business unit

Old Mutual Emerging Markets profits rose modestly in sterling terms with good local currency growth in Retail Affluent and Mass Foundation businesses in South Africa and improved overall underwriting performance.

Nedbank profits fell marginally in sterling terms despite strong growth in net interest income, a substantial improvement in impairments and moderate growth in non-interest revenue.

Old Mutual Wealth profits rose, with strong growth from the Platform and OMGI and improvement in operating margins. Excluding the European businesses divested during the period, underlying profits rose 11%.

Institutional Asset Management profits rose strongly as a result of increased performance and management fees earned in the period, benefiting from rising levels of investment markets.

Net non-operating expenses increased to £140 million from £107 million as a result of lower investment returns off a lower asset base and lower seed capital gains despite a reduction in finance costs.

AOP analysis by business unit

£m	2014	2013	% change
Core operations			
Old Mutual Emerging Markets[1]	**617**	594	4%
Nedbank	**770**	797	(3%)
Old Mutual Wealth	**227**	217	5%
Institutional Asset Management	**131**	111	18%
	1,745	1,719	2%
Net non-operating expenses	**(140)**	(107)	31%
Adjusted operating profit before tax	**1,605**	1,612	–

[1] Comparative has been restated to include Property & Casualty AOP of £4 million

Return on Equity

The Group RoE declined by 0.3% to 13.3%. The average Group equity is flat at £6,545 million (2013: £6,525 million) as a result of the net retained profits for the period being greater than the fall in the sterling value of rand based net equity at the closing year end exchange rates compared to that at the start of the year as well as the Bermuda capital repatriation. Reported currency earnings were lower principally due to the movement in the average rand/sterling exchange rates in the period. Constant currency earnings grew by 13%.

At an individual business unit level, each business performed well in relation to their expected medium and long-term RoE target ranges. Old Mutual Emerging Markets, Old Mutual Wealth and Institutional Asset Management improved their RoE's compared with the prior year as a result of improved earnings and stable capital bases. Nedbank maintained its RoE (excluding goodwill) at 17.2%. Note that, for the purpose of the calculation, goodwill and other intangibles have been excluded from the individual business returns and are shown in the holding company as we sought to build scale and competitive advantage in our business through acquisition. As a consequence the Business unit returns are higher than the Group return.

Capital

The Group's capital position is managed to ensure the subsidiary businesses are appropriately capitalised under local and Group capital rules, and subsidiary and Group capital is resilient to stress scenarios. The Group has an appropriate level of capital for the current strategic plans, including 2015 acquisitions of Quilter Cheviot and UAP Holdings and taking into account the evolving regulatory regime. The Group capital position is supported by debt and hybrid instruments and the level of Group leverage is appropriate and sustainable.

Business unit regulatory solvency strength

The Group's subsidiary businesses continue to have strong and resilient local capital. This is consistent with the Group's operating model and capital philosophy to ensure capital resides where the risks lie, including risks for extreme scenarios. The table below summarises the principal local statutory capital positions.

Group regulatory capital – Financial Groups Directive (FGD)

The Group currently measures its Group solvency and regulatory capital in accordance with the EU Financial Groups Directive (FGD). The FGD methodology and framework differs fundamentally to the new Solvency II regime to which we will transition in 2016.

The Group's regulatory capital surplus, calculated under the FGD, was £2.0 billion at 31 December 2014 (31 December 2013: £2.1 billion) representing a statutory cover of 163% (31 December 2013: 168%). The reduction in surplus and coverage ratio is due to an increase in capital requirements as a result of growth in Nedbank's risk weighted banking assets and the continued growth in the protection part of the Old Mutual Emerging Markets insurance book. Capital resources remained stable at £5.2 billion reflecting the redeployment of proceeds from business disposals and the IPO of Old Mutual Asset Management to fund acquisitions.

30% of the Group FGD resources of £5.2 billion comprise of qualifying debt instruments (totalling £1.5 billion). These provide additional liquidity as well as optimising the Group's Weighted Average Cost of Capital (WACC) and consists of £1.0 billion of debt instruments issued at the Group holding company and £0.2 billion at the Group's South African subsidiary Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) and £0.3 billion at Nedbank.

Group and local RoE 2014	AOP	Shareholder equity excluding intangibles[1]	Return on shareholder equity excluding intangibles[2]	Local RoE
				£m
Old Mutual Emerging Markets	410	1,654	25.7%	22.8%
Nedbank	301	1,811	17.2%	17.2%
Old Mutual Wealth	179	928	19.5%	16.5%
Institutional Asset Management	96	(8)	49.3%	16.5%
Group Head Office	(118)	2,406[1,3]	–	–
Group RoE	**868**	**6,791**	**13.3%[4]**	**13.3%[4]**

1 Shareholders' equity is at 31 December 2014. Business unit figures exclude the Group share of 'Goodwill and other intangible assets' per the segmental balance sheet; these have been included at the GHO level
2 Calculated as AOP post-tax and NCI divided by average shareholders' equity excluding 'Goodwill and other intangible assets'
3 Includes 'Goodwill and other intangible assets' and excludes the perpetual preferred callable securities and non-core operations
4 Group RoE is calculated using average ordinary shareholders' equity (i.e. excluding perpetual preferred callable securities) and excludes non-core operations

Regulatory Capital has been assessed in the context of various stress scenarios. This analysis indicates that a 1% fall in the ZAR/GBP exchange rate would result in a £11 million reduction in the surplus (2013: £13 million reduction), and if the ZAR/GBP weakened to R25, the surplus would reduce to £1.7 billion. The cover ratio is resilient to movements in exchange rates in a stress scenario because both the capital resources and the capital requirement fluctuate with changes in those same exchange rates.

Since the 2014 year end, the Group has completed the acquisition of Quilter Cheviot and announced the proposed acquisition of a majority stake in UAP. These two transactions will reduce Group FGD by £0.7 billion and reduce the statutory cover ratio by approximately 20 percentage points.

Future Regulatory Capital assessment – Solvency II and Solvency Assessment and Management (SAM)

We are actively engaged with the Group's regulators in the application process on the future Solvency II capital regime. In line with our regulators' timetable, we will submit our relevant applications in Q2 2015 and anticipate receiving a response in the second half of 2015 to facilitate implementation of Solvency II in January 2016.

Irrespective of the outcome of Solvency II, the capital strength relative to the risks of our underlying business will remain unchanged. However, the Solvency II regime will introduce a different lens through which we look at Group capital. The full Solvency II outcome is not yet clear and will depend on the assumptions and aggregation models used in Solvency II calculations. The Solvency II regime will use a more conservative 1 in 200 stress scenario in determining capital requirements and apply a more rules based determination of fungibility and transferability. By comparison, the FGD regime is not a risk based regime and assumes full fungibility and transferability of capital across geographies. Given the inherent conservatism of Solvency II compared to the FGD regime, it is likely that Solvency II will result in the reporting of lower levels of surplus regulatory capital and lower coverage ratios when compared with the FGD regime.

The adoption of the standard formula approach may also increase conservatism. Old Mutual intends to apply the standard formula approach for the purposes of Solvency II because it is more relevant. The standard formula model will be applied in determining regulatory capital requirements for SAM (in South Africa). Furthermore, as Old Mutual Wealth in the UK moves toward being a modern vertically integrated retail investment business, the internal model approach is less relevant.

Only when the Solvency II rules are fully determined will the Group fully understand the extent to which SAM and Solvency II will align and whether South Africa will be deemed to be a Solvency II-equivalent regime. The formal Prudential Regulation Authority application process will also provide clarity in a number of other areas including the approach to aggregating subsidiaries in the Group calculations, contract boundaries, cross border diversification benefits and the equivalence of non-EU regulatory regimes (other than South Africa).

During 2015, we will report to our regulators under the interim arrangements and we are preparing for the full Pillar 3 reporting under Solvency II and SAM, which is required from 2016 onwards when the new regimes become effective. Preparing for reporting under the new regulations will require significant effort and investment in reporting processes for our businesses.

Business unit regulatory solvency	Capital Resources	Capital Requirements	Surplus	Local currency 2014	2013
Old Mutual Life Assurance Company South Africa (OMLAC (SA))[1] (Rbn)	47.8	15.3	32.5	**3.1x**	3.2x
Mutual & Federal[2] (Rbn)	2.9	2.1	0.8	**1.8x**	1.9x
Nedbank[3] (Rbn)	64.4	44.1	20.3	**14.6%**	15.7%
UK[4] (£bn)	0.6	0.2	0.4	**2.6x**	2.6x
Bermuda[5] ($bn)	0.4	0.3	0.1	**1.3x**	1.4x

1 South Africa Statutory Valuation Methods (SVM) in accordance with FSB requirement
2 Capital Adequacy Requirement (CAR) in accordance with FSB requirement
3 Basel III valuation method and including unappropriated profits and showing total Group Capital adequacy ratio
4 FGD basis (not required to report to the PRA separately)
5 Enhanced Capital Requirement as set by the Bermuda Monetary Authority

Group regulatory capital (FGD basis)	£bn 2014	2013
Capital resources	**5.2**	5.2
Capital requirements	**3.2**	3.1
Surplus	**2.0**	2.1
Coverage	**163%**	168%

Economic Capital

Old Mutual's Economic Capital (EC) framework presents management's view of the Group's capital with underpinning assumptions that the full future value of insurance profits emerges over time and that full diversification can be recognised between businesses. The Group monitors EC through regular reporting, including risk assessments and consideration of the impacts of extreme stress scenarios for each business.

Although current FGD rules do not apply restrictions on fungibility and transferability, we expect that this may change under solvency II. As we finalise assumptions and methodologies underpinning the Group's Solvency II calculation, we will consider these in relation to our EC framework and consider whether any refinements are required as a consequence.

At 31 December 2014, the Group Economic Capital surplus was £5.2 billion, and Economic Capital cover ratio was 226% (31 December 2013: £4.8 billion and 216%). As well as the strong outcome for the Group, the results demonstrate the capital strength of each individual business unit. This is consistent with the Group's operating model and capital philosophy and aligned with local statutory capital.

The Group economic capital coverage ratio has strengthened compared to the position at 31 December 2013, due to the impact on EC surplus of an increase in available financial resources from retained profits earned in the period net of dividends paid and corporate activity completed during 2014.

The Group's Economic Capital positions at 31 December 2014 are shown in the table below.

Since the 2014 year end, the Group has completed the acquisition of Quilter Cheviot and announced a proposed acquisition of UAP. The impact of these two transactions will be to reduce Group EC surplus by £0.7 billion to £4.5 billion and coverage to 209%.

Net Asset Value per ordinary share

The net asset value per ordinary share has increased by 2.6p to 140.3p (2013: 137.7p). This is mainly due to profit attributable to ordinary shareholders of the parent of 11.4p offset by dividends paid in the year of 8.0p. On a constant currency basis, the net asset value per share has increased by 3.9p. The higher growth in constant currency is due to the 2014 closing rand rate being 3% lower than 2013.

Adjusted Group NAV per ordinary share

The adjusted Group NAV per ordinary share is calculated using an MCEV valuation basis for Old Mutual Emerging Markets covered business and the UK Heritage business in Old Mutual Wealth as well as the market value of listed subsidiaries. Other businesses and residual assets are included at IFRS NAV.

The adjusted Group NAV was £10.9 billion, up from £10.1 billion in 2013. The improvement over 2014 mainly reflects growth in underlying business contributions, the improvement in the Nedbank share price and the valuation uplift as a result of the IPO of the Old Mutual Asset Management business. The adjusted Group NAV per ordinary share was 221.9p at 31 December 2014 (31 December 2013: 206.1p).

Emerging Markets MCEV results and economic impacts

MCEV increased from R51.5 billion at 31 December 2013 to R55.9 billion at 31 December 2014. This is mainly due to the contribution from new business and investment performance, partially offset by capital transfers. Significantly positive mortality variances were largely offset by adverse persistency variances, development costs, and the impact of increasing policyholder cover levels on Mass Foundation Cluster risk products (reflecting the strong beneficial effect of better mortality experience with policyholders). Return on embedded value reduced to 9.9% in 2014 mainly due to lower experience variances and other operating variances, partially offset by a higher contribution from expected returns and positive operating assumption changes.

Economic variances were positive due to favourable investment performance in South Africa, although this was dampened by poor market performance in Zimbabwe.

£bn

Economic Capital	Old Mutual Emerging Markets	Nedbank[3]	Old Mutual Wealth	Other business units and adjustments[4]	Sum of Group businesses	Group 2014[5]	Group 2013
Available Financial Resources[1]	3.9	2.0	2.1	1.2	9.2	**9.2**	9.0
Economic Capital at Risk[2]	1.6	1.3	0.9	1.6	5.4	**4.0**	4.2
Economic Capital Surplus	2.3	0.7	1.2	(0.4)	3.8	**5.2**	4.8
Economic Capital cover ratio[6]	239%	154%	234%	n/a	171%	**226%**	216%

1 The Available Financial Resources ('AFR') is the value of assets held in excess of economic liabilities
2 Economic capital at risk ('ECaR') requirement is the reduction in post-tax economic available financial resources over a one-year forward-looking time horizon that should only be exceeded once in 200 years (99.5% confidence level that the event will not occur). The confidence level used for Nedbank is 99.93% reflecting Nedbank's more prudent approach to the Basel 99.9% requirements
3 Nedbank results are those calculated and disclosed as part of the Internal Capital Adequacy Assessment Process (ICAAP) but reflect the proportion of plc's ownership and exclude the 10% stressed-tested capital buffer
4 Other business units and adjustments reflect additions for Institutional Asset Management, OM Bermuda, group specific risks (including currency translation risk on non-GBP surplus), and adjustments for intra-group transactions
5 The final Group position allows for assumed diversification between diverse business units. The business unit positions allow for diversification between entities within the business unit
6 Economic Capital cover ratio calculated using unrounded ECAR and AFR figures

Free surplus generation

Our businesses have generated a net free surplus of £653 million in 2014 (2013: £811 million), reflecting a conversion rate of 66% of AOP post-tax and non-controlling interests (2013: 81%). This reduction is largely explained by discretionary organic investment (excluding new business strain) in the Old Mutual Wealth and Old Mutual Emerging Market businesses of £97 million and £23 million respectively as these businesses execute their growth strategies, the impact of the weaker rand on the Old Mutual Emerging Markets surplus, and the move to a remittance basis in determining OMAM surplus generation following the IPO. From this free surplus generated, a total of £464 million was remitted by the operating units to the Group holding company during 2014.

Operational flows

Operational receipts from businesses generating hard currency earnings decreased to £154 million (2013: £210 million). This reflects the investment made in the Wealth business to support its transformation as well as lower remittances from OMAM. Following its listing in October 2014 the Group now receives a dividend based on 25% of Economic Net Income (ENI) and an annual payment in respect of the Group's deferred tax asset whereas previously OMAM remitted all available cash.

Servicing of capital

Dividend payments to shareholders of £411 million were made, of which £227 million was paid to shareholders in southern Africa.

£291m represented the final dividend for 2013 and £120 million was the interim dividend for 2014.

Capital movements

Group capital movements in 2014 were £46 million compared to £229 million during the prior year. 2013 included the repayment of debt of £176 million in the second half of the year.

Corporate activity

Cash flows from net corporate activity includes the cash received from the sale of OMAM shares in the IPO and proceeds on the disposal of our European businesses partially offset by cash required to fund acquisitions.

Old Mutual Emerging Markets and Nedbank corporate activity was funded directly by the businesses.

Debt levels and maturities

The Group's balance sheet remains strong.

The Group, excluding banking related debt, had borrowed funds and other debt treated as equity under IFRS, of £1,540 million at 31 December 2014 (31 December 2013: £1,342 million).

Banking related gross debt was £2,030 million as at 31 December 2014 (31 December 2013: £1,828 million).

The Group has first calls on capital instruments of R3,000 million (£167 million) Tier 2 debt, issued by OMLAC(SA) exercisable in October 2015, and at the holding company level, €374 million (£290 million) Tier 2 debt, exercisable in November 2015 and £273 million Tier 1 debt exercisable in March 2020. Additionally the Group has £112 million of senior debt maturing in October 2016 and £500 million of Tier 2 debt maturing in June 2021.

OMLAC(SA) raised an additional R300 million (£17 million) in fixed rate bonds and R700 million (£39 million) in floating rate Tier 2 bonds in November 2014 in the South African bond market. Both instruments have first calls in November 2019. OMLAC(SA) is continuing with this programme and intends issuing further debt in March 2015.

Nedbank has £415 million of maturities on its capital and funding during 2015.

OM Asset Management plc drew down $177 million (£114 million) in October 2014 under its $350 million (£225 million) syndicated Revolving Credit Facility to fund the pre-IPO dividend to the Group holding company.

£m

Group cash flows	2014	2013
Opening cash and liquid assets at holding company at 1 January 2014	**545**	472
Operational flows		
Operational receipts from Northern hemisphere businesses	**154**	210
Operational receipts from emerging market businesses	**310**	334
Corporate costs and other operational flows	**(30)**	7
Total operational flows	**434**	551
Capital servicing		
Interest paid	**(32)**	(32)
Preference Dividends	**(32)**	(46)
Ordinary cash dividends	**(411)**	(335)
Total servicing of capital	**(475)**	(413)
Capital movements		
Net debt (repayment)/issue in the period	**–**	(176)
Net Business unit funding	**51**	(50)
Issue of ordinary shares	**(5)**	(3)
Total capital movements	**46**	(229)
Corporate activity		
Net corporate activity	**453**	164
Total Corporate Activity	**453**	164
Closing cash and liquid assets at holding company at 31 December 2014	**1,003**	545

FINANCIAL REVIEW
continued

Liquidity

At 31 December 2014, the Group holding company had available liquid assets of £1 billion (31 December 2013: £0.5 billion) invested in cash and near cash instruments, including: money market funds, UK government securities and a highly liquid corporate bond portfolio. The Group holding company also has access to an undrawn committed facility of £0.8 billion (31 December 2013: £0.8 billion). Since the year end, liquid assets of £566 million have been used in the settlement of the completion process associated with the Quilter Cheviot acquisition.

In addition to cash and available resources held at the holding company level, which are considered adequate to support the Group under both normal and stressed conditions, each individual business also maintains liquidity and credit facilities sufficient to support its normal trading operations and to withstand stress events.

Financial strength rating

In June 2014 Fitch affirmed its long-term foreign currency rating on SA Sovereign debt as BBB, but revised the outlook from stable to negative. In the subsequent review of Old Mutual plc and its life subsidiaries, Fitch affirmed the ratings of Old Mutual plc, OMLAC(SA) and Old Mutual Wealth Life Assurance Limited and kept all the ratings on stable outlook.

In November 2014 Moody's downgraded its rating on SA Sovereign debt from Baa1 to Baa2 and changed the outlook from negative to stable. In the subsequent review of Old Mutual plc and its subsidiaries, Moody's downgraded the senior debt rating for Old Mutual plc from Baa2 to Baa3 and downgraded the Insurer Financial Strength Rating of OMLAC(SA) from A3 to Baa1; both ratings were moved from negative outlook to stable. The rating for Old Mutual Wealth Life Assurance Limited was affirmed at A2, while the outlook was moved from stable to negative.

In July 2014, Fitch published a rating of Mutual & Federal, assigning a National IFSR of AAA(zaf) with stable outlook. This rating reflected Fitch's view that Mutual & Federal is a core part of the Group and benefits from the financial strength of OMLAC(SA).

Risk Management

Principal risks and uncertainties

A number of potential risks and uncertainties could have a material impact on the Group's performance and cause actual results to differ materially from expected and historical results.

Our principal risks have been determined by assessing the possible effects on our reputation, our stakeholders, our earnings, capital and liquidity, and the future sustainability of our business. These risks are closely monitored by local management and independent subsidiary boards and overseen by Group management and reported to the Board on a regular basis.

As a result of the pace and scale of the changes the Group underwent in 2014, strategic execution risk has become our key principal risk. As in previous years, economic conditions in South Africa, the changing location of credit risk across the Group, market risk and the level of currency translation risk remain principal risks to Old Mutual. The risk of changing customer needs and regulatory change remains important for Old Mutual and its peers.

Group risk profile

Across the Group, when measuring risks to capital and to earnings, most risk exposures have increased in line with business growth. Within Emerging Markets, credit risk has grown due to the increased stake in Old Mutual Finance and the acquisition of Faulu: we have reassessed risk appetite accordingly. Credit risk has a greater proportional impact on earnings at risk than it does on capital at risk.

We recognise that there is a short-term increase in operational risk in the next few years while we execute and integrate the various strategic change initiatives and material acquisitions in new business sectors and locations. We have accepted this increase to reduce our longer-term strategic risk. We continue to monitor and manage it closely through Group and business unit oversight together with strong governance, focus on the control environment and prompt escalation of issues.

Business risk and market risk remain our two most material risks. While they have remained relatively stable over the year, they are influenced by the economies in the key regions where we operate and the impact on the consumer in those countries, notably South Africa, where we currently have our largest retail earnings base. As well as monitoring economic factors to understand our earnings and capital resilience to severe macro-economic events, we have maintained a strong focus on customers, considering how we can help them in tougher times and monitoring for early indicators of financial distress.

Liability risk diversifies well against our other risks and we continue to seek to increase the proportion of this risk where appropriate. Our liability risk exposure remains small outside the South African businesses.

In line with our peers, there is significant regulatory change impacting the financial services sector in the territories we operate. The regulatory capital uncertainties in relation to Solvency II and Solvency Assessment and Management are highlighted in the capital section. There is also substantial change in the conduct agenda in terms of the way business is sold or the nature of the products designed to achieve required customers' outcomes. Our focus on responsible business, core values and culture gives us confidence to embrace these changes, and we continue to monitor the position carefully.

The Twin Peaks system of regulating the financial sector in South Africa is expected to come into force in due course. A second draft of the Financial Sector Regulation Bill, which seeks to lay the legislative basis for Twin Peaks regulation, was released for comment in December 2014. We are actively preparing to meet the proposed regulatory requirements.

The Board believes that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis for preparing accounts.

Tax risks and uncertainties

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact profit and loss, current and deferred income tax assets and liabilities in the period such determination is made.

Dividends

The full year dividend of 8.7 pence, or its equivalent in local currency for those shareholders on overseas registers, represents an increase of 7% on the prior year.

For indicative purposes only, converting the sterling final dividend at the exchange rate on 31 December 2014, the dividend to South African shareholders for the full year 2014 would be 13% higher than the 2013 full year dividend in rand terms.

The interim dividend paid on 31 October 2014 was 2.45 pence.

Subject to being approved by shareholders at the Annual General Meeting of Old Mutual plc on 14 May 2015, the final dividend will be paid on 29 May 2015. A separate announcement on the key dividend dates for the 2014 final dividend is made with these preliminary results.

Dividend policy

The Board intends to pursue a progressive dividend policy, consistent with our strategy, having regard to overall capital requirements, liquidity and profitability and targeting a dividend cover in the range of 2.0 to 2.25 times AOP earnings. And we will continue to set our interim dividend at 30% of the prior year total.

IFRS results

The Group IFRS profit after tax attributable to equity holders of the parent was £582 million for 2014 and £705 million for 2013.

£m

IFRS to AOP Reconciliation year end December 2014	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Other	Discontinued and non-core operations	Total
Profit/(loss) after tax attributable to equity holders of the parent	395	315	(37)	77	(119)[2]	(49)[3]	**582**
Total adjusting items[1]	45	2	230	40	(16)	–	**301**
Tax on adjusting items	(20)	(1)	(14)	(18)	17	–	**(36)**
Non-controlling interest in adjusting items	(10)	(15)	–	(3)	–	–	**(28)**
Discontinued and non-core operations	–	–	–	–	–	49	**49**
AOP after tax and non-controlling interest	410	301	179	96	(118)	–	**868**

£m

IFRS to AOP Reconciliation year end December 2013	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Other	Discontinued and non-core operations	Total
Profit/(loss) after tax attributable to equity holders of the parent	339	327	38	54	(88)[2]	35[3]	**705**
Total adjusting items[1]	87	–	159	42	(2)	–	**286**
Tax on adjusting items	1	4	(20)	(12)	(19)	–	**(46)**
Non-controlling interest in adjusting items	(4)	(16)	–	–	–	–	**(20)**
Discontinued and non-core operations	–	–	–	–	–	(35)	**(35)**
AOP after tax and non-controlling interest	423	315	177	84	(109)	–	**890**

1 Full details of the adjustment applied in determining AOP, is set out in note C1 to the Preliminary Financial Statements, which can be found in Part 4 of this document.
2 Other: Loss of £119 million in 2014, principally relates to centre costs and finance costs (2013: £88 million)
3 Discontinued and non-core operations comprises: Loss of £49 million in 2014 principally comprises the results of OM Bermuda and costs associated with the separation of the Nordic and US Life businesses (2013: £35 million)

Supplementary financial information

Summarised financial information	2014	2013	% change
IFRS results			
Basic earnings per share (pence)	**12.4p**	15.0p	(17%)
IFRS profit after tax attributable to equity holders of the parent (£m)	**582**	705	(17%)
Net asset value (£bn)	**9,545**	9,037	6%
Net asset value per share (pence)[1]	**140.3p**	137.7p	2%

1 Net asset value per share is calculated as ordinary shareholders' equity (ie excluding the perpetual preferred callable securities) divided by the actual shares in issue at the end of the period

%

Long-term investment return rates	2014	2013
Emerging Markets	**7.4-8.0**	7.4-8.0
Old Mutual Wealth	**1.0**	1.0

The LTIR rates are reviewed annually and reflect the returns expected on the chosen asset classes. There will be no change to the 2015 rates. The asset allocation in Emerging Markets will continue to be split 75% cash and bonds, and 25% equity.

RISK AND CAPITAL MANAGEMENT

"Throughout our businesses, the tone from the top is very supportive of sound risk management."

Sue Kean
Chief Risk Officer

The Group's philosophy and approach to risk and capital management have been stable for a number of years, and are aligned to the Group Operating Model. However, the risk landscape is changing and the Group is entering a new phase in its development. Our approach to risk management has evolved accordingly. It reflects a blend of factors – capital, earnings, liquidity and reputation – whose relative weights vary according to the business and the external environment.

The Group's risk profile in terms of capital and liquidity has improved substantially since the financial crisis of 2008/09. Over that period we embarked on a strategy to de-risk and simplify, with a focus on the customer, our culture and values, and our core competencies. By 2014 the de-risking phase was largely complete and the Group entered a new growth phase – with investment in acquisitions in the UK and Africa, as well as substantial inorganic investment in IT.

Our risk management approach will continue to be a blend of capital, earnings, liquidity and reputation. There will be a sharper focus in 2015 on reputation, conduct, capital allocation and understanding relative risk and returns, as the Group starts to expand into new territories and markets, in the environment of changing capital regulation under Solvency II/SAM and Basel III.

Against this Group backdrop of change, our principal risks remain largely unchanged from last year. However, execution risk is elevated along with the uncertainties around the South African economy. This impacts affordability for our customers, as well as the translation of rand earnings to sterling as our reporting currency. The environment is also changing – most notably in relation to our customers' needs and the growth of conduct regulation in all our key markets. Our response to this is strongly supported by our efforts to run our business so that we are recognised as a leader in responsible business.

Ultimately, risk management is about people. We build tools and processes to help identify, monitor and manage risks, but the operation of a sound risk management approach depends on people and the culture in which they operate, which is set by leadership across the Group. This is why we developed a risk and control culture measurement in 2014 – primarily to facilitate open discussion and understanding of risk and control issues. Throughout our businesses, the tone from the top is very supportive of sound risk management; and we continue to cascade this awareness throughout the organisation.

Sue Kean
Chief Risk Officer

The Group's principal risks

The table in the 'Principal risks and uncertainties' section summarises the Group's top five risks. Our principal risk assessment considers the likelihood and severity of risks, where the severity assessment considers the financial, reputational, regulatory, people and legal impacts of a particular risk.

These risks are largely strategic in nature. They are closely monitored and overseen at Group level, and the Board and Executive Risk Committees receive regular updates.

Given our particular product offering, we are also impacted by various inherent risks – such as exposure to market levels. As such, market risk is one of our most material risks. However, we do not include it as a principal risk within our assessment as it largely arises as a result of the risk to asset-based fees generated from client-selected investments.

Risk appetite principles

Capital	Earnings	Liquidity
The Group has limited appetite for regulatory intervention (perceived or real). As such, we hold a buffer above minimum regulatory requirements in order to remain solvent. In pursuing strategic opportunities, we consider the availability, transferability, and quality of capital within each business unit. As regulatory capital varies by sector, we also have an economic capital appetite which reflects our own view of one-in-200 year risk events (or slightly higher for Nedbank).	The Group accepts that as part of its growth aspirations, especially in new areas, earnings volatility and execution risk are likely to increase. However, we have no appetite for big surprises: earnings volatility that cannot be anticipated by the market or significant operational losses. As such, a key focus is on understanding the different drivers of earnings volatility, focusing on identifying acceptable and unacceptable causes of profit volatility, and monitoring our exposure and experience over time to ensure that outcomes are within our risk tolerance framework.	The Group has a low appetite for failing to deliver on its stated dividend policy. We hold a buffer at Group level to support this, sufficient to withstand a liquidity survival horizon of at least twelve months. The Group should be able to meet short-term plausible but extreme losses.

Risk and control culture

A proactive risk and control culture is essential to support our reputation and operation as a responsible business. Individual behaviours and judgements support a strong risk governance framework.

We measure our risk and control culture by considering our governance and tone from the top, understanding of risk, attitude to risk, control functions, quality of management information, and remuneration structures.

Risk framework

The objective of the risk framework is to align strategy, capital, process, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured, disciplined manner. In this way we seek to ensure that risk and capital implications are considered when making strategic and operational decisions. Risk management is designed to increase our understanding of the risks inherent in the business to improve decision making – which includes accepting risk.

Our risk and governance framework is set out in the Group Operating Model and is supported by economic capital tools and transparent processes for managing, monitoring and controlling risks. We continue to refine structures and processes as necessary, but the overall governance structures are stable. These structures and processes, together with our strong balance sheet, provide a solid base to support our business as we pursue our growth strategy over the next few years.

Risk frameworks, governance and the Group's internal capital model are overseen centrally but implemented by our businesses locally, so that local requirements can be addressed appropriately. This approach is reinforced through senior Group executive representation on business unit boards, coupled with formal dual reporting for all key control functions. Further details can be found in the 'Directors' report on corporate governance' on page 72.

Our risk strategy and risk appetite

Our risk strategy guides the way we take on risk in the course of running our business and managing value for all stakeholders. It is a core component of our business strategy, and is influenced not only by the available economic capital and earnings at risk, but also by reference to factors such as the Group's customer focus and leveraging core skills and competencies across the Group.

Our overall strategic aim is to build and grow a long-term sustainable business. Central to this is maintaining the Group's brand and reputation. We are committed to operating responsibly, examining the impacts and risks of our decisions on all our stakeholders as an integral part of our decision-making process (for more information on how we operate responsibly, please see our Responsible Business Report). Doing the right thing by all our stakeholders is at the heart of what we do and is also the foundation for our risk appetite.

Our risk strategy principles

Our risk strategy is supported by principles that must be considered in deciding whether or not to pursue an opportunity.

1. We only take on risks that we understand and can price appropriately – so that expected reward exceeds minimum risk-adjusted return for shareholders – and have the skills to monitor and manage.
2. We prefer risks that are capital-efficient to underwrite. The impact on diversification or concentration with the existing risk profile should be understood and considered.
3. We consider risk by business unit, taking into account the available capital in the business unit, and in aggregate at Group level.
4. We avoid risks where we expose ourselves to very volatile or potentially extreme adverse outcomes, such as catastrophe risk.
5. Operational risk should be minimised and mitigated, taking into account the cost versus the benefit of doing so.

RISK AND CAPITAL MANAGEMENT continued

Our risk appetite framework supports delivery of our risk strategy. It includes risk appetite principles to guide our business units and help to clarify our risk strategy in line with the Group's risk appetite, as set out on the previous page. These principles are supported by qualitative risk appetite statements set out in the Group's risk policy suite, and by quantitative risk limits for our risk appetite metrics, which are set as an iterative part of our business planning process to ensure that local risk limits are consistent with local business plans. We set risk limits at both Group and business unit level, and where relevant by risk type. Twice a year there is a formal review of risk exposures against the limits and early warning thresholds. As well as this, business units use operational limits to monitor material risks at a more granular level and on a more regular basis. For 2014, all risk metrics across the Group were within risk appetite limits.

In addition we monitor early warning indicators across all our businesses that trigger investigative action to identify and understand sources of additional risk and management actions needed to avoid breaching the risk appetite limits.

The Group's regulatory framework is changing – primarily as a result of the implementation of Solvency II in Europe and SAM in South Africa, as well as Basel III in our banking businesses. Given this changing regulatory framework, we intend to review our capital risk appetite in 2015.

Group's risk profile

We assess the Group's risk profile through several different lenses, in line with our risk appetite. We seek to optimise capital efficiency, avoiding excessive risk concentrations and diversifying risk where possible. In this context, we view risk concentration and diversification within each business unit. Each of the Group's business units (and regulated companies within business units) is sufficiently capitalised in its own right. The distribution and allocation of capital to our businesses largely reflects the different risk profiles within their regions and the prevailing regulatory requirements. Even when applying significant economic stresses to our current capital, the Group remains adequately capitalised. We have also identified management actions that could be taken to remedy the Group's capital or liquidity position in an extreme shock event (where capital or liquidity levels could significantly breach our risk appetite limits for a sustained period).

Own Risk and Solvency Assessment (ORSA)

We do not view risk as something separate from our business strategy and operations. Risk strategy is often implicit within our business strategy, and the aim of the ORSA is to bring this out more explicitly.

The ORSA is an integral part of our existing business management, risk management, business planning and decision-making processes. The ORSA includes all the processes for risk identification, risk assessment and measurement, risk management, risk monitoring and reporting that are in place through the Group Operating Model and Group Enterprise Risk Management framework.

The Board reviewed and approved the results of the 2014 Group ORSA in September 2014 and the 2014 Group ORSA report was subsequently submitted to the PRA in October 2014.

ORSA, ICAAP and other equivalent assessments are also carried out annually within business units.

As our capital is largely located where our risks lie, any balance sheet impact would be seen as an unrealised accounting translation risk. This applies primarily to the translation of rand earnings to sterling. Factors affecting the level of the rand include changes in the level of foreign investment in South Africa. The risk of rand weakness remains high given the current and capital account deficits South Africa is running and the potential for external investors to sell their holdings of South African government bonds if global interest rates rise. A substantial capital outflow could potentially trigger a decline in the rand, and this would also reduce our earnings as reported in sterling. We have modelled scenarios involving a severe rand drop and are comfortable that the Group has sufficient capital and liquidity resilience in such events, if they happened.

During 2014 we continued to execute our growth strategy, acquiring stakes in a number of businesses in Africa and the UK. These businesses are small compared with our large in-force insurance and banking businesses and do not yet have a significant impact on our risk profile with reference to capital (although they do impact the returns earned on the capital deployed). As a result, earnings volatility and other business metrics such as operational risk now play an increasing role in the determination of our risk and business strategy.

Across the Group, most risks have increased in line with business growth. Within Old Mutual Emerging Markets, credit risk has grown due to the increased stake in Old Mutual Finance and the acquisition of Faulu: we have reassessed risk appetite accordingly. Credit risk has a greater proportional impact on earnings at risk than it does on capital at risk.

We recognise that there could be a short-term increase in operational risk in the next few years while we execute and integrate the various strategic change initiatives. We have accepted this increase to reduce our longer-term strategic risk, and continue to monitor and manage it closely.

Business risk and market risk remain our two most material risks. While they have remained relatively stable over the year, they are influenced by the economies in the key regions where we operate – and by the impact on consumers in those countries, notably South Africa, where we currently have our largest retail earnings base. As well as monitoring economic factors to understand our earnings and capital resilience to severe macro-economic events, we have maintained a strong focus on customers, considering how we can help them in tougher times and monitoring for early indicators of financial distress.

Liability risk diversifies well against our other risks and we continue to seek to increase the proportion of this risk where appropriate. Our liability risk exposure remains small outside the South African businesses. Our business plans include a number of actions to increase this exposure, but only where it meets our risk and return requirements.

In line with our peers, there is significant regulatory change impacting the financial services sector in the territories we operate. Clarity on outstanding regulatory capital uncertainties in relation to Solvency II and SAM is expected to emerge during 2015. There is also substantial change in the conduct agenda in terms of the way business is sold or the nature of the products which meet our customers' needs. Our focus on responsible business, core values and culture gives us confidence to embrace these changes, and we continue to monitor the position carefully.

Our risk universe is set out on the facing page.

Our risk universe

3 Risk exposure largely not quantifiable, but risks actively managed. The potential financial impact from compliance failures and regulatory breaches captured in the Operational Risk measure and operational risk economic capital

2 Risk exposure captured via quantitative risk metrics – Remittance at Risk and Short-term Liquidity at Risk (these metrics will be reviewed in 2015)

1 Risk exposure captured via quantitative risk metrics – Economic Capital at Risk, Earnings at Risk and Operational Risk

Risk	Risk description
Market risk	This is the risk of a financial impact arising from changes in the value of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. We separately consider currency translation risk, which relates to the translation of earnings and capital to our reporting currency.
Business risk	The risk that business performance will be below projections as a result of negative variances in new business volumes and margins, and lapse, rebate and expense experience.
Liability risk	We assume liability risk, sometimes referred to as insurance risk, by issuing insurance contracts under which we agree to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs. This risk includes mortality and morbidity risk, as well as non-life risk from events such as fire or accident.
Credit and counterparty risk	This relates to the risk of credit defaults. It includes lending risk, where a borrower becomes unable to repay outstanding balances (for instance banking credit risk), as well as counterparty risk where an asset is not repaid in accordance with the terms of the contract. The risk of credit spreads changing is included under market risk.
Operational risk	The risk arising from operational activities, for example a failure of a major system, or losses incurred as a consequence of people and/or process failures, including external events.
Liquidity risk	The risk that liquid assets may not be available to pay obligations at a reasonable cost, when due.
Compliance and regulatory risk	The risk that laws and regulations will be breached. This includes risk of regulatory intervention resulting in sanctions being imposed or a temporary restriction on the business' ability to operate and/or an additional regulatory capital charge. It also includes failure to adapt to regulatory change and business conduct risk.
Strategic risk	The risk of failing to implement the business strategy and the management of associated changes to the business.

RISK AND CAPITAL MANAGEMENT continued

Economic capital risk profile of the Old Mutual Group

Our economic capital framework has been in place for a number of years and presents management's view of the Group capital with the underpinning assumption that the full future value of insurance profits emerges over time and that full diversification can be recognised between businesses. The intention of the framework is to look beyond the regional capital constraints imposed by local or group-level regulatory or rating agency requirements and to represent a simple economic view of capital. The economic capital framework also helps us assess exposure to risks across the Group relative to risk appetite.

For risk management purposes, the Group's risk profile is based on standalone economic capital at risk: the relative contribution of each risk is determined before allowing for the impact of diversification between risks. Considering the risk exposure before diversification enables us to assess changes in quantifiable risks impacting the business units. As discussed previously, economic capital is just one of the lenses through which we assess the Group's risk profile, and in particular does not quantify strategic, regulatory or liquidity risk.

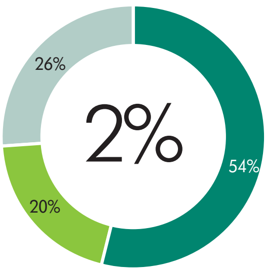
The pie charts below set out our risk profile by business unit, with an indication of the relevant proportion of standalone risk exposure in economic capital terms. Old Mutual Bermuda is included in the overall Group profile, but not shown separately in the business unit view as this business is in run-off and represents a relatively small proportion of our Group economic capital. The economic risk exposure data shown is as at 31 December 2014.

The risk profile in Old Mutual Emerging Markets is well diversified, reflecting the diverse nature of our business in this region across life assurance, property and casualty, and banking. This profile has remained largely stable over the year, with an increase in the level of credit risk due to the increased holding of Old Mutual Finance together with growth in Old Mutual Finance's book size and the inclusion of Faulu, and a slight increase in market risk due to growth in the book.

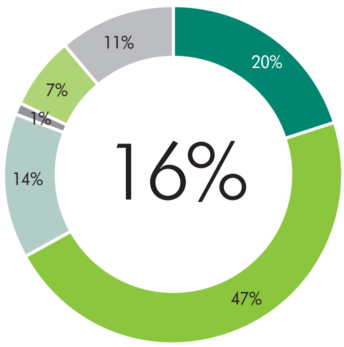
In Nedbank, we are mainly exposed to credit and counterparty risk. This risk is inherent in banking, from lending and other financing activities, and is within risk appetite.

In Old Mutual Wealth, we are mainly exposed to market and business risk. The market risk arises primarily from asset-based fee risk, and the business risk is driven largely by expenses, mass lapse and rebate risk. Favourable market movements improved funds under management, resulting in higher exposure to these risks. The risk profile did not change materially as a result of the acquisition of Intrinsic and disposal of the German, Austrian and Liechtenstein operations, which took place in the second half of 2014, although the proportion contributed to total Group standalone economic capital has decreased. The corporate activity which completed in early 2015 (the acquisition of Quilter Cheviot and disposal of European operations in France and Luxembourg) will change the

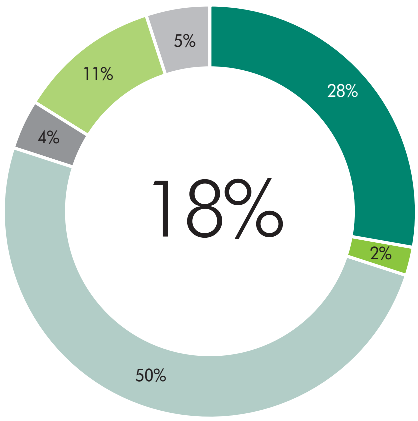
OM Asset Management



Nedbank



Old Mutual Wealth



- Market risk
- Credit and counterparty risk
- Business risk
- Liability risk
- Operational risk
- Currency translation risk

* The chart above for OM Asset Management shows Old Mutual's 79.6% proportionate share (gross of shares to EBT) of OM Asset Management's economic capital exposure

* The chart above shows Old Mutual's 56.7% proportionate share of Nedbank's economic capital exposure

* Note that the results for Old Mutual Wealth include Intrinsic on a simplified basis. They include the French and Luxembourg operations which were disposed of in early 2015. They do not include Quilter Cheviot which was acquired in February 2015

underlying drivers of risk. However, the high-level risk profile will remain unchanged: market and business risk will remain the largest exposures.

Risk exposures in OM Asset Management in the US region are concentrated in asset-based fee risk, which is part of market risk, business risk and operational risk. This reflects the nature of the asset management business. A change in methodology has resulted in splitting operational risk and business risk compared to the June 2013 position.

The Group's current overall risk profile is also shown below. This allows for additional risks at Group level not included in the business unit pie charts – most notably currency translation risk due to our significant surplus assets in South Africa, which in this calculation are assumed to be fully transferable.

Currency translation risk represents almost a quarter of our Group risk profile. This risk relates mainly to the translation of surplus capital from rand to sterling and is a structural feature of our Group. As our capital is held where our risks are located, the risk would only be realised if we were to require a transfer of surplus capital between regions during periods of stress, as outlined previously in the 'Principal risks and uncertainties' section of this Annual Report.

Risk and control culture

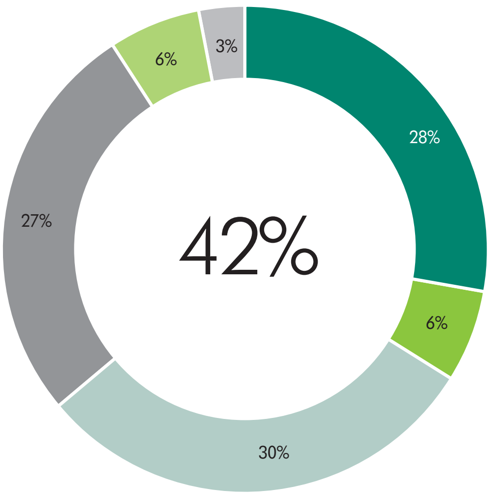
Culture and values alignment across the Group is embedded through our Code of Conduct and our ACT NOW! Leadership Behaviours. The level of embedding and alignment across the Group is measured and monitored through our performance management system and annual group-wide culture survey.

A proactive risk and control culture, which is a subset of the broader business culture, is essential to support our reputation and operation as a responsible business. Individual behaviours and judgements support a strong risk governance framework.

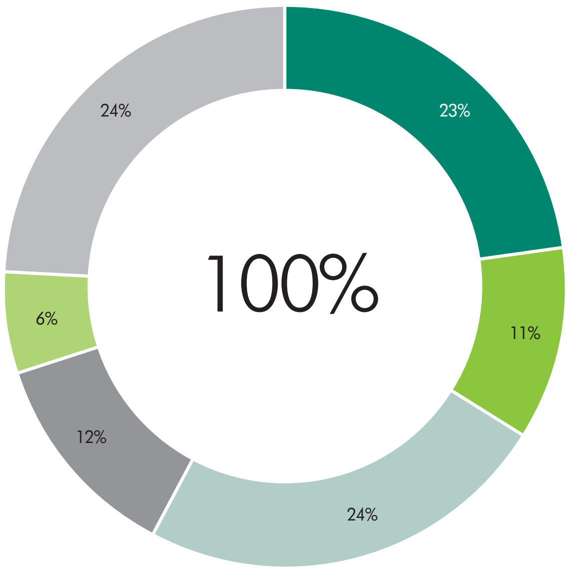
During 2013 we began an initial approach to assess, measure and monitor risk culture. This involved a top-down assessment by the Group control functions, based on a series of 50 indicators covering areas such as effectiveness of risk management, quality of management information, escalations, controls, tone from the top, governance and remuneration incentives. The framework has provided a basis for discussions with business unit executives on areas for future focus and improvement. The top-down analysis is supplemented with a bottom-up assessment informed by our annual culture survey results in 2014. We have also included a metric and appetite for risk culture in our risk management framework.

Risk culture and conduct is receiving increased supervisory and regulatory attention. Our focus on customer culture and values places us in a good position to respond to these developments.

Old Mutual Emerging Markets



Old Mutual Group



* Note that the Old Mutual Emerging Markets business includes our exposure to Africa, Latin America and Asia
* The risk profile of the Group is based on standalone economic capital at risk, ie the relative contribution of each risk is determined before allowing for the impact of diversification between risks, as at 31 December 2014
* No chart is shown for Old Mutual Bermuda, which provides 2% of standalone economic capital. Group risks provide 21% of standalone economic capital

GOVERNANCE

In this section we look at who is on our Board and explain how we address governance matters.

Contents

BOARD OF **DIRECTORS**

1. Patrick O'Sullivan (65) (Irish)
M.Sc. (Econ), B.B.S., F.C.A. (Ireland)
Chairman of the Board since January 2010. Also chairs the Nomination Committee

Vice Chairman of Zurich Financial Services from 2007 to 2009, where he had specific responsibility for its international businesses including those in South Africa. Prior to that, he had been CFO of the ZFS Group and CEO, General Insurance and Banking, of its UKISA division. He has also held positions at Bank of America, Goldman Sachs, Financial Guaranty Insurance Company (a subsidiary of GE Capital), Barclays/BZW and Eagle Star Insurance Company.

Chairman of the UK Government Shareholder Executive, Deputy Governor of the Bank of Ireland and Chairman of Equity Syndicate Management at Lloyd's.

2. Julian Roberts (57) (British)
B.A., F.C.A., M.C.T.
Group Chief Executive

Please see Group Executive Committee on pages 50-51 of this Report for further information.

3. Paul Hanratty (53) (Zimbabwean/Irish)
B.Bus.Sc., F.I.A.
Chief Operating Officer

Please see Group Executive Committee on pages 50-51 of this Report for further information.

4. Ingrid Johnson (48) (South African)
C.A. (SA), A.M.P. (Harvard)
Group Finance Director

Please see Group Executive Committee on pages 50-51 of this Report for further information.

5. Mike Arnold (67) (British)
B.Sc., F.I.A.
Independent non-executive director since September 2009. Chairman of the Board Risk Committee and a member of the Group Audit Committee

Principal Consulting Actuary and Head of Life practice at the consulting actuarial firm Milliman from 2002 to 2009. Prior to that, he had been the senior partner at the practice from 1995. He is a past Member of Council and Vice Chairman of the Institute of Actuaries, past Chairman of the International Association of Consulting Actuaries and past member of the Board of Actuarial Standards.

Non-executive director of Financial Information Technology Limited and of Scottish Equitable Policyholders Trust Limited.

6. Zoe Cruz (60) (US)
B.A, M.B.A.
Independent non-executive director since January 2014. Also a member of the Board Risk and Remuneration Committees

Co-President for Institutional Securities and Wealth Management at Morgan Stanley from 2005 to 2007, where she was responsible for running major revenue-generating businesses, including overseeing their securities risk management and information technology. From 2009 to 2012, she was involved in founding and running her own investment management firm, Voras Capital Management. Prior to becoming Co-President of Morgan Stanley, she had been its Global Head of Fixed Income, Commodities and Foreign Exchange from 2001 until 2005. She joined the company in 1982 and was the third founding member of the foreign exchange group.

Founder and CEO of EOZ Global.

7. Alan Gillespie (64) (British)
CBE, B.A. Hons, M.A., Ph.D.
Senior Independent Director since May 2011, having joined the Board as an independent non-executive director in November 2010. Also a member of the Nomination and Remuneration Committees

Partner at Goldman Sachs from 1990, with responsibility for corporate finance and mergers and acquisitions in the UK and Ireland. He jointly led the firm's financial services practice in Europe and in 1996 established Goldman Sachs' presence in South Africa. After retiring from Goldman Sachs in 1999, he became Chief Executive of the Commonwealth Development Corporation in the UK. From 2001 to 2008, he was Chairman of Ulster Bank, a subsidiary of Royal Bank of Scotland plc.

Senior Independent Director of United Business Media plc and Chairman of the Economic & Social Research Council.

8. Danuta Gray (56) (British)
B.Sc., M.B.A.
Independent non-executive director since March 2013. Also Chairman of the Remuneration Committee and a member of the Nomination Committee

Chairman of Telefónica O2 in Ireland until December 2012, having previously been its Chief Executive from 2001 to 2010. Prior to that, she was a Senior Vice President for BT Europe in Germany, where she gained experience in sales, marketing, customer service and technology and in leading and changing large businesses. She previously served for seven years on the board of Irish Life and Permanent plc and was also a director of Business in the Community.

Non-executive director of Aldermore Group plc, Aldermore Bank plc, Michael Page International Plc and Paddy Power PLC.

9. Adiba Ighodaro (51) (British)
LL.B., ACCA
Independent non-executive director since January 2014. Also a member of the Group Audit Committee

Joined the Commonwealth Development Corporation (CDC) in 1991, first in London, and later in Lagos, with a remit to establish CDC's Nigerian business. In 1995, her focus moved to the Caribbean as a Senior Investment Executive and Investment Manager, helping to obtain investment for and dispose of some of CDC's interests in Africa and the Caribbean. Later she became CDC's Country Manager for Nigeria. She also became Head of West Africa, with responsibility for building the investment business of its Actis unit across the region. Actis was spun out of CDC in 2004, resulting in her role changing primarily to raising investment funding including for Actis's $3 billion Global Emerging Markets Fund and $1.2 billion Infrastructure Fund.

Partner, Investor Development, at Actis LLP.

10. Reuel Khoza (65) (South African)
Eng. D., M.A., LL.D. (h.c.)
Non-executive director of the Company since January 2006 and Chairman of Nedbank Group since May 2006. Also a member of the Board Risk and Nomination Committees

His previous appointments include Chairmanship of Eskom Holdings Limited and non-executive directorships of Glaxo Wellcome SA, IBM SA, Vodacom, the JSE, JCI, Standard Bank Group and Liberty Life.

Chairman of AKA Capital (Pty) Limited. Non-executive director of Corobrik (Pty) Limited, Nampak Limited and Protea Hospitality Holdings Limited. Fellow and President of the Institute of Directors of South Africa.

11. Roger Marshall (66) (British)
B.Sc. (Econ.), F.C.A.
Independent non-executive director of the Company and Chairman of the Group Audit Committee since August 2010. Also a member of the Board Risk and Remuneration Committees

Former audit partner in PricewaterhouseCoopers, where he led the audit of a number of major groups, including Zurich Financial Services and Lloyds TSB.

Chairman of the Accounting Council, a Director of the Financial Reporting Council and a non-executive director of Genworth Financial's European insurance companies.

12. Nkosana Moyo (63) (Zimbabwean)
Ph.D., M.B.A.
Independent non-executive director since September 2013. Also a member of the Group Audit and Remuneration Committees

Founder of the Mandela Institute for Development Studies ('MINDS'). Vice President and Chief Operating Officer of the African Development Bank from 2009 to 2011. From 2004 to 2009, Managing Partner, based in London, of Actis Capital LLP with responsibility for its African businesses. Associate Director of the International Finance Corporation of the World Bank from 2001 to 2004. Managing Director of Standard Chartered Bank (Zimbabwe) from 1990 to 1995, and later African Regional Head for Corporate Banking of Standard Chartered Bank.

Executive Chairman of MINDS. Member of the boards of the Investment Climate Facility (ICF) and of the Africa Leadership Institute.

13. Nonkululeko Nyembezi-Heita (54) (South African)
B.Sc., M.Sc., M.B.A.
Independent non-executive director of the Company since March 2012. Also a member of the Board Risk and Nomination Committees

Non-executive director of Old Mutual Life Assurance Company (South Africa) Limited from 2010 to 2012, a position she relinquished upon taking up her role at Old Mutual plc. Former Chief Officer of Mergers & Acquisitions for the Vodacom Group and Chief Executive Officer of Alliance Capital. Chief Executive Officer of ArcelorMittal South Africa from 2008 until January 2014.

Chief Executive Officer of Ichor Coal N.V. and non-executive Chairman of JSE Limited.

Vassi Naidoo (59) (South African)
C.A. (SA)

Appointment as a non-executive director of the Company and as successor to Reuel Khoza as Chairman of Nedbank Group announced in January 2015, to take effect in May 2015

Vice Chairman of Deloitte UK from 2009 to 2014. CEO of Deloitte Southern Africa from 1998 to 2006. Member of the Institute of Chartered Accountants in England and Wales and honorary life member of the South African Institute of Chartered Accountants.

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Governance

CORPORATE GOVERNANCE

"Old Mutual continues to view good corporate governance as a vital ingredient in operating a successful business."

Patrick O'Sullivan
Chairman

I am pleased to introduce this Corporate Governance report in which, among other things, we describe the Company's compliance with the UK Corporate Governance Code, explain how the Board and its main standing committees have operated during the past year, and describe how effective stewardship is exercised over the Group's activities in the interests of shareholders and other stakeholders.

Board

Since last year's report, we have recruited two new executive directors to the Board: Ingrid Johnson, who replaced Philip Broadley as Group Finance Director, and Paul Hanratty, who joined the Board as Chief Operating Officer. Both of these appointments took effect in July 2014 and were in line with our continuing objective of having a Board with the diversity of skills, experience, gender and geographical background appropriate to the Group's current and developing business profile.

We have also announced the appointment of Vassi Naidoo as a new non-executive director. He will join the Board on 1 May 2015, ahead of replacing Reuel Khoza as Chairman of Nedbank Group Limited and Nedbank Limited on 11 May 2015.

During 2014, the Board again devoted a significant amount of time to discussing future strategic opportunities for the Group in the UK, Africa and elsewhere. Board meetings were held in Nairobi in January and in Cape Town in December. Areas of particular Board focus this year included Old Mutual Wealth's progress in creating a leading UK retail investment business through its acquisitions of Intrinsic Financial Services, various asset management teams and Quilter Cheviot (the last of which completed in February 2015); the IPO of our US institutional asset management business on the New York Stock Exchange in October; Nedbank's exercise of its subscription rights to acquire 20% of Ecobank Transnational Inc.; Old Mutual Emerging Markets' continuing search for new opportunities in the Rest of Africa; and disposals of a number of Skandia's legacy businesses in continental Europe, including those in Poland, Germany and Austria.

During 2014, in line with one of the action points emerging from last year's Board effectiveness review, each of the non-executive directors was tasked to become more closely acquainted with one of the Group's main businesses and encouraged to attend its board and management meetings and briefings in order to improve insight and understanding at Board level. This has already begun to demonstrate its value and we plan to continue it into the future.

A fuller account of the Board's activities is included in the following pages.

Annual General Meeting (AGM)

Our AGM will be held in London on 14 May 2015. As usual, it will be webcast via our website and there will be an opportunity for shareholders to submit questions beforehand to be dealt with at the meeting. Our shareholder circular relating to the AGM includes further details.

Old Mutual continues to view good corporate governance as a vital ingredient in operating a successful business, while also providing assurance to shareholders, customers and regulators that the Group's businesses are properly managed and controlled.

Patrick O'Sullivan
Chairman

Board focus during 2014

- Major acquisitions and disposals
- Future strategic positioning and development
- Group Finance Director succession
- Board training on aspects of Solvency II
- Monitoring of Group culture and investors' views of the Company.

"We aim to take a holistic approach to governance, with a proactive and effective Board providing the framework for addressing the Group's long-term sustainability."

What is the Company's approach to governance?

We aim to take a holistic approach to governance, with a proactive and effective Board providing the framework for addressing the Group's long-term sustainability.

As the Company's primary listing (known in the UK as a premium listing) is on the London Stock Exchange, this report mainly addresses the matters covered by the UK Corporate Governance Code 2012, but the Company also has appropriate regard to governance expectations in other territories where its shares are listed. The text of the UK Corporate Governance Code 2012 is available on the Financial Reporting Council's website at www.frc.org.uk.

The governance relationship with the Group's majority-owned subsidiary, Nedbank Group Limited (Nedbank), recognises the latter's own governance framework as a separately-listed entity on the JSE Limited and the fact that it has minority shareholders. The Company has a relationship agreement with Nedbank that sets out the Company's requirements and expectations as its majority shareholder. The text of that relationship agreement is available on the Company's website. Nedbank has also adopted the Group Operating Model (described below), subject to certain waivers in acknowledgement of its separately-listed and regulated status, which sits alongside that agreement.

The Group's major South African public subsidiary companies are subject to applicable local governance expectations, including those contained in King III and, for Nedbank, the JSE's listings requirements. In addition, given that the Group has two 'domestically systematically important financial institutions' – Old Mutual Emerging Markets and Nedbank – we are actively considering how we may need to adapt the future governance of our South African operations as South Africa migrates to a 'Twin Peaks' regulation model similar to the UK's.

OM Asset Management plc (OMAM), the Group's US institutional asset manager, is now separately listed on the New York Stock Exchange (NYSE). It is therefore subject to the rules of the US Securities and Exchange Commission, the NYSE listing rules and other requirements applicable to US publicly-listed entities, including those of the Sarbanes-Oxley Act of 2002. OMAM has adopted policies and governance principles that are closely aligned with those set out in the Group Operating Model. In addition, as part of the arrangements leading up to its separate listing, OMAM entered into a shareholders' agreement with Old Mutual plc and OM Group (UK) Limited giving the Group various rights with respect to the management and conduct of OMAM's affairs. A copy of this agreement is available on the Company's website.

Objectives of our Group Operating Model (GOM)

Our GOM is based on a 'strategic controller' model steered from our Head Office. Its objectives are:

- To establish clear principles of delegation and escalation designed to provide appropriate levels of assurance about the control environment, while retaining flexibility for our businesses to operate efficiently
- To set out a clear and comprehensive governance framework – with appropriate procedures, systems and controls – facilitating the satisfactory discharge of the duties and obligations of regulated firms, directors and employees within the Group
- To articulate clearly what Old Mutual plc (as shareholder) expects from business unit boards when exercising their powers as set out in their respective constitutions
- To take due account of the regulatory requirement that boards of regulated entities maintain proper controls over the affairs of their respective businesses
- To protect the interests of the Group's various stakeholders, including its shareholders, creditors, policyholders and customers.

How the GOM operates

Under the GOM (and the arrangements with Nedbank and OMAM mentioned above), the Company appoints up to three members of senior Group executive management as non-executive directors on the boards of its major subsidiaries to ensure transparent communication of information in both directions. The boards of Old Mutual Wealth, Nedbank Group Limited and Old Mutual Emerging Markets are independently regulated and have a majority of independent directors. The major subsidiaries also have their own Audit, Risk and Remuneration Committees.

The major businesses hold quarterly business reviews with the Company, to monitor their performance and prospects against a wide spectrum of criteria. These arrangements sit alongside the submission of detailed monthly financial reports and communication of risk and internal audit information through each of the latter's functional lines.

The GOM also incorporates the 'three lines of defence' principles, assigning roles and responsibilities under three categories: acceptors of risk, overseers of the risks being taken, and independent reviewers and reporters of risk.

CORPORATE GOVERNANCE
continued

Nationality of Board members

African	38%
UK & Europe	54%
US	8%

Tenure of the non-executive directors (including the Chairman) at 31 December 2014

<12 months	18%
1-2 years	27%
2-3 years	9%
3-6 years	37%
> 6 years	9%

Note: In the first chart above, Paul Hanratty is treated as Zimbabwean.

Has the Company complied with the UK Corporate Governance Code?

Throughout the year ended 31 December 2014 and in the preparation of this Annual Report and Accounts, the Company has complied with the main and supporting principles and provisions set out in the UK Corporate Governance Code 2012 applicable to that period, as described in more detail in the following sections of this report. Certain changes to the Code applicable to years beginning on or after 1 October 2014 will be addressed in next year's Corporate Governance report.

The Company's compliance with the provisions of the UK Corporate Governance Code 2012, and the statement relating to the going concern basis adopted in preparing the financial statements set out at the end of this section of this Report, have been reviewed by the Company's auditors, KPMG LLP, in accordance with guidance published by the UK Auditing Practices Board.

Who serves on the Board and how does it operate?

Old Mutual's Board currently has 13 members, three of whom are executive and 10 of whom (including the Chairman) are non-executive. The following changes to the Board's membership took place during 2014:

- Zoe Cruz and Adiba Ighodaro joined the Board as non-executive directors on 6 January 2014
- Bongani Nqwababa ceased to be a non-executive director on 6 January 2014
- Paul Hanratty joined the Board as Chief Operating Officer on 1 July 2014
- Ingrid Johnson joined the Board as Group Finance Director on 1 July 2014
- Philip Broadley, the former Group Finance Director, ceased to be a director on 31 August 2014.

The table below sets out the Board's continuing membership in more detail and in order of original appointment.

The Board's current membership

Role	Name and nationality	Date of original appointment to the Board	Date current term ends, where applicable	Current term as director, where applicable
Group Chief Executive	Julian Roberts (British)	August 2000		
Non-executive director	Reuel Khoza (SA)	January 2006	May 2015	3rd (final year)
Non-executive director	Mike Arnold (British)	Sept 2009	September 2015[1]	2nd
Chairman	Patrick O'Sullivan (Irish)	January 2010	January 2016[1]	2nd
Non-executive director	Roger Marshall (British)	August 2010	August 2016[1]	2nd
Senior Independent Director	Alan Gillespie (British)	November 2010	November 2016[1]	2nd
Non-executive director	Nonkululeko Nyembezi-Heita (SA)	March 2012	March 2015[2]	1st
Non-executive director	Danuta Gray (British)	March 2013	March 2016	1st
Non-executive director	Nkosana Moyo (Zim)	Sept 2013	September 2016	1st
Non-executive director	Zoe Cruz (US)	January 2014	January 2017	1st
Non-executive director	Adiba Ighodaro (British)	January 2014	January 2017	1st
Chief Operating Officer	Paul Hanratty (Zim/Irish)	July 2014		
Group Finance Director	Ingrid Johnson (SA)	July 2014		

1 See also the Board succession plan details on page 88 below
2 Extended in February 2015, for a further three years, to March 2018

> "The Board's role is to exercise stewardship of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed."

For a description of how people are selected to join the Board, see the Report from the Nomination Committee later in this report.

What is the Board's role and how does it operate?

The Board's role is to exercise stewardship of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board sets the Company's strategic aims, based on recommendations made by the Group Chief Executive, reviews whether the necessary financial and human resources are in place for it to meet its objectives, and monitors management performance. It is kept informed about major developments affecting the Group through the Group Chief Executive's and Group Finance's monthly reports and holds regular sessions to discuss high-level strategic matters. The Group Operating Model identifies the matters that are specifically reserved for Board decision and protocols governing escalation of issues to it and delegation of powers from it, to ensure clear allocation of responsibility for decision-making.

In accordance with the Group Operating Model, the Board has delegated its executive powers to the Group Chief Executive, with power to sub-delegate, and also to the Approvals Committee. In his co-ordination and stewardship of the Group, the Group Chief Executive is supported by the Group Executive Committee, a consultative management committee whose current members are described elsewhere in this Annual Report. The Board has also delegated specific responsibilities to Board committees, as described in more detail under the heading 'What are the standing Board Committees and what did they do during 2014?' later in this report.

In addition to its interaction with the three executive directors, the Board interacts with the other senior executive management (including the most senior executives of the Group's main business units) through their periodic participation in Board meetings, other briefing sessions, and Board visits to the Group's main business centres. The Board also receives minutes of the proceedings of the Group Executive Committee, to help keep it informed about the discussions taking place between the Group Chief Executive and the heads of the Group's main businesses and of Group central functions such as Risk, Strategy, Responsible Business and Human Resources.

The executive element of the Board is balanced by an independent group of non-executive directors. The Board as a whole approves the strategic direction of the Group,

Board and Committees

The Board
Sets the Company's strategic aims, reviews whether the necessary financial and human resources are in place for it to meet its objectives, and monitors management performance.

Board Committees

Group Audit Committee
Monitors the integrity of the Group's financial statements.

Board Risk Committee
Oversees the current and emerging risk environment affecting the Group.

Nomination Committee
Manages Board and senior executive appointments and succession plans.

Remuneration Committee
Oversees executive director and senior management remuneration.

Executive Committees

Group Executive Committee
Supports the Group Chief Executive as a senior executive forum.

Group Executive Risk Committee
Oversees risk from an executive perspective.

Group Capital Management Committee
Reviews and approves major capital expenditure.

Responsible Business Committee
Oversees the Group's profile and initiatives in the area of Responsible Business.

Approvals Committee
Provides approvals for matters delegated to it by the Board.

Key roles and responsibilities

Chairman

- Leading the Board
- Ensuring the Board's effectiveness and setting its agenda
- Ensuring that the directors receive accurate, timely and clear information, and adequate time is available for discussion of all agenda items
- Ensuring effective communication with shareholders
- Promoting a culture of openness and debate
- Ensuring constructive relationships between the executive and non-executive directors.

Group Chief Executive

- Defining, creating and implementing strategy and objectives
- Developing manageable goals and priorities
- Leading and motivating the management teams
- Developing proposals to present to the Board on all areas reserved for its judgement
- Developing Group policies for approval by the Board and ensuring their implementation
- Promoting the Group's culture.

scrutinises management's performance against agreed goals and objectives, and monitors performance reporting. Procedures are in place to help Board members satisfy themselves about the integrity of the Group's financial information and to ensure that financial controls and systems of risk management are robust and sustainable.

Separately from the formal Board meeting schedule, the Chairman meets with the non-executive directors, with no executives present, to provide a forum where any issues can be raised. He also conducts an annual one-to-one performance evaluation of each of the non-executive directors, and any resulting action points are reported to the Nomination Committee.

The Company also facilitates informal meetings among the non-executive directors, without the Chairman or any executive present. These meetings include the annual review of the Chairman's own performance – led by the Senior Independent Director, who also obtains whatever input he considers appropriate from the executive directors and the facilitator of the Board effectiveness review.

The assignment of responsibilities between the Chairman Patrick O'Sullivan and the Group Chief Executive Julian Roberts is documented to ensure a clear division between running the Board and executive responsibility for running the Company's business. Further details of the respective roles and responsibilities of our Chairman and Group Chief Executive are set out in the boxes on the left of this page.

Other than in exceptional circumstances, non-executive directors (including the Chairman) serve a maximum of nine years in office. This maximum period consists of two three-year terms, followed by up to three further one-year terms. Renewal of non-executive directors' engagements for successive terms is not automatic and the continued suitability of each non-executive director is assessed by the Nomination Committee before their appointment is renewed.

What was the directors' attendance record during 2014?

The table below sets out the number of meetings held and individual directors' attendance at meetings of the Board and its principal committees (based on membership of those committees, rather than attendance as an invitee) during 2014.

Attendance record	Board (scheduled and ad hoc)	Group Audit Committee	Board Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	12	7	9	8	10
Mike Arnold	11/12	7/7	9/9	–	–
Zoe Cruz	12/12	–	8/9	8/8	–
Alan Gillespie	11/12	–	–	8/8	10/10
Danuta Gray	11/12	3/4	–	8/8	10/10
Paul Hanratty	7/7	–	–	–	–
Adiba Ighodaro	11/12	7/7	–	–	–
Ingrid Johnson	7/7	–	–	–	–
Reuel Khoza	11/12	–	5/9	–	9/10
Roger Marshall	12/12	7/7	9/9	7/8	–
Nkosana Moyo	10/12	6/7	–	7/8	–
Nonkululeko Nyembezi-Heita	10/12	–	8/9	–	9/10
Patrick O'Sullivan	12/12	–	–	–	10/10
Julian Roberts	12/12	–	–	–	8/8
Former director					
Philip Broadley	7/7	–	–	–	–

What did the Board do during 2014?

The Chairman's introduction to this report describes some of the main matters that the Board addressed during the year. In addition to those and to the regular updates that the Board received on the Group's results, the Group Chief Executive's report on recent significant developments and major projects around the Group, and reports from Board committee chairmen, the following table sets out the Board's other activities at its principal scheduled meetings during the year.

Board meetings in 2014

Date of meeting	Location	Principal topics covered	
January	Nairobi	■ Presentation on the economic environment and opportunities for the Group in East Africa (see also the separate feature on this meeting at the top of the next page) ■ Pre year-end review of results and the Annual Report and Accounts for 2013	■ Presentation on possible strategic actions and their effects on Group cash, including discussion about the potential IPO of the Group's US institutional asset management business ■ Annual review and clearance of directors' conflicts of interest.
February	London	■ Presentation by the Chief Executive of Old Mutual Wealth on the Old Mutual Wealth business and its plans to become a leading vertically-integrated UK retail wealth manager ■ Update on strategic projects ■ Feedback from the annual independent survey of investors' views on the Group	■ Approval of the preliminary results for 2013 ■ Approval of the Annual Report and Accounts and the Responsible Business Report for 2013 ■ Recommendation of the final dividend for 2013 ■ Feedback by the Senior Independent Director from his annual review of the Chairman.
May	London	■ Presentation by the Nedbank Group Chief Executive on Nedbank, including discussion of its subscription rights in Ecobank Transnational Inc. ■ Approval for Old Mutual Emerging Markets to increase its stake in Old Mutual Finance	■ Update on preparations for the IPO of the Group's US institutional asset management business ■ Approval to renew the Company's £800 million revolving credit facility ■ Approval of the Q1 Interim Management Statement.
July	Offsite, UK	■ Discussion of various topics relevant to the Group's future strategy and vision ■ Presentation by the Chief Risk Officer on the Group's draft Own Risk and Solvency Assessment	■ Presentation and discussion on the possible acquisition by Old Mutual Wealth of Quilter Cheviot ■ Discussion of Group governance arrangements.
August	London	■ Update on various strategic projects ■ Approval of the interim results for 2014 ■ Declaration of an interim dividend	■ Briefings by Group HR on the latest executive talent review and results of the Group culture survey for 2014.
September	London	■ Update on plans for the IPO of the Group's US institutional asset management business and on various other strategic initiatives	■ Presentation on Group capital.
November	London and by telephone	■ Approval of the Q3 Interim Management Statement	■ Update on strategic opportunities in the Rest of Africa.
December	OMEM's and Nedbank's premises in Cape Town	■ Presentations by Old Mutual Emerging Markets, Old Mutual Investment Group, Nedbank and the Property & Casualty business unit on their respective business and strategy plans for 2015–2017 ■ Briefings on the economic outlook for South Africa and the Group's cash and capital position ■ Review of the draft Group business plan for 2015–2017	■ Update on strategic projects, and presentations by internal and external speakers on various topics identified at the Board's offsite strategy session in July ■ Discussion of governance structures for the Group's South African businesses in the context of the migration of South African regulatory oversight to a 'Twin Peaks' model ■ Annual review of Board Committee memberships.

CORPORATE GOVERNANCE
continued

"The Board continues to review the progress made by the Group in expanding in the Rest of Africa."

Board visit to Nairobi

During their visit to Nairobi in January 2014, members of the Board received presentations and participated in discussions on:

- The macro-economic outlook for Kenya and the neighbouring region, as described by a local investment expert
- Kenya Vision 2030, presented by a local academic
- Progress made by the Group in the Rest of Africa and Kenya in particular, along with further opportunities for the future, as described by the Head of Africa and local management from the Group's Kenyan operations.

On the evening of 30 January, the Board joined management of Old Mutual's businesses in Kenya at a social event attended by local politicians, regulators, customers and media representatives, which provided a very useful opportunity to meet and interact with them.

We were grateful to SafariCom, Heineken, Uchumi and the Nairobi Stock Exchange, whose management kindly met with teams from the Board to provide more detailed insight into various aspects of doing business in Kenya.

Are the non-executive directors independent?

Of the nine current non-executive directors, excluding the Chairman, the Board considers eight to be independent within the criteria set out in the UK Corporate Governance Code; that is, they are independent in character and judgement and have no relationships or circumstances which are likely to affect their judgement, or could appear to affect it. These eight are: Mike Arnold, Zoe Cruz, Alan Gillespie, Danuta Gray, Adiba Ighodaro, Roger Marshall, Nkosana Moyo and Nonkululeko Nyembezi-Heita.

The other non-executive director, Reuel Khoza, is not considered independent for two reasons. He chairs the Group's majority-owned subsidiary, Nedbank Group Limited, and there are business relationships between Nedbank and Aka Capital, in which he owns a stake. In May 2015, he will be succeeded by Vassi Naidoo, the incoming Chairman of Nedbank Group Limited. The Board has determined that it will also be appropriate to classify Vassi Naidoo as non-independent for governance purposes in view of his role at Nedbank.

Who is the Senior Independent Director?

Alan Gillespie has been the Senior Independent Director since May 2011. The Senior Independent Director is available to shareholders if they have concerns that are unresolved after contact through the normal channels of the Chairman, Group Chief Executive or Group Finance Director or where such contact would not be appropriate. The Senior Independent Director's contact details can be obtained from the Group Company Secretary: martin.murray@omg.co.uk.

Are directors required to hold shares in the Company and what are their current interests?

The Remuneration Committee has established guidelines on shareholdings by executive directors of the Company. Under these, the Group Chief Executive is expected to build up a holding of shares in the Company equal in value to at least 200% of his annual base salary within five years of appointment. For other executive directors the requirement is 150% of annual base salary within five years of appointment. Julian Roberts and Paul Hanratty both have shareholdings in excess of these requirements, while Ingrid Johnson, having only recently joined the Company from Nedbank, has not yet begun to build up her shareholding.

The Board has considered adopting a shareholding requirement for non-executive directors, but does not believe a formal requirement is appropriate. Instead, it decided during 2014 to encourage non-executive directors to build up holdings equal to 50% of their annual base fees within 12 months after appointment and to increase this over time to 100% of their annual base fees. The target for the Chairman was set at 50% of his annual base fee, to be achieved over time. The Company has arranged through its UK share registrar, Equiniti, to facilitate periodic purchases of shares in the Company on behalf of eligible non-executive directors out of their net fees: two of them are currently using this facility.

Details of directors' interests (including interests of their connected persons) in the share capital of the Company and its quoted subsidiaries, Nedbank Group Limited and OM Asset Management plc, at the beginning and end of 2014 are set out in the table at the foot of this page. The interests of the executive directors in share options and forfeitable shares awards are described in the section of the Directors' Remuneration Report entitled 'Directors' shareholdings and share interests'. There were no changes to any of the interests between 31 December 2014 and 27 February 2015.

How are directors' conflicts of interest managed?

Processes are in place for any potential conflicts of interest to be disclosed and for directors to avoid participation in any decisions where they may have any such conflict or potential conflict. The Nomination Committee considers other significant commitments or external interests of potential appointees as part of the selection process and discloses them to the Board when recommending an appointment. Non-executive directors are required to inform the Board of any subsequent changes to such commitments, which must be pre-cleared with the Chairman if material.

The Company's procedures for dealing with directors' conflicts of interest continued to operate effectively during 2014 and no director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Additional details of various non-material transactions between the directors and the Group are reported on an aggregated basis, along with other transactions by senior managers of the Group, in Note H3 to the financial statements.

The executive directors are permitted to hold and retain, for their own benefit, fees from one external (non-Group) non-executive directorship of another listed company (but not a chairmanship), subject to prior clearance by the Board and provided the directorship concerned is not in conflict or potential conflict with any of the Group's businesses. None of the executive directors currently holds any external non-executive directorships of other publicly quoted companies.

Has the Company granted indemnities to its directors?

In accordance with the Company's Articles of Association, each director is granted an indemnity by the Company in respect of liabilities incurred as a result of their office, to the extent permitted by UK law. The Company has entered into formal deeds of indemnity in favour of each of the directors. A specimen copy of the indemnities is available in the Corporate Governance section of the Company's website.

The indemnities described above were in force throughout 2014 and have remained so up to the date of this report. In respect of those liabilities for which directors may not be indemnified, the Company maintains directors' and officers' liability insurance.

Leadership and effectiveness

What is the Company's approach to ensuring diversity?

We recognise that success in delivering the Group's strategy depends on ensuring a suitable talent pipeline throughout the Group and maintaining effective HR practices to attract, retain and develop appropriately skilled employees, senior managers and executives.

Each business is required to develop an environment that promotes the benefits of equal opportunities and diversity, reflecting the diversity of the markets in which we operate. Selection of both Board members and employees is based on objective criteria to ensure that we have the correct mix of skills, experience and knowledge to reflect the customers and communities we serve and aim to serve. Recruitment, promotion, selection for training and other aspects of employee management are free from discrimination – including on grounds of gender, race, disability, age, marital status, sexual orientation and religious belief. For our business units in South Africa, these imperatives have to be balanced against their Black Economic Empowerment requirements.

Directors' interests

	At 31 December 2014			At 31 December 2013	
	Old Mutual plc ordinary shares	Nedbank Group Limited shares	OM Asset Management plc shares	Old Mutual plc ordinary shares	Nedbank Group Limited shares
Mike Arnold	26,475	–	–	11,134	–
Zoe Cruz	–	–	–		
Alan Gillespie	13,000	–	–	–	–
Danuta Gray	14,175	–	–	–	–
Paul Hanratty	824,547[1]	–	–		
Adiba Ighodaro	–	–	–		
Ingrid Johnson	–	22,913[2]	–		
Reuel Khoza	3,566	14,774	–	–	14,774
Roger Marshall	45,000	–	–	45,000	–
Nkosana Moyo	10,000	–	–	10,000	–
Nonkululeko Nyembezi-Heita	3,566	–	–	–	–
Patrick O'Sullivan	100,000	–	–	91,319	–
Julian Roberts	2,014,303[1]	–	–	1,965,397[1]	–
Former director					
Philip Broadley (resigned 31 August 2014)				513,434[1]	–

[1] These figures do not include rights to forfeitable shares that have not yet vested, which are described in the Directors' Remuneration Report
[2] These shares are currently held under the terms of the Nedbank Compulsory Bonus Share Scheme and the Nedbank Voluntary Bonus Scheme

In addition, we aim to maintain an inclusive culture that is sensitive to employees' needs. We make appropriate adjustments for disabled employees as required, and endeavour to provide training and career development opportunities for all. Some examples of these principles in action can be found in the 'Meet our People' section of our website.

The changes to the Board during 2014 mean that we remain comfortably ahead of our diversity target of three female members by the end of 2015. With the appointments of Zoe Cruz and Adiba Ighodaro in January 2014 and of Ingrid Johnson in July 2014, female membership of our Board has risen to 38% (five out of 13). We also now have 27% female membership of the Group Executive Committee, with the appointments of Ingrid Johnson and Gail Klintworth during the year.

More generally, we remain committed to improving our diversity and continue to strive towards the targets for 2018 that we set in 2013 – see the diagrams below. Initiatives to address these targets are described in our Responsible Business Report.

How do we ensure that Board members have the right knowledge to discharge their duties?

The composition of and succession plans for the Board are formally considered at least annually. We have developed a skills and industry experience matrix to help the Board assess the composition profiles of the Group and major subsidiary boards. Similarly the Nomination Committee discusses talent and succession plans for the Group and business unit Executive Committees twice a year.

At Company level, each new Board member is required to complete a structured induction programme, which involves a commitment to spend additional time on familiarising themselves with the Group during their first year. The induction programme has been revised this year and includes the role and expectations of a non-executive director, Group strategy and business unit awareness, business performance and financial management, governance and compliance, and audit. Each new member also completes a behavioural and psychometric assessment to provide awareness of their interpersonal preferences and how these relate to the rest of the Board. This feedback is available to the Chairman, to help him ensure that all members can participate fully in Board discussions.

"We recognise that success in delivering the Group's strategy depends on ensuring a suitable talent pipeline throughout the Group and maintaining effective HR practices to attract, retain and develop appropriately skilled employees, senior managers and executives."

Group Board gender split

Female	5	38%
Male	8	62%

2018 Target = >30% female

Group Executive Committee gender split

Female	3	27%
Male	8	73%

2018 Target = 30% female

Key roles[1] gender split

Female	19	17%
Male	94	83%

2018 Target = 30% female

1 Top 113 positions around the Group, at 31 December 2014

Gender split of permanent staff across the Group

Female	33,569	58%
Male	23,866	42%

At 31 December 2014

Induction of new non-executive directors

The Company has a structured and comprehensive induction programme for new non-executive directors, which is designed to enable new appointees to the Board to familiarise themselves with the Group's operations, financial affairs and strategic position so that they can make an effective contribution as soon as possible after they have joined the Board.

This programme includes sessions with the heads of each of the Group's major businesses, functional heads and the Company's auditors and external legal advisers.

Training sessions for the Board in 2014 focused principally on how the introduction of Solvency II was likely to impact on the Group.

How is the performance of the Board and its committees reviewed?

Performance reviews of the Board and its standing committees are conducted annually. They are carried out by an external expert at least every three years in line with the UK Corporate Governance Code.

Under its current Chairman, the Board has invested a significant amount of effort in understanding its effectiveness through both internally and externally facilitated reviews. The table below shows the history of such reviews since 2009.

Actions taken during 2014 as a result of the 2013 Board effectiveness review included:

- Establishment of a special purpose Governance Review Committee to consider governance interaction and the assignment of responsibilities between Old Mutual plc's Board and the principal subsidiary boards, with particular focus on the Group's South African operations. After reporting its recommendations to the Board, the Governance Review Committee's responsibilities were assumed by the Nomination Committee later in the year
- Alignment of non-executive directors to a business unit to develop knowledge of the business unit's risks and issues and its executive capability
- Engagement of Board Intelligence to review and provide recommendations on how Board information flows and Board agendas might best be structured.

The formal Board effectiveness review for 2014 was conducted through an external facilitator, Helen Pitcher of Advanced Board Excellence. Advanced Board Excellence is independent of the Company and has no other relationship with the Group. Given the review findings and focus areas over the past three years, the recent changes in Board composition and the review work already undertaken, this year's evaluation focused on:

- Achieving effective outcomes and Board dynamics, with particular emphasis on the quality of the Board's discussions and decision-making and how the Board works together
- Use of time and the Board's focus
- Effectiveness assessments of the individual directors, including evaluation of their maintenance and development of knowledge of the financial services industry and the Group's businesses.

History of Board effectiveness reviews

Agreed effectiveness improvements and Board development facilitated both internally and externally

2009	2010	2011	2012	2013	2014
Led by **KornFerry**	Detailed questionnaire supplemented by 1:1 interviews	Led by Helen Pitcher of **IDDAS**, and including a Governance and Compliance Report and Board Dynamics Review	Detailed questionnaire supplemented by 1:1 interviews	Board profile updated and discussions took place with **IDDAS** on the 2012 review findings	Board Governance Review (internally led with external input)
		Board profile reviewed and shared	**IDDAS** compared the findings from this to 2011 outputs and commented on where progress had been achieved	Board Risk Committee effectiveness review	Board profile updated (by Helen Pitcher of **Advanced Board Excellence**) and reviewed with the Chairman
				Board culture survey	**Board Intelligence** reviewed and made recommendations for improvements to Board information packs
				Short questionnaire focused on progress against the action plan and Board Values. Supplemented by 1:1 interviews	Full Board effectiveness review led by Helen Pitcher of **Advanced Board Excellence**

- External facilitation
- Internal facilitation
- Internal and external facilitation

CORPORATE GOVERNANCE
continued

"The Board has invested a significant amount of effort in understanding its effectiveness through both internally and externally facilitated reviews."

The review for 2014 included thorough one-to-one interviews with each Board member and others who regularly interact with the Board and its standing committees. The results were collated and reported back to the Board in February 2015.

The externally facilitated review concluded that:

- The Board and its committees had operated satisfactorily during the year, with a generally appropriate mix of skills represented on each of them and good levels of information and discussion, well led by their respective chairmen
- Areas for future development included a desire for more focus on succession planning, resolving the future governance structure for the Group's South African businesses, and continuing to refine and sharpen the communication of Board information.

In line with recommendations arising from the 2014 review, the Nomination Committee will in future be known as the Nomination and Governance Committee, with a correspondingly wider remit.

Focus areas in 2014 arising from the previous year's Board effectiveness review

Governance and oversight

- Conduct a review of Group governance
- Establish closer links to boards of major subsidiaries.

Vision and business unit insights

- Develop a shared understanding and agreement about the vision for the Group over the next five years
- Increase knowledge of business units:
  a) Chairmen of the Board's standing committees to get to know their counterparts on subsidiary committees better and involve themselves more in the major issues being dealt with at that level
  b) Other non-executive directors to spend some time outside Board meetings concentrating on a particular business to understand it better
- Improve induction processes for new non-executive directors to include business orientation and stakeholder connections.

Board time allocation

- Review Board and Board committee agendas:
  a) Ensure balance of time is appropriate against Group priorities
  b) Ensure adequate time at Board meetings for committee chairmen to report to the full Board
  c) Arrange, as opportunities allow, meetings between non-executive directors at Group and major subsidiary levels.

"The Board has a number of important standing committees which assist it in discharging its duties."

What are the Board's standing committees and what did they do during 2014?

The Board has a number of important standing committees to which various matters are delegated in line with their terms of reference.

After the significant changes to Board committee memberships at the start of 2014, as described in last year's Corporate Governance report, no further changes were made as a result of the annual review of such memberships that took place towards the end of 2014. Julian Roberts had already stepped down as a member of the Nomination Committee during the year in order to ensure that its members comprised a majority of independent non-executive directors, in line with the UK Corporate Governance Code.

Current memberships of the Board's main standing committees are as follows:

Group Audit Committee
Roger Marshall (Chairman) (since 2010)
Mike Arnold (since 2009)
Adiba Ighodaro (since January 2014)
Nkosana Moyo (since January 2014)

Other members of the committee during the year: Bongani Nqwababa (2007 to January 2014), Alan Gillespie (2010 to January 2014), Danuta Gray (2013 to May 2014)

Secretary to the committee: Martin Murray (since 1999)

Board Risk Committee
Mike Arnold (Chairman) (since 2010)
Zoe Cruz (since January 2014)
Reuel Khoza (since 2010)
Roger Marshall (since 2010)
Nonkululeko Nyembezi-Heita (since 2013)

Other members of the committee during the year: Philip Broadley (2010 to January 2014), Nkosana Moyo (2013 to January 2014)

Secretary to the committee: Colin Campbell (since 2012)

Nomination Committee
Patrick O'Sullivan (Chairman) (since 2010)
Alan Gillespie (since 2010)
Danuta Gray (since 2013)
Reuel Khoza (since 2010)
Nonkululeko Nyembezi-Heita (since 2013)

Other members of the committee during the year: Mike Arnold (2010 to January 2014), Bongani Nqwababa (2010 to January 2014), Roger Marshall (2010 to January 2014), Nkosana Moyo (2013 to January 2014), Julian Roberts (2008 to November 2014)

Secretary to the committee: Martin Murray (since 1999)

Remuneration Committee
For details of the Remuneration Committee, see the Directors' Remuneration Report.

Vassi Naidoo, who will be joining the Company's Board as a non-executive director when he replaces Reuel Khoza as Chairman of Nedbank in May 2015, will also succeed to the former's memberships of the Board Risk and Nomination Committees at that time.

Other committees

The Board establishes special purpose committees as required, to deal with particular strategic projects or other matters. In doing so, it specifies a remit, quorum and appropriate mix of executive and non-executive participation. During 2014, these included a committee to oversee the detailed implementation of the IPO of the Group's US institutional asset management business on the New York Stock Exchange.

A number of standing executive committees help the Group Chief Executive with the day-to-day management of the Group. These include the Group Executive Committee mentioned earlier in this report; the Group Executive Risk Committee, whose responsibilities are described in the Risk and Capital Management report earlier in this document; and the Group Capital Management Committee, whose role is, among other things, to agree capital allocations within certain limits (or make recommendations to the Board regarding any allocations beyond such limits) and to approve the Group's capital plan as part of the annual business planning process.

The Company also operates a Responsible Business Committee, which monitors progress against the Group's commitment to responsible business principles and addresses matters that could impact on the Group's reputation or licence to operate. For more details on this committee's remit, see the Responsible Business Report for 2014 on the Company's website.

Reports from the Board's standing committees

The following reports on the activities of the Group Audit, Board Risk and Nomination Committees during 2014 have been submitted by their respective Chairmen. The activities of the Remuneration Committee are described in the Directors' Remuneration Report later in this document.

Report from the Group Audit Committee

Roger Marshall
Chairman of the Group Audit Committee

The Group Audit Committee met seven times during 2014. Two meetings were held partly as joint sessions with members of the Board Risk Committee to discuss matters of mutual interest. Set out below is a summary of areas of focus during the year, in addition to the committee's usual oversight responsibilities, which are described in the table on page 86.

Audit Committee focus area	How the matter was reviewed
Assumptions related to policyholder liabilities recognised by the Group's insurance businesses **The Group recognised insurance policyholder liabilities of £10,519m at 31 December 2014 (2013: £12,126m). Estimation of these routinely involves assessment of risk exposures, expense allocations and business persistency.**	The Group Chief Actuary confirmed that appropriate valuation models had been used to determine the value of policyholder liabilities. This included the presentation of results from experience and assumption validation reviews. In areas where significant assumption changes were proposed, the rationale for these changes was explained to the committee. There was a focus on persistency and mortality assumption changes proposed for the South African long-term business, with specific emphasis on the changes in mortality assumptions relating to HIV in the Mass Foundation business. Explicit discretionary reserves recognised by Old Mutual South Africa (OMSA) were discussed. Particular focus was placed on the methodology and assumptions used to create the Investment Guarantee Reserve, which is a significant portion of the explicit discretionary margins that relate to amounts due to policyholders under participating contracts. The committee reviewed the composition of and rationale for holding these reserves, which continue to be less than 2% of OMSA's total policyholder liabilities.
Tax provisions and uncertainties related to open tax assessments **The complexity of the Old Mutual Group means that it pays tax in a wide range of geographies across a diverse product set. In addition, the tax assessment process in some countries means that tax computations can remain open for a number of years after filing.** **The Group holds provisions of £200m (2013: £202m) to cater for these uncertainties.**	The committee received reports from Group and local tax departments to assist it with its consideration of existing tax positions in the context of identified exposures, focusing on areas where there were material issues under discussion between the Group and tax authorities. This included reviewing the merits of the respective positions taken on these and reflecting on external professional advice obtained by management to support the views taken by the Group. There are a number of open tax computations in South Africa. Progress was made during 2014 in closing outstanding computations; however, a number of issues remain under discussion with the tax authorities, and these items received specific focus. The committee concluded that management had applied sufficient rigour in the analysis of the level of provisions required and satisfied itself with the adequacy of the disclosures that had been made in respect of these items. The relevant disclosures are set out under 'Contingent liabilities' in Note H4 to the financial statements.
Loan loss provisions **Loan loss provisioning requires the assessment of recoverable amounts, which requires judgement in the estimation of future payments.** **At 31 December 2014, the Group's total advances were £35,588m, with related provisions of £731m (2013: £34,240m and £657m). Loans outstanding are principally from Nedbank.**	The committee considered management information related to specific areas such as unsecured lending in Nedbank and Old Mutual Finance and Nedbank's large exposure watchlists. It also received updates on improvements to the provisioning methodology in Old Mutual Finance. Management presented an assessment of the compliance of the provisioning methodologies with accounting standards. Trends and peer analysis of credit collection and loan loss ratios were considered. Local governance structures provide assurance on the adequacy of loan loss provisioning and key matters arising were routinely highlighted in discussions with local Audit Committee chairmen.

Audit Committee focus area (continued)

Goodwill and other intangible assets

Developing models to support the carrying value of goodwill and other intangible assets requires judgement in setting assumptions, such as discount and growth rates and in determining the Group's 'Cash Generating Units'.

At 31 December 2014, the Group recognised £2,763m in relation to these assets (2013: £2,835m).

How the matter was reviewed

A detailed paper was presented at the committee's meeting in November 2014 outlining the forecasts used for determining cash flows, the basis of the assumptions used (including any changes from previous years), headroom available and the sensitivity of the impairment-testing results to changes in assumptions.

The committee validated the underlying assumptions through its discussion of the analysis presented. In view of business closures, acquisitions and disposals, there was also specific discussion of the appropriateness of the Cash Generating Units applied by the Old Mutual Wealth and Old Mutual Emerging Markets businesses.

A more detailed review of the carrying value of the goodwill and other intangibles relating to Old Mutual Wealth was performed because of the significance of balances recognised of £1,197m at 31 December 2014 (2013: £1,461m) and the recent changes in the composition of the business.

The committee concluded that the projected future cash flows from all the businesses supported the current carrying value of goodwill and intangible assets.

How our audit tender was conducted

Invitations to tender were issued to six international audit firms, three of whom (including the incumbent, KPMG) opted to participate in the process. All of the participating firms submitted comprehensive local proposals of a very high standard to local review committees. Feedback from the local review process was then submitted to the Group Audit Committee before final presentations were made to it. In evaluating the three tendering firms, the primary focus was on audit quality, giving specific consideration to:

- Audit approach and delivery
- Audit firm capability and understanding of the Group's business
- Audit engagement team quality
- Insight into future developments likely to affect the Group's business
- Reputation, culture and firms' and individuals' quality of past working experience
- Independence.

The tender process was completed during the third quarter of 2014. The Group Audit Committee's decision to recommend to the Board the retention of KPMG was taken after a roundtable discussion with representatives from each of the Group's major businesses. The committee also sought input from the Board Risk Committee before making its final recommendation to the Board.

Alternative profit measure

The Group makes a number of adjustments to IFRS profit to derive an Adjusted Operating Profit (AOP) measure. This is common practice amongst peers. Some of these eliminate IFRS valuations that introduce distorting results, such as recognising gains or losses on own debt or the removal of profits and losses on disposal of businesses. Other adjustments seek to adjust the IFRS result in order to arrive at more normalised profit by, for example, substituting a Long-Term Investment Return for the actual investment returns for the year, and adjusting the IFRS finance cost so that it reflects the certain costs of financing otherwise recognised in equity. The committee reviews the appropriateness of the AOP measure on an ongoing basis. It also reviews the Long-Term Investment Return rate annually. The committee seeks to validate that the adjustments made in determining AOP are appropriate to the objective of presenting a measure of the long-term profitability of the business to users of the financial statements.

Audit tender outcome

Last year, we indicated our intention to carry out a tender for the Group's external audit during 2014. The decision to run the tender process in 2014 was influenced by the requirement under UK Competition Commission rules to tender the engagement by 2016. In addition, recent European Parliament guidance will require the rotation of the Group's external auditors by no later than 2023. By running the tender in 2014, we ensured that any new appointee would have had time to take the necessary preparatory steps to achieve independence and allow for an orderly transition from the incumbent, KPMG.

The Group Audit Committee recommended that the Board retain KPMG as the Group's external auditors from 2016 onwards, subject to the usual annual shareholder approval of their re-appointment at forthcoming AGMs. The Board duly accepted this recommendation.

We believe that the audit tender (further details of which are set out in the box on the left of this page) was a worthwhile exercise, and the Group expects to achieve a number of improvements to our audit service as a result.

External auditor effectiveness

During the year, the Group's Internal Audit function conducted the annual review of KPMG's effectiveness as our current auditors and confirmed satisfaction with the quality of the audit. The review analysed critical competencies expected of our external auditors and included feedback from key finance personnel from Group and subsidiary entities and Audit Committee members at subsidiaries and Group level. This review was performed during the first quarter of 2014 and was independent of the audit tender described above. The outcome underpins our recommendation to re-appoint KPMG in relation to the audit for the year ending 31 December 2015 at the AGM in May.

Report from the Group Audit Committee continued

Internal Audit effectiveness

I described in last year's report the results of an external review of the Group's Internal Audit function and certain initiatives that this had prompted. The actions identified have been implemented during 2014.

In May 2014, the Head of Group Internal Audit left the Company to take up an opportunity elsewhere. The Head of Internal Audit for South Africa assumed this role on an interim basis until Martin O'Malley joined the Company as the Head of Group Internal Audit in February 2015.

The Group's Internal Audit Charter remains unchanged from last year and is available on the Company's website.

Non-audit services

The Group operates within a clearly defined policy with regard to the nature and amount of non-audit services that can be provided by the Group's external auditors (see 'Who are the Group Auditors and how much are they paid?' later in this report). The policy itself is formally reviewed on an annual basis and, in 2014, we opted for the first time to limit the quantum of fees for non-audit services to a maximum of 25% of the total fee for external audit services.

The Chairman of the Group Audit Committee is notified of expenditure on non-audit services on a monthly basis and for certain services he will be consulted for pre-approval. The Group Audit Committee reviews compliance with the non-audit services policy on a quarterly basis.

The committee is satisfied that KPMG have been engaged in accordance with the requirements of this policy during 2014.

Primary responsibilities of the Group Audit Committee

Financial and capital reporting

- Monitor the integrity of the Group's financial statements and review the critical accounting policies
- Review and challenge, where necessary, the critical accounting estimates and judgements of management in relation to the interim and annual financial statements
- Review the content of the Annual Report and Accounts and interim results and advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable
- Determine whether any training or education sessions are required by the committee on specific issues.

External audit

- Make recommendations concerning the appointment, re-appointment and removal of the external auditors
- Be responsible for the Group's audit tender process
- Oversee the relationship with the external auditors, including the terms of engagement (including remuneration) and their effectiveness, independence and objectivity
- Agree the policy for and provision of non-audit services
- Agree the policy on the employment of former employees of the external auditors
- Review the qualifications, expertise and resources of the external auditors and the effectiveness of the audit process
- Approve the annual audit plan, to ensure that it is consistent with the scope of the audit engagement and coordinated with the activities of the Group's Internal Audit function
- Review the findings of audits with the external auditors, considering management's responsiveness to the auditors' findings and recommendations
- Monitor the effectiveness of the external audit by a formal annual assessment and also the results of any reviews published by the Financial Reporting Council's Audit Quality Review.

Internal Audit

- Monitor the effectiveness of the Group's Internal Audit function and the Internal Audit programme
- Review the adequacy of Group Internal Audit's resources, its audit programme and its standing within the Group
- Consider the major findings of any significant internal audit, and management's response
- Approve the appointment or removal of the Head of Group Internal Audit.

Internal control and risk management

- Review the effectiveness of systems for internal control, financial reporting and risk management
- Liaise with other business unit audit committees and ensure all relevant issues are communicated to the committee
- Consider the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response.

Whistleblowing

- Review arrangements by which staff may confidentially raise concerns about possible improprieties in matters of financial reporting or other matters.

Report from the Board Risk Committee

Mike Arnold
Chairman of the Board Risk Committee

During 2014, the Board Risk Committee continued to promote and oversee the strengthening of the Group's risk management and risk culture.

The committee met nine times during the year. Five meetings were additional to the four originally scheduled. One of the additional meetings, and part of one of the scheduled meetings, were held jointly with the Group Audit Committee. The Chief Risk Officer attended each meeting. The Group Chief Actuary and the Head of Group Internal Audit were invited to attend all the meetings and each attended the majority of the meetings. The external auditors were invited to attend all of the meetings.

The committee received a report from the Chief Risk Officer on risk and regulatory matters at each of its scheduled meetings during 2014, in which any changes to the Group's risk profile were identified and discussed. We also reviewed the risk appetite metrics operated by the Group.

In addition, we focused on:

- The Group's Own Risk and Solvency Assessment (ORSA), under which the Group identifies and assesses its risks and determines the resources necessary to ensure that its solvency needs are met sufficiently to achieve its business strategy. The committee reviewed and considered the ORSA before it was approved by the Board
- Assessments of the Group's capital and solvency position
- Proposed acquisitions and other strategic projects being undertaken by the Group, including the acquisitions of Intrinsic Financial Services, Quilter Cheviot and the stake in UAP in Kenya, and the IPO of OM Asset Management plc
- The content and continued suitability of the Group's suite of risk policies and standards and of the Group Operating Model
- The risk and control culture of the Group and its business units
- Regulatory risks arising as a result of business activities, in particular the Group's regulatory environment and compliance status.

In addition to its regular meetings, the committee held a half-day workshop focusing on the Solvency II Directive's impact on the Group's capital and strategy, and several 'deep-dive' sessions to consider risk issues affecting specific business units in more detail. Between the scheduled meetings, I also received updates through my regular meetings with the Chief Risk Officer and the Group Chief Actuary.

In connection with the finalisation of the Group's annual results, the committee produced a report setting out conclusions drawn from the risk and control indicators used across the Group to help the Remuneration Committee in its deliberations.

The committee also reviewed its performance against its revised terms of reference, which were adopted following the 2013 review of the committee's effectiveness. We found that the committee complied with the vast majority of the requirements of the terms of reference, and put plans in place to comply with the remaining items.

During 2014, either Roger Marshall or I personally attended meetings of the risk and audit committees of each of the major subsidiaries of the Group, and we have ongoing dialogue with the independent directors who chair those subsidiaries' committees. I shall continue to attend these meetings in 2015 in order to remain close to any major risk issues that may arise during the coming year.

In 2015, in addition to the regular items on the committee agenda, the committee will continue to focus on the Group's preparations for the implementation of Solvency II and on the development of the Group's risk and control culture, as well as continuing with its programme of deep-dive sessions into individual business units.

Key areas of focus during 2014

- Reviewing the risk appetite metrics operated by the Group
- Overseeing the risk and control culture of the Group
- Monitoring current and emerging risks affecting the Group
- Supervising the Group's suite of risk policies and standards
- Considering developments in the regulatory environment and their implications for the Group.

Report from the Nomination Committee

Patrick O'Sullivan
Chairman of the Nomination Committee

Our role as the Nomination Committee is to review and make recommendations to the Board on the appointment of directors, the structure of the Board and membership of the Board's main standing committees. We also review development and succession plans for the Group's most senior executive management and certain appointments to the boards and standing committees of principal subsidiaries in line with the Group Operating Model. We receive twice-yearly updates on the composition of principal subsidiary boards, which include details of the skills represented on such boards and the subsidiary companies' own succession plans. This enables us to ensure that these bodies remain equipped to meet the Group's needs.

The Nomination Committee considers the current Board composition suitable for the Group's business requirements. However, such matters are kept under active review, considering scheduled retirements of non-executive directors and the Group's future strategy.

In planning for refreshing and renewing the Board's composition, we aim to ensure that changes take place without undue disruption and that there is an appropriate balance of experience and length of service (see also the box below left). We also ensure that our process for identifying and recommending candidates as Board directors is formal, rigorous and transparent. Vacancies generally arise in the context of either planned renewal of the Board, replacing directors who are due to retire, or adjusting the Board's balance of knowledge, skills, independence or diversity. In identifying candidates and making recommendations, we pay appropriate regard to the independence of candidates, their ability to meet the expected time commitment involved and their suitability and willingness to serve on Board committees.

In prior years, our focus, as far as the Board was concerned, was on renewing and addressing diversity among the non-executive directors, as long-standing non-executive directors came up to retirement or left the Board because of other business commitments. During 2014, we spent more of our time dealing with changes to the executive component of the Board.

We dealt first with succession planning for the Group Finance Director, after Philip Broadley advised that he planned to leave the Company. Reflecting the strong cadre of internal candidates already identified in our succession-planning arrangements, we considered six internal candidates alongside a list of possible external candidates produced by our retained advisers, Odgers Berndtson. The committee was satisfied with the independence of Odgers Berndtson as search consultants, as they did not carry out any other work for members of the Group during the year. After a thorough interview, review and evaluation process and consultation with the Group's regulators, Ingrid Johnson, former Group Managing Executive: Retail and Business Banking at Nedbank, was selected as the new Group Finance Director.

The committee also decided to appoint Paul Hanratty to the Board in July 2014. He had been a regular attendee at Board meetings over the preceding 18 months in his capacity as Group Operating Officer, during which time the Board and members of the committee had had a good opportunity to appraise him. He was redesignated as Chief Operating Officer on his appointment.

In anticipation of Reuel Khoza's planned retirement as Chairman of Nedbank in May 2015, Nedbank established a Chairman's Selection Committee during 2014 to identify potential suitable candidates. Julian Roberts, our Group Chief Executive, was a member of this special purpose committee. Five of our directors interviewed Vassi Naidoo, the candidate eventually recommended to be appointed as Reuel Khoza's successor, and the Board accepted the Nomination Committee's recommendation that he should also be invited to join the Old Mutual Board, in similar fashion to previous Nedbank Chairmen. In making this recommendation, the committee noted the benefit to Nedbank of Vassi Naidoo's extensive experience of banking and financial services and of operating businesses in Africa and that his position on the Company's own Board would provide additional insight into these important areas of the Group's business.

Julian Roberts stepped down as a member of the committee during the year, in response to a view among some of the Company's US shareholders that it is preferable for a Chief Executive not to be a member of a Nomination Committee and also to ensure a suitable balance of independence in the membership of the committee.

In addition to our work described above, we continued to monitor talent management and diversity initiatives, and progress against action items identified as part of the 2013 Board effectiveness review.

Board Chairman and Committee Chairman succession planning

With a view to ensuring an orderly transition, our current succession plans are for:

- Myself as Board Chairman and Mike Arnold as Chairman of the Board Risk Committee to retire at the AGM in May 2017
- Roger Marshall as Chairman of the Group Audit Committee and Alan Gillespie as Senior Independent Director to retire at the AGM in May 2018
- Danuta Gray as Chairman of the Remuneration Committee to retire at the AGM in May 2019.

How does the Company conduct its investor relations?

We continue to make significant efforts to educate the public markets and to communicate openly with retail shareholders, institutional debt and equity investors and sell-side analysts by means of a proactive Investor Relations (IR) programme, run by a small dedicated IR team based in London and South Africa. The team works closely with the media relations, Responsible Business and public affairs teams around the Group. Old Mutual's investor base is very diverse in terms of both investor style and geographic location and the Group has almost 400,000 retail shareholders.

Our objective is to facilitate communication with the global investment community and to keep investors updated on the Group's performance. During 2014, we continued to maintain a dialogue with investors and sell-side analysts, through briefings and educational support, to give them a better understanding of the Group's operations, with particular focus on the Group's corporate development.

We increased our communication and engagement with the investment community during the year, attending 14 investment conferences in the US, Europe and South Africa. In addition, we conducted investor presentations in London, Cape Town and Johannesburg. After 2013's signature event in Cape Town, we used webcast technology to host follow-up events on Emerging Markets and two presentations on Old Mutual Wealth. We intend to continue using technology to facilitate more effective communication and will be exploring ways of using it to enhance both interim and full-year results presentations in due course.

We extended the geographical reach of our investor targeting in 2014, visiting Singapore and Hong Kong to meet with debt and equity investors, including those who specialise in Emerging Markets. We expect to build on this in 2015. The table below shows the five-year record of work to improve the Group's relationship with buy-side analysts and investors around the world.

During 2014, we held IR meetings with investors in the UK, South Africa, North America, Canada and continental Europe, involving 262 individual institutions. Most meetings involved the Group Chief Executive, the Group Finance Director or another member of the senior management team. We held regular sessions for senior management to meet sell-side analysts in both Europe and South Africa, and expect that the new Group Finance Director will continue to build on her existing relationships in 2015.

Copies of all investor presentations and, where appropriate, transcripts are posted on the Company's website so that they are accessible to shareholders generally.

Currently 17 sell-side analysts from Europe and South Africa actively publish research on the Company. We encourage sell-side analysts to cover the Company – giving investors their opinions on the Group's valuation, its performance and the business environment in which it operates – and also to make meaningful comparisons with our peers. During 2014, one new UK-based research analyst initiated coverage on our stock, and we expect more global investment banks and brokerages to begin sell-side coverage in 2015.

The Chairman makes contact with major investors and meets them as required. The Senior Independent Director is also available for interaction with shareholders. Matters raised in these governance-focused meetings during 2014 included Group strategy, regulatory developments, remuneration, succession planning and cyber security.

The IR team updates the Board on issues arising from communications with the investment community. It also regularly commissions independent surveys to inform the Board about how major investors see the Company's management and performance.

Our intranet provides employees with easy access to key information about the Group, including about its culture, vision, strategy and financial performance. Regular senior management roadshows provide employees with further opportunities to understand more about the aims of the Group.

What are the arrangements for Annual General Meetings (AGMs)?

The Board uses the AGM, held at the Company's head office in London in May each year, to comment on the Group's first quarter's trading performance. Shareholders also have the opportunity to ask the Board questions. The AGM is webcast and a record of the proceedings is also made available on the Company's website shortly after the end of the meeting. All formal business items at the AGM are conducted on a poll, rather than by a show of hands. The Company's share registrars ensure that all properly submitted proxy votes are counted, and a senior member of the UK registrar's staff acts as scrutineer to ensure that votes cast are correctly received and recorded.

Governance

"Our objective is to facilitate communication with the global investment community and to keep investors updated on the Group's performance."

Total number of investor relations events and executive attendees

Each substantially separate issue at the AGM is dealt with by a separate resolution and the business of the meeting always includes a resolution on the receipt and adoption of the Report and Accounts. The chairmen of the Group Audit, Board Risk, Remuneration and Nomination Committees are available at the AGM to answer any questions on the matters covered by their committees.

The notice of AGM is sent out to all shareholders who have elected or are entitled to receive physical documents in time to arrive in the ordinary course of the post at least 20 working days before the date of the meeting.

Who will be standing for election or re-election at this year's AGM?

All the current directors (except for Reuel Khoza, who will be retiring as Chairman of Nedbank Group Limited and also as a non-executive director of the Company in May 2015), as well as Vassi Naidoo, who will join the Board from 1 May 2015, will stand for election or re-election at this year's AGM. The Board recommends that every director who is standing should be elected or re-elected. Brief biographical details of all of the directors are contained in the Board of Directors section earlier in this Annual Report. Additional information about them, as well further details of the basis on which the Board has assessed each director's performance and recommends their election or re-election, is set out in the explanatory notes in the shareholder circular relating to the AGM.

What is the Company's issued share capital and who are the Company's largest shareholders?

The Company's issued share capital at 31 December 2014 was £560,756,596.46 divided into 4,906,620,219 ordinary shares of 11$\frac{3}{7}$p each (2013: £559,687,749.03 divided into 4,897,267,804 ordinary shares of 11$\frac{3}{7}$p each). The total number of voting rights in the Company's issued ordinary share capital at 31 December 2014 was also 4,906,620,219.

Shown at the foot of this page is an illustration of the current make-up of the Group's share register, which has remained broadly stable, in terms of the categories illustrated, since 2012.

During 2014, the Company issued 9,352,415 ordinary shares of 11$\frac{3}{7}$p each under employee share schemes at an average price of £0.465 per share.

At 31 December 2014, shareholder authorities were in force enabling the Company to make market purchases of, and/or to purchase pursuant to contingent purchase contracts relating to each of the overseas exchanges on which its shares are listed, its own shares up to an aggregate of 489,737,500 shares. It bought back no shares during 2014 or during the period up to 27 February 2015.

In the period 1 January to 27 February 2015, the Company issued 45,014 further shares under its employee share schemes at an average price of £1.27 each and an additional 19,325,430 shares as part of the consideration for the acquisition of Quilter Cheviot, based upon a deemed value of £2.1864 per share. As a result, the Company's issued share capital at 27 February 2015 was £562,970,361.49 divided into 4,925,990,663 ordinary shares of 11$\frac{3}{7}$p each. The total number of voting rights at that date was also 4,925,990,663.

Between 31 December 2014 and 27 February 2015, there have been no new notifications of disclosable interests by shareholders and no notifications of changes to the interests set out in the table at the foot of this page.

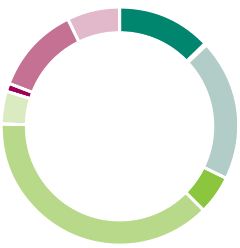
How can I find out about the rights and obligations attaching to the Company's shares?

The rights and obligations attaching to the Company's ordinary shares are those conventional for a publicly listed UK company, The Corporate Governance section of the Company's website provides a summary of these (along with certain other information relating to dividends, directors and amendments to the Company's Articles of Association) and the Company's current Articles of Association.

What final dividend is being recommended and what is the Company's dividend policy?

The Board is recommending a final dividend for 2014 of 6.25p per share (or its equivalent in other applicable currencies). This, together with the interim dividend of 2.45p per share paid in October 2014, equates to 2.06 times AOP earnings cover for the full year. A scrip dividend alternative is not being made available for this dividend, which will be settled entirely in cash.

Current make-up of the Company's share register



US	12.79%
Canada	0.39%
UK	19.19%
South African Retail	5.29%
South African Institutional	37.80%
BEE	4.30%
Policyholders	1.30%
Europe & Rest of the World	11.79%
Miscellaneous	7.15%

Substantial interests in the Company's shares

At 31 December 2014, the following substantial interests in voting rights in relation to the Company's shares had been declared to the Company in accordance with the Disclosure and Transparency Rules:

	Number of voting rights	% of voting rights
Public Investment Corporation of the Republic of South Africa	268,811,081	5.48
BlackRock Inc.	249,751,037	5.09
Sanlam Investment Management (Pty) Limited	216,168,105	4.41

Further information on the final dividend for 2014 is given in the Shareholder Information section at the back of this Annual Report.

For future dividends, the Board intends to continue pursuing a progressive dividend policy consistent with our strategy, having regard to overall capital requirements, liquidity and profitability, and targeting a dividend cover in the range of between 2.0 and 2.25 times AOP earnings. Interim dividends will continue to be set at about 30% of the prior year's full ordinary dividend.

During 2014, trustees of the Company's and the Company's South African subsidiary employee benefit trusts waived dividends on certain shares in the Company held by them relating to awards where the scheme participants were not entitled to receive dividends pending vesting. The total number of shares concerned was 19,035,869 for the final dividend for 2013 and 14,862,677 for the interim dividend for 2014.

Audit arrangements

Who are the Company's auditors and how much are they paid?

KPMG LLP (or, prior to 2014, its related associated entity KPMG Audit Plc) have been Old Mutual's auditors since the Company was originally listed in 1999. We have made arrangements with KPMG for appropriate audit director rotation in line with the requirements of the UK Auditing Practices Board. The current audit engagement director in the UK, Philip Smart, assumed this role in April 2011.

The Group Audit Committee report above describes how that committee satisfies itself about KPMG's performance, the basis on which it carried out an audit tender during 2014, and its recommendation to re-appoint KPMG (which has expressed its willingness to continue in office) as auditors for 2015 at this year's AGM. The Company has not entered into any contractual restriction preventing it from considering a change of auditors.

During the year ended 31 December 2014, fees paid by the Group to KPMG and its associates totalled £13.7 million for audit services (2013: £12.0 million) and £3.4 million for tax, assurance and other non-audit services (2013: £2.8 million). In addition to the above, Nedbank Group paid a further £3.2 million (2013: £3.7 million) to Deloitte in respect of joint audit arrangements.

The Group Audit Committee has approved detailed guidelines as part of the Group's policy on non-audit services: a summary of the applicable provisions is available in the Corporate Governance section of our website and is also referred to under 'Non-audit services' on page 86.

Financial control environment

What is the Company's internal control environment and how is it monitored?

Since 2009, Old Mutual has implemented a Group-wide framework of financial controls. This has been designed in line with the criteria described in 'Internal Control – Integrated Framework' issued by the Committee of Sponsoring Organizations of Treadway Commission. Executive management reports to the Group Audit Committee periodically on the effectiveness of the financial controls framework and also assessed its effectiveness at 31 December 2014, concluding that it was effective. This helped the Group Audit Committee and the Board to conclude that they could rely on the operation of these controls as part of their review of internal control effectiveness referred to below.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place for the year ended 31 December 2014 and up to this report's date of approval, as described in more detail below. Further details of the Group's Risk and Capital Management disciplines are described in a dedicated section earlier in this Annual Report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while the implementation of internal control systems is the responsibility of management. Executive management has implemented an internal control system designed to help ensure:

- The effective and efficient operation of the Group and its business units by enabling management to respond appropriately to significant risks to achieving the Group's business objectives
- The safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed
- The quality of internal and external reporting
- Compliance with applicable laws and regulations, and with internal policies on the conduct of business.

"We remain committed to having a robust control environment across the Group."

£13.7m

Total audit fees paid to KPMG

£3.4m

Total non-audit fees paid to KPMG

CORPORATE GOVERNANCE
continued

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's actions to review the effectiveness of the system of internal control include:

- An annual review of the risk assessment procedures, control environment considerations, information and communication and monitoring procedures at Group level and within each business unit. This review covers all material controls including financial, operational and compliance controls and risk management systems
- A certification process, under which all business units are required to confirm that they have undertaken risk management in accordance with the Group risk framework, that they have reviewed the effectiveness of the system of internal controls, that internal policies have been complied with, and that no significant risks or issues are known which have not been reported in accordance with policy
- Regular reviews of the effectiveness of the system of internal control by the Group Audit Committee, which receives reports from the Group Internal Audit function. The committee also receives reports from the external auditors, which include details of significant internal control matters that they have identified during the course of their work.

These activities supplement the regular risk management activities which are performed on an ongoing basis, as described in more detail in the Risk and Capital Management section elsewhere in this document.

The certification process described above does not apply to some joint ventures where the Group does not exercise full management control. In these cases, Old Mutual monitors the internal control environment and the potential impact on the Group through representation on the board of the entity concerned.

The Board reviewed the effectiveness of the system of internal control during and at the end of the year. Our annual internal control assessment has not highlighted any material failings. We remain committed to having a robust internal control environment across the Group.

What is the role of Group Internal Audit?

The purpose of Group Internal Audit (GIA) is to help the Board and executive management to protect the assets, reputation and sustainability of the Group. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and executive management; assessing whether they are adequately controlled; and challenging executive management to improve the effectiveness of governance, risk management and internal controls.

GIA's work is focused on the areas of greatest risk, both current and emerging, to the Group as determined by a comprehensive risk-based planning process. The Group Audit Committee approves the annual Internal Audit plan and any subsequent material amendments to it and also satisfies itself that GIA has adequate resources to discharge its function. The Board is able to confirm that this is the case for 2014 and 2015.

There are Internal Audit teams in each of our major businesses. The heads of Internal Audit in the Group's wholly-owned subsidiaries report directly to the Head of Group Audit (HGA). Heads of audit in majority-owned subsidiaries have a dual reporting line to the HGA, in line with the Group Operating Model.

During 2014, the HGA reported functionally to the Chairman of the Group Audit Committee and administratively to the Group Chief Executive. The HGA attends all meetings of the Group Audit Committee, and has unrestricted access to the Group Chief Executive and the Chairman of the Board, as well as open invitations to attend any meetings of the business unit Audit Committees, the Board Risk Committee and the Group Executive Risk Committee.

Internal Audit teams across Old Mutual use a single audit methodology which meets the standards set by the Institute of Internal Auditors. Issues raised by Internal Audit in the course of its work are discussed with management, who are responsible for implementing agreed actions to address the issues identified within an appropriate and agreed timeframe.

The HGA submits formal reports to each meeting of the Group Audit Committee, summarising the results of internal audit activity, management's progress in addressing issues and other significant matters.

External advisers carry out periodic assessments of GIA's effectiveness. The most recent assessment, in 2012, concluded that GIA was fit for purpose in meeting the Group's current assurance needs. The Committee on Internal Audit Guidance for Financial Services, chaired by the Group Audit Committee Chairman, published its 29 final recommendations in July 2013. GIA has analysed current performance against each of these recommendations and has made good progress in addressing them all: most are now either implemented or in the process of being piloted or embedded. It should be noted that some of the actions are evolutionary in nature and will bed down over time.

Can you confirm that the Company is a going concern?

The Group's financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial review and risk section of this Annual Report. In addition, Note E1 to the financial statements includes the Group's objectives, policies and processes for managing its capital (solvency risk) and liquidity risks and sets out details of the principal risks related to financial instrument market risk, credit risk and insurance risks as well as their sensitivities.

The preceding sections of the Annual Report referred to above also explain the basis on which the Group generates and preserves value over the longer term and the strategy for delivering its objectives. The FGD surplus capital and cash flow are stress tested and are within the limits described in the Risk and Capital Management section in order to identify those risks that would threaten the Group's solvency and liquidity. As a consequence, the directors believe that the Group is in a strong financial position and is well placed to manage its business risks successfully.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Has all relevant information been disclosed to the auditors?

The directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

Other Directors' Report matters

As an international business active in many countries, the Group operates through subsidiaries, branches, joint ventures and associated companies established in, and subject to the laws and regulations of, many different jurisdictions.

Does the Company have any significant agreements involving change of control?

The following significant agreement to which the Company is a party contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company:

- £800 million Revolving Credit Facility dated 22 August 2014 between the Company, various syndicate banks (the Banks) and Bank of America Merrill Lynch International Limited as agent (the Agent). If a person or group of persons acting in concert gains control of the Company, the Company must notify the Agent. The Agent and the Company will negotiate with a view to agreeing terms and conditions acceptable to the Company and all of the Banks for continuing the facility. If such negotiations fail within 30 days of the original notification to the Agent by the Company, the Banks become entitled to declare any outstanding indebtedness repayable by giving notice to the Agent within 15 days of the 30-day period mentioned above. On receiving notice for payment from the Agent, the Company shall pay the outstanding sums within three business days to the relevant Bank(s).

Where can I find the other matters required to be included in the Directors' Report?

The Company has taken advantage of paragraph 1A of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to disclose certain information that must be disclosed as part of its Directors' Report either elsewhere in this document or in its Responsible Business Report as set out below:

- Our financial risk management objectives and policies are described in the Risk and Capital Management section of this Annual Report. Along with Notes E1 to E11 to the financial statements, this also addresses the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk
- A description of the Group's environmental management and impact during the year is contained in our Responsible Business Report for 2014, available on our website. Information about the Group's greenhouse gas emissions is given in the Key Performance Indicators section of this Annual Report
- Important events relating to the Group since the end of the financial year are included in the Strategic Report as well as in Note H9 to the financial statements
- A description of likely future developments of the business of the Company or our subsidiaries is contained in the Strategic Report and the Financial review and risk section
- The Group's involvement in research and development, insofar as relevant to its operations, is given in the Strategic Report and the Financial review and risk section.

Did the Group make any political donations during 2014?

The Group made no EU or other political donations during the year.

How did the Board approve this Annual Report?

The Board approved this Annual Report at its meeting at the end of February 2015. It confirmed that it considered the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, it took into account input from the Group Audit, Remuneration and Board Risk Committees, which had previously had the opportunity to review and comment on drafts of the sections falling within their respective remits.

Governing law

The Strategic Report, Financial review and risk section, and this Corporate Governance report collectively comprise the 'directors' report' for the purposes of section 463(1)(a) of the Companies Act 2006. The Directors' Remuneration Report contained in this Annual Report is the directors' remuneration report for the purposes of section 463(1)(b) of that Act. English law governs the disclosures contained in and liability for the directors' report and the directors' remuneration report.

Martin Murray
Group Company Secretary
27 February 2015

DIRECTORS' **REMUNERATION REPORT**

In this section, we describe the Directors' Remuneration Policy and how our directors were paid during 2014.

Danuta Gray
Chairman of the Remuneration Committee

"The Group has returned strong results in 2014, despite the continued challenging economic environment in South Africa and Europe, delivering 16% operational profit growth, 13% growth in AOP EPS (both on a constant currency basis) and RoE of 13.3%. This continued a sustained period of excellent total shareholder return for our investors in both the UK and South Africa."

Annual Statement

from the Chairman of the Remuneration Committee

On behalf of the Remuneration Committee (referred to in the rest of this report as the committee), I am pleased to present the Directors' Remuneration Report for 2014, my first since becoming Chairman of the committee in May 2014. On behalf of the Board, I would like to thank my predecessor, Alan Gillespie, for his service as Chairman and I am happy that he has remained a member of the committee. I am also delighted to welcome Zoe Cruz and Nkosana Moyo, who joined the committee during 2014, ensuring that the committee continues to benefit from a broad range of experience and expertise.

Following the approval by shareholders of our first Directors' Remuneration Policy (DRP) at the 2014 AGM, the committee focused on a number of areas during the year, including revisions to the UK Corporate Governance Code by the Financial Reporting Council, changes in the composition of our executive directors, some significant corporate transactions, particularly the partial IPO of the Group's US institutional asset management business, OM Asset Management plc (OMAM), and a change in adviser to the committee. I will discuss these in more detail in this statement. As ever, alignment of remuneration plans and outcomes to company performance, delivery of our objectives, and shareholder and enterprise value creation are key areas of focus for the committee.

Review of performance during the year and plan outcomes

The Group has returned strong results in 2014, despite the continued challenging economic environment in South Africa and Europe, delivering 16% operational profit growth, 13% growth in AOP EPS (both on a constant currency basis) and RoE of 13.3%. The Group continued to deliver solid total shareholder returns (TSR) to investors in both the UK and South Africa of approximately 11%, in line or slightly outperforming the indices and ranked third in our UK peer group over the 12-month period. This continued a sustained period of excellent TSR for our investors, 69% on the FTSE 100 and 132% on the JSE ALSI over the last three years.

As well as achieving these strong financial results, there was continued progress to restructure and simplify the Group, such as the sale of some of the legacy businesses in Continental Europe, the partial IPO of OMAM and acquisitions in the UK and the Rest of Africa.

It is fundamental to our core remuneration principles that executive pay is aligned to Company performance, enterprise value and shareholder experience through stretching performance targets. The Group's continued strong performance over the last one and three years resulted in a short-term incentive (STI) outcome of 79.1% of the maximum for our Group Chief Executive, while the 2012 long-term incentive (LTI) plan vested at 69.2%. The latter was based on a stretching cumulative profit target which vested between target and maximum, coupled with a TSR multiplier which was at maximum, reflecting strong returns for shareholders over the period.

These incentive outcomes were lower than in previous years, reflecting the fact that shareholder returns, although strong, were lower in 2014. This demonstrates our robust approach to linking pay to performance based on stretching targets and alignment with shareholders.

The committee reviews risk management and controls across the Group annually, to ensure that financial results over a one and three year period have been achieved within the risk framework and appetite limits established. I am pleased to report that this was the case for the period ended 31 December 2014 and no adjustments were considered necessary to the incentive plan outcomes.

As always, the committee was mindful to ensure overall pay was appropriate for the performance of the Company and in relation to its operational peers. It was satisfied this was the case for 2014 and will continue to monitor pay closely against appropriate performance and market benchmarks in the future.

Key areas of focus during the year

In late 2013, we announced that our then Group Finance Director, Philip Broadley, would leave the Group once a suitable successor had been appointed. He left on 31 August 2014, after working a notice period that exceeded our initial expectations, in order to ensure a smooth transition to his successor, Ingrid Johnson. Ingrid Johnson and Paul Hanratty were appointed to the Board on 1 July 2014 on remuneration packages in line with our recently approved DRP. Details were announced at the time and are contained within this report. Ingrid Johnson transferred from Nedbank in Johannesburg, demonstrating the wealth of

"Alignment of our executives to the long-term strategic priorities of the Company in order to deliver sustainable value to shareholders and build enterprise value has remained a key focus during the year."

executive talent across the Group and, in accordance with the DRP, the Company covered the cost of certain items related to her relocation as detailed in this report.

In line with the majority of UK-listed companies, we intend to comply with the updated UK Corporate Governance Code provisions on malus and claw back for new awards in respect of performance from 1 January 2015 onwards. The ability to claw back awards that have already been paid or have vested is not currently explicitly stated in our DRP, but because we believe that this is an important feature of our accountability to shareholders, we shall be requiring our senior executives to agree to a claw back provision for the cash element of their STI and LTI awards they receive in respect of performance from 2015 onwards. As the implementation of claw back is not to the benefit of the directors, we have not felt it necessary to consult shareholders on its introduction. Details of the new claw back provisions are explained in the 'Implementation of remuneration policy in 2015' section of this report.

Alignment of our executives to the long-term strategic priorities of the Company in order to deliver sustainable value to shareholders and build enterprise value has remained a key focus during the year. The committee reviewed the LTI structure, but given that a full review of remuneration is to be undertaken during 2015, concluded that the structure for awards in 2015 should remain largely unchanged. The only modifications are a slight increase in the weighting of financial metrics from 60% to 70% and a review of strategic objectives to ensure that they remain aligned to the business priorities over the next three years.

During 2014, the committee also oversaw the establishment of an LTI plan for senior executives at OMEM and Nedbank in order to drive collaboration between the businesses, in line with one of the Group's core strategic priorities. Collectively, the executives involved are incentivised to deliver R1 billion of synergies, which should improve financial performance of all of the businesses and increase value for both Old Mutual and Nedbank shareholders.

The committee also oversaw the establishment of a new remuneration philosophy and structure for the executives of OMAM following its partial IPO. A new LTI plan was introduced linking reward to OMAM's TSR, ensuring that executives are incentivised over the longer term to grow the business and deliver value to their shareholders.

New adviser to the committee

Alan Judes has been providing valuable advice and support to Old Mutual for well over ten years, many of those as the appointed adviser to the committee. We are grateful to Alan for his advice and support during this period. After a robust selection process, the committee appointed PricewaterhouseCoopers (PwC) to replace Alan from October 2014.

Looking forward to 2015

2015 is going to be another busy year for the committee. We have begun a project to ensure our remuneration structures, governance and oversight processes and risk management linkage to outcomes are fit for the purpose of Solvency II. The governance structure has been a particular focus of the committee, strengthening links with the Chairmen of the Company's Group Audit and Board Risk Committees and business unit remuneration committees on remuneration matters.

Although our DRP is only entering its second year, the committee plans to undertake a thorough review of it during 2015. The shape and focus of the Group has been evolving rapidly, and we are also required to ensure that we are fully prepared for the implementation of Solvency II from 1 January 2016, which includes some remuneration provisions. With a number of new committee members, and my own appointment as Chairman, the committee believes that this is the right time for such a review. We will consider whether further enhancements could be made to improve the alignment of strategy, performance and shareholder experience with incentive plan structures and our approach to the vesting and holding of shares. In addition, the current debate on notice periods for executives raises concerns central to the alignment of reward to performance. It is therefore possible that a new DRP will be brought for approval to the 2016 AGM. If we decide to make substantial changes, we will consult fully with our major shareholders.

I hope that you find this report helpful and a clear indication of the committee's intention to ensure that remuneration appropriately aligns executive pay to long-term sustainable performance and shareholder returns. I look forward to your support for this Statement, the Annual Report on Remuneration, and the review of our DRP during 2015.

Danuta Gray
Chairman of the Remuneration Committee

Our remuneration at a glance

Alignment of executive remuneration to our strategy and shareholder value

Our approach to remuneration across the Group is designed to align our executives to the delivery of our strategy and long-term shareholder value creation. We do this through:

- Short- and long-term financial measures that support the business's expansion and growth objectives
- Executive scorecards that closely align their objectives and performance to the delivery of key priorities for the year
- Long-term strategic objectives that are embedded in the metrics for our LTI plans
- A significant portion of executive remuneration being delivered in shares which are restricted from sale for up to four years from the award date. Our most senior executives must also build up and then maintain a minimum shareholding in the Company
- Malus and claw back provisions that ensure that executives are accountable in the long term for delivering performance in a responsible and sustainable way.

Implementation of policy in 2015

	Element	Summary description	Maximum as % of base pay	Change in 2015
Fixed	Base pay	Linked to agreed market benchmarks – normal annual increases are kept in line with employees of the executive's home country	Not applicable	No change – increase between 2.2% and 2.5%
Fixed	Benefits including pension-related benefits	Fixed allowance equal to 35% of base pay for pension and other elective benefits. Core insurance and other agreed benefits are also provided	Not applicable	No change
Variable	STI	Financial (Earnings per Share (EPS) in constant currency and Return on Equity (RoE)) plus personal scorecard measures. 50% deferred into a share incentive award for a period of three years	150%	The malus provision for the deferred element of the STI has been updated and malus and claw back has been introduced to the cash element of STI, as described in the 'Implementation of remuneration policy in 2015' section of this report
Variable	LTI	Financial (EPS growth in pence, EPS growth in cents and RoE), strategic measures plus a TSR multiplier (50% FTSE 100 Index and 50% JSE ALSI). 50% vests after three years and 50% after four years	250%	The weighting of financial metrics versus strategic objectives has been changed to 70% versus 30%, the malus provision has been updated and claw back has been introduced. These changes are described in the 'Implementation of remuneration policy in 2015' section of this report

In respect of incentive targets contained within this report, EPS and RoE are calculated on a post-tax AOP basis.

Performance against targets in 2014

Outcomes for STI – 2014 performance year[1]

EPS in constant currency – % of maximum achieved	70.3%
RoE – % of maximum achieved	77.8%
Vesting – % of maximum achieved	74.1%

[1] The STI is also subject to the achievement of personal scorecard objectives

Outcomes for LTI awards granted in 2012

Aggregate post-tax AOP (£) in constant currency – % achieved	69.2%
Aggregate post-tax AOP (£) in constant currency – % of maximum award	60.1%
TSR multiplier – % achieved	115.0%
Vesting – % of maximum award	69.2%

Single total figures of remuneration for 2014

Executive director	Base pay £000	Taxable benefits £000	STI £000	LTI £000	Pension-related benefits £000	Items in the nature of remuneration £000	**Total £000**
Julian Roberts	910	89	1,079	1,804	318	12	**4,212**
Paul Hanratty[1]	315	–	384	833	101	13	**1,646**
Ingrid Johnson[1]	300	1,284	353	190	105	2	**2,234**
Former executive director							
Philip Broadley[2]	403	29	499	–	141	5	**1,077**

[1] Paul Hanratty and Ingrid Johnson joined the Board on 1 July 2014. Figures represent the remuneration paid for the period from that date
[2] Philip Broadley left the Group on 31 August 2014. Figures represent the remuneration paid for the period up to that date

Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy described in this section was approved by shareholders at the Company's AGM in 2014. The policy is also displayed on the Company's website.

The committee will consider the Directors' Remuneration Policy annually, to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. The Directors' Remuneraton Policy must be put before shareholders for approval at least every three years.

Market benchmarks

We benchmark total potential remuneration against remuneration packages paid by peer group companies. Two peer groups are used for this purpose, namely: (i) FTSE 100 companies of a similar size by market capitalisation; and (ii) large European insurers. The peer groups are kept under review to take into account different companies that enter the market or those that change their size or the main characteristics of their business.

We also look at remuneration arrangements in other types of UK-based financial sector companies.

Balancing short- and long-term remuneration

Based on our view of current market practice and our remuneration principles, we have established the remuneration policy set out in this report. Fixed annual elements, including base pay and benefits, recognise the status of our executives and ensure current and future market competitiveness. STI and LTI arrangements are designed to motivate and reward them for making the Company successful on a sustainable basis.

Executive directors are also expected to retain sufficient of the vested shares from LTI and deferred STI share incentive awards, over a five-year period from the time of their appointment, to meet their respective shareholding requirements. The shareholding linkage cements the relationship between the executive directors' personal returns and those of the Company's investors.

The committee has discretion to amend the weighting of STI and LTI measures from year to year, in order to ensure that the executive directors are incentivised to drive performance in line with the Company's core strategic objectives.

Directors' Remuneration Policy table (executive directors)

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Base pay			
Recognises the role and the responsibility for delivery of strategy and results	■ Paid in 12 monthly instalments ■ Reviewed annually with any changes becoming effective from 1 January.	■ Base pay is set in the range of peer benchmark groups. The maximum is the top of the range of large European insurers ■ Maximum annual increases will not normally exceed the average increase for the home country workforce. Larger increases may be awarded in certain circumstances, such as an increase in scope or responsibility of the role, or salary progression for a newly appointed director.	■ None
Benefits allowance for retirement provision and other elective benefits			
Designed to provide appropriate, market-aligned benefits consistent with the role	■ The Company provides a benefit allowance to fund contributions to retirement funding arrangements and other elective benefits ■ Otherwise paid monthly in cash.	■ A fixed allowance of 35% of base pay.	■ None
	Other benefits ■ Benefits common to employees of the home employer, health assessments and the opportunity to participate in Sharesave ■ Travel from home to work, and travel for partners to certain Board meetings or corporate events of the Company and its major subsidiaries ■ For overseas appointments, flexibility to provide benefits in line with those of the executive's home country and relocation costs for internal or external appointments of executive directors.	■ The cost of core insured benefits is determined by the insurance provider based on experience factors in the pool of employees covered and so may vary from year to year ■ The Company offers the opportunity to participate in a HMRC-approved Sharesave scheme ■ All other benefits are direct costs borne by the Company based on policy agreed by the committee ■ A summary of key items normally paid for on relocation is set out in the 'Approach to remuneration in connection with recruitment' section of this report.	■ None

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Short-term incentive (STI)			
Incentivises achievement of annually agreed business objectives and strategic priorities	■ Determined annually following the finalisation of annual results ■ 50% of the award vests immediately ■ 50% is deferred for a period of three years into a share incentive award. Dividends are paid during the restricted period and malus applies to the shares held under award prior to vesting ■ The committee has the discretion to amend deferred STI awards under the rules of the plan, to adjust deferred STI awards in the event of any variation of the share capital of the Company, and to adjust or vest deferred STI awards on a demerger, special dividend or other similar event, which affects the market price of the shares to a material extent.	■ The maximum opportunity is 150% of base pay ■ Vesting against targets is 0% at threshold and 100% at stretching targets, with interpolation between the points ■ The committee has discretion: – to amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, divestment or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – to adjust the outcome, if it is not aligned to the overall performance of the Company ■ Any use of the discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.	■ Annual measures include: Financial (minimum 50%): – EPS in constant currency – RoE Strategic and operational: – measures of individual performance (set out in the director's personal scorecard) ■ The committee has discretion to vary the weighting of the performance measures over the life of the Directors' Remuneration Policy ■ The committee has discretion to reduce STI outcomes based on assessment of risk exposures.
Long-term incentive (LTI)			
Incentivises attainment of long-term objectives and strengthens the alignment of interests between executive directors and shareholders	■ Annual grants of share incentive awards or options over Old Mutual plc shares ■ Vesting is subject to the achievement of performance targets measured after a three-year period ■ Vesting occurs 50% after three years and 50% after four years. Malus applies to the shares held under option or award prior to vesting ■ The committee has discretion: – before the grant of an award, to decide that a participant shall be entitled to receive dividend equivalents – to amend awards under the rules of the plan, to adjust awards in the event of any variation of the share capital of the Company, and to adjust or vest awards on a demerger, special dividend or other similar event which affects the market price of the shares to a material extent.	■ Maximum annual grants will not normally exceed a face value of 250% of base pay, inclusive of the maximum TSR multiplier being applied ■ In exceptional circumstances, or on recruitment, the committee may grant awards with a face value of up to 400% of base pay, inclusive of the maximum TSR adjuster being applied. This is in addition to the buying out of unvested awards from a previous employer ■ Vesting is 0% at threshold and 100% at stretching targets, with interpolation between the points ■ The committee has discretion: – to amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, divestment or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – to adjust the outcome, if it is not aligned to the overall performance of the Company ■ Any use of the discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.	■ Awards granted in 2013 and 2014: – Financial (60%) – Strategic (40%) – TSR multiplier against the FTSE 100 Index (50%) and the JSE ALSI (50%) ■ Awards granted in 2012: – Cumulative growth over three years in post-tax AOP on a constant currency basis – TSR multiplier against the FTSE 100 Index (50%) and the JSE ALSI (50%) ■ The committee has discretion to vary the weighting of performance measures over the life of the Directors' Remuneration Policy.

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Shareholding requirement			
To strengthen alignment of interests between executive directors and shareholders	■ The minimum shareholding requirement as a percentage of base pay is to be achieved within five years of appointment to the role as follows: – Group Chief Executive – 200% – Other executive directors – 150% ■ Unvested and vested but unexercised share awards or options are not taken into account in the calculation.	■ None	■ None
Provisions of previous policy that will continue to apply			
Any commitment made before: (i) 27 June 2012; or (ii) the individual becoming an executive director of the Company; and any vesting of outstanding share incentive awards, will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled or such vesting occurs.			
Malus provision			
All LTI and deferred STI awards contain a malus provision, which gives the committee the power to reduce awards if the results on which they were based were misleading or materially incorrect or were subsequently found to have relied on poor risk management or material misrepresentation of performance.			

Notes to the Directors' Remuneration Policy table (executive directors)

Performance measures and targets

The committee selects performance measures that are central to the Company's overall strategy and are used by the executive directors and Board in overseeing the operation of the business. The performance targets for STI are determined annually by the committee and are set in a range around the business plan for the year, as agreed by the Board.

External directorships

Executive directors are, subject to prior clearance by the Board, permitted to hold one external non-executive directorship of a listed company and are entitled to retain the fees payable to them for doing so.

Treatment of incentive awards on termination or change of control

For all deferred short- and long-term incentives, the share incentive plan rules provide for automatic 'Good Leaver' status on termination of employment in the event of: (i) death; (ii) retirement; (iii) injury or disability; (iv) redundancy; (v) the employing company or business ceasing to be a subsidiary or business of Old Mutual plc; and (vi) certain takeovers and other corporate events. In addition, the committee has discretion to award Good Leaver status for any other reason (discretionary Good Leavers). In these circumstances, the committee has discretion to apply less generous terms than would apply under the automatic Good Leaver reasons. The committee's determination will take into account the particular circumstances of the executive director's departure and the recent performance of the Company.

Component	Automatic Good Leaver	Other leaver*	Change of control
STI	■ Pro-rata payment for the period worked in the performance year, based on agreed performance criteria ■ Paid in cash.	■ No award will be made.	■ At the discretion of the committee.
Deferred STI	■ Vesting of all awards on termination.	■ Outstanding awards are forfeit.	■ Vest automatically except in the case of internal re-organisations or mergers, as defined in the rules, where there may be an automatic surrender and replacement of awards in the new/acquiring company.
LTI	■ Vest on the normal vesting date (except in the event of death or where other exceptional compassionate reasons apply, when vesting may be immediate), subject to achievement of performance targets, calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period ■ The committee has discretion to disapply time-based pro-rating of awards when appropriate.	■ Outstanding awards are forfeit.	■ Vest subject to the achievement of performance measures and pro-rated from grant date to the anniversary of grant date following change of control, but the committee may disapply pro-rating if it considers it appropriate to do so ■ For internal reorganisations or mergers, as defined in the rules, there may be an automatic surrender and replacement of awards in the new/ acquiring company.
Sharesave	■ In line with HMRC rules and the rules of Sharesave.	■ In line with HMRC rules and the rules of Sharesave.	■ In line with HMRC rules and the rules of Sharesave.

* Anyone who is not a Good Leaver or a discretionary Good Leaver

Consideration of employment conditions elsewhere in the Group

The Company's approach to executive director and wider employee remuneration is based on a common set of remuneration principles and a governance structure, which have been implemented across all major subsidiaries. This includes subsidiary remuneration committees with agreed terms of reference, who have oversight over local matters and ensure that the remuneration principles and policies are implemented consistently.

Although the committee does not consult directly with employees on executive director remuneration policy, it reviews proposals in the context of a detailed understanding of remuneration for the broader employee population. The structure of total remuneration packages for executive directors, and for the broader employee population, is similar, comprising base pay, pension and benefits and eligibility for a discretionary STI based on performance in the financial year. The level of STI and the portion deferred are determined by role and responsibility. The Group LTI plan applies to executive directors and senior executives based at the Group's head office in London, and other LTI plans are in place for senior executives in subsidiary companies.

Annual base pay increases for the executive directors are limited to the average pay increase for employees in their home country, unless there has been a change in role or salary progression for a newly appointed director.

DIRECTORS' **REMUNERATION REPORT** continued

Approach to remuneration in connection with recruitment

The committee's approach to remuneration in connection with recruitment is to pay no more than is necessary to attract appropriate candidates to the role. It should be noted that the Company operates in a specialised sector and many of its competitors for talent are from outside the UK. Remuneration terms for any new executive directors will be based on the approved remuneration policy and would include the same elements, and be subject to the same constraints, as those of the existing executive directors as shown below:

Element of remuneration	Maximum percentage of base pay
Base pay	
Benefit allowance (for retirement, elective benefits or in cash)	35%
Other benefits	Dependent on circumstances and location
STI	150%
LTI	250% (400% in exceptional circumstances)

When it is necessary to 'buy out' an individual's unvested awards from a previous employer, the committee will seek to match the expected value of the awards by granting awards that vest over a time frame similar to those given up, with a commensurate reduction in quantum where the new awards will be subject to performance conditions that are not as stretching as those applicable to the awards given up. Existing annual incentive given up may be bought out on an expected value basis or, at the discretion of the committee, through a guaranteed STI award for the first performance year only.

Where appropriate, the committee will agree reasonable costs of relocation in line with the Group's mobility policy which, based on individual circumstances, provides for a settling-in allowance and costs incurred such as travel, shipping, immigration and tax advice, temporary housing, transaction costs on home sale/purchase, home/school search and school fees and, if in relation to a temporary assignment, tax equalisation and a housing allowance. All of these costs will be covered gross of tax incurred by the executive, where applicable.

Service agreements and payment for loss of office

Executive directors' service agreements are designed to provide an appropriate level of protection for the executive and the Company by: (i) setting out individual entitlements to elements of remuneration consistent with policy; (ii) summarising notice periods and compensation on termination of employment by the Company; and (iii) describing the obligations in relation to confidentiality, data protection, intellectual property and restraint on certain activities. Service agreements for the current executive directors are available on the Company's website www.oldmutual.com.

In the event that the employment of an executive director is terminated, any compensation payable will be determined in accordance with the terms of the service agreement between the Company and the executive director, as well as the rules of any incentive plans. The Company's policy is to make payments in accordance with pre-established contractual arrangements, but with consideration of individual circumstances. These circumstances may include the reason for termination and, for deferred STI and LTI share incentive awards, some discretion in the determination of Good Leaver status for vesting of such awards. The policy in this respect is set out in the following table:

Standard provision	Policy	Details	Other provisions in contract
Notice	■ Policy is to provide a maximum of 12 months' notice.	■ In certain cases, executive directors will not be required to work their notice period and, depending on the circumstances, may be put on 'garden leave' or granted pay in lieu of all or part of their notice period (PILON). PILON, including base pay, benefits and pension-related benefits, would normally be paid monthly and be subject to mitigation when alternative employment is secured but may also be paid as a lump sum ■ Executive directors are generally subject to annual re-election at the Company's Annual General Meeting.	■ Current contractual terms for Julian Roberts were agreed before 27 June 2012 and, in the absence of certain conditions relating to ill health or accident, provide Julian Roberts with notice by the Company of 12 months and notice to the Company of 12 months.
Treatment of STI awards	■ STI awards will be made to Good Leavers based on an overall assessment of corporate and personal performance and pro-rated for the period worked in the performance year of termination.	■ Paid in cash.	■ In the event of termination by the Company with PILON, or on garden leave, Julian Roberts' contract (agreed before 27 June 2012), provides for payment of STI for the notice period. The value to be paid will be determined by the committee based on the terms set out in the contract.

Standard provision	Policy	Details	Other provisions in contract
Treatment of unvested LTI and deferred STI share incentive awards	■ All awards lapse except for Good Leavers.	■ LTI vesting for Good Leavers* is based on the achievement of performance conditions. The number of shares to vest would be calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period ■ Deferred STI awards for Good Leavers* vest fully on termination.	
Compensation for loss of office	■ Settlement agreements with executive directors may provide for, as appropriate: – Incidental costs related to the termination, such as legal fees for advice on the settlement agreement – Provision of outplacement services – Payment in lieu of accrued, but untaken, holiday entitlements – Exit payments in relation to any legal obligation or damages arising from such obligation – Settlement of any claim arising from the termination – Continuation or payment in lieu of other incidental benefits – In the case of redundancy, two weeks' base pay per year of service.	■ Terms are subject to the signing of a settlement agreement.	■ There are no other contractual provisions for compensation for loss of office.
Non-executive directors	■ One month's notice (12 months for the Chairman) ■ Appointed for an initial three-year term ■ Normally expected to serve two three-year terms, subject to annual re-election at the Company's Annual General Meeting ■ A third term (of up to three years) may be offered on a year by year basis after completion of the first two terms.	■ Non-executive directors are subject to annual re-election at the Company's Annual General Meeting.	■ No compensation is payable on termination of appointment as a non-executive director.

* Subject to further adjustments which may be applied to discretionary Good Leavers as set out in the 'Treatment of incentive awards on termination or change of control' section of this report

Dates of directors' service contracts and letters of appointment

Executive director	Commencement date in current role	Continuous service date	Notice period
Julian Roberts	9 September 2008	21 August 2000	12 months
Paul Hanratty	1 July 2014	16 January 1984	12 months
Ingrid Johnson	1 July 2014	1 September 1993	12 months

Non-executive director	Date of original appointment	Date of current appointment	Current term as director	Date current appointment terminates
Patrick O'Sullivan	1 January 2010	1 January 2013	2nd	1 January 2016
Mike Arnold	1 September 2009	1 September 2012	2nd	1 September 2015
Zoe Cruz	6 January 2014	6 January 2014	1st	6 January 2017
Alan Gillespie	3 November 2010	3 November 2013	2nd	3 November 2016
Danuta Gray	1 March 2013	1 March 2013	1st	1 March 2016
Adiba Ighodaro	6 January 2014	6 January 2014	1st	6 January 2017
Reuel Khoza	27 January 2006	29 January 2015	–	14 May 2015[1]
Roger Marshall	5 August 2010	5 August 2013	2nd	5 August 2016
Nkosana Moyo	1 September 2013	1 September 2013	1st	1 September 2016
Nonkululeko Nyembezi-Heita	9 March 2012	9 March 2012	1st	9 March 2015[2]

1 Reuel Khoza's appointment has been extended until the conclusion of the Company's Annual General Meeting on 14 May 2015
2 Nonkululeko Nyembezi-Heita's appointment has been extended for a second term until 9 March 2018

Directors' service contracts and letters of engagement for the non-executive directors are available on the Company's website at www.oldmutual.com.

Directors' Remuneration Policy table (non-executive directors)

How the element supports our strategic objectives	Operation of the elements (fees and benefits)	Maximum potential payout	Performance measures used, weighting and time period applicable
To attract non-executive directors who have the broad range of experience and skills required to oversee the implementation of the strategy.	■ Fees for non-executive directors (other than the Chairman) are set by the Board and paid in 12 monthly instalments ■ The Chairman's fees are set by the committee and paid in 12 monthly instalments ■ Travel for partners to a limited number of Board meetings or corporate events of the Company and its major subsidiaries.	■ Fees are set within the range of comparative board and committee fees, benchmarked against an appropriate group of FTSE 100 companies. Average increases will not normally exceed the average increase for the UK workforce, except where: – committee roles or responsibilities change significantly; or – market fees in relation to certain roles change significantly ■ Non-executive directors may hold positions on the boards of subsidiary companies and are entitled to retain the fees payable to them for doing so.	■ Non-executive directors are not eligible to participate in performance-related incentive plans.

Annual Report on Remuneration

The Annual Report on Remuneration sets out the payments made and awards granted to the directors in 2014 and how the Company intends to implement the Directors' Remuneration Policy in 2015 which, along with the Chairman's Annual Statement, is subject to an advisory shareholder vote.

Market benchmarks

The primary peer group for benchmarking executive remuneration comprises large European insurers and, for 2014 and 2015, included Prudential plc, Aviva plc, RSA Insurance Group Plc, Legal & General Group Plc, Standard Life plc, Allianz Group and Axa Group.

For non-executive directors, benchmarking is performed against non-executive directors' remuneration in FTSE 100 companies using the whole of the FTSE 100 population as well as an extract of companies by market capitalisation.

Single total figures of remuneration for executive directors (audited)

	Base pay		Taxable benefits		STI		LTI		Pension-related benefits		Items in the nature of remuneration		Total	
Executive director	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Julian Roberts	**910**	885	**89**	68	**1,079**	1,123	**1,804**	2,428	**318**	309	**12**	4	**4,212**	4,817
Paul Hanratty[1]	**315**	–	**–**	–	**384**	–	**833**	–	**101**	–	**13**	–	**1,646**	–
Ingrid Johnson[1]	**300**	–	**1,284**	–	**353**	–	**190**	–	**105**	–	**2**	–	**2,234**	–
Former executive director														
Philip Broadley[2]	**403**	590	**29**	45	**499**	766	**–**	1,492	**141**	206	**5**	3	**1,077**	3,102

1 Paul Hanratty and Ingrid Johnson joined the Board on 1 July 2014. Figures represent remuneration paid for the period from that date
2 Philip Broadley left the Group on 31 August 2014. Figures represent remuneration paid for the period up to that date

Element	Explanation
Taxable benefits	These amounts represent the gross value of benefits that are paid for by the Company and are chargeable to UK income tax. They cover such items as spouse's travel, use of a car and driver and, for Ingrid Johnson, relocation costs. In order for Ingrid Johnson to take up the role of Group Finance Director, she was required to relocate from South Africa to the UK. In accordance with the approved Directors' Remuneration Policy, the Company paid for certain costs of relocating, such as relocation agents' costs, moving costs, transport of household items, temporary housing and transaction costs, and indirect costs of purchasing a house in London. The total value of the costs covered was £709,338. The Company accounted for the tax due on these costs directly, resulting in a gross cost of £1,272,793. It is this value that is included in the single total figure.
STI	STI awarded in relation to performance in the year, including 50% that is deferred for three years in the form of a share incentive award. In accordance with the payment structure agreed when Ingrid Johnson was appointed Group Finance Director, an amount equal to 50% of her total STI, inclusive of the amount paid for service with Nedbank up to 30 June 2014, will be deferred for three years in the form of a share incentive award. Vesting of the share incentive award is not subject to the achievement of performance targets, but requires the director to remain in employment with the Group during the vesting period. Malus applies to the shares held under award prior to vesting.
LTI	The 2013 Directors' Remuneration Report reflected the value of LTI vesting based on the average Old Mutual plc share price over the final quarter of 2013 (194.3p) as the options granted in 2011 had not vested at the time of publication. The figures have been updated to reflect the actual market value of 50% of the award that vested in April 2014, namely 198.93p per share, while the balance of 50% (which vests in April 2015) remains valued as it was in 2013. In addition, Philip Broadley's LTI for 2013 has been updated to reflect the actual pro-rating of his award in relation to his service with the Group during the vesting period. The 2014 LTI values have been calculated using the average share price over the final quarter of 2014 (188.3p) and, for the 50% of the options granted in 2012 that will vest in April 2015, will be restated in the 2015 Directors' Remuneration Report. Malus applies to the shares held under option prior to vesting. In respect of Ingrid Johnson, the LTI figure represents the value of her Nedbank awards which are due to vest in 2015, calculated using the average Nedbank share price over the final quarter of 2014 (R232.85), converted to sterling at a rate of R17.8712 to £1.
Pension-related benefits	This represents the benefit allowance of 35% of base pay less any amounts sacrificed for the purchase of other benefits.
Items in the nature of remuneration	This includes non-taxable benefits, including those paid for through the sacrifice of pension-related benefits, which are not considered to be significant in value. In respect of Julian Roberts, it also includes the value of the discount applied to his tax-advantaged share option granted under the Old Mutual plc 2008 Sharesave Plan in 2014.

Additional requirements in respect of the single total figure table (audited)

STI – 2014 performance year

The STI accruing to the executive directors in respect of performance during 2014 is shown below:

	RoE		EPS in constant currency		Personal Objectives		Weighted Outcome		
Executive director	Metric Weight	% Metric Achieved	Metric Weight	% Metric Achieved	Metric Weight	% Metric Achieved	% of Maximum	% of Base pay	£000
Julian Roberts	37.5%	77.8%	37.5%	70.3%	25.0%	94.0%	79.1%	118.6%	1,079
Paul Hanratty[1]	30.0%	77.8%	30.0%	70.3%	40.0%	92.0%	81.3%	121.9%	384
Ingrid Johnson[1]	30.0%	77.8%	30.0%	70.3%	40.0%	85.0%	78.5%	117.7%	353
Former executive director									
Philip Broadley[2]	25.0%	77.8%	25.0%	70.3%	50.0%	91.0%	82.6%	123.8%	499

1 Paul Hanratty and Ingrid Johnson joined the Board on 1 July 2014. Figures represent the short-term incentive earned from that date
2 Philip Broadley left the Group on 31 August 2014. His figure represents the short-term incentive earned up to that date

The performance achieved against the financial metrics is shown below:

Performance measure	Threshold	Target	Maximum	Actual	% of maximum achieved
RoE	11.3%	12.6%	13.9%	13.3%	77.8%
EPS in constant currency	15.5p	17.2p	18.9p	17.9p	70.3%

Outcomes for LTI awards over Old Mutual plc shares granted in 2012 (for the performance period 2012 – 2014)

The award made to Julian Roberts in 2012 had a face value of 250% of base pay at the time of award (inclusive of the TSR multiplier) and the award made to Paul Hanratty, before he became an executive director of the Company, had a face value of 200% of base pay (inclusive of the TSR multiplier) at the time of award. Vesting is due to occur 50% on the third anniversary of the date of grant (10 April 2015) and 50% on the fourth anniversary of the date of grant (10 April 2016). As the awards had not vested at the date of this report, the average share price for the final quarter of 2014 (188.3p) has been used to determine the value for the purposes of the single total figures.

	Threshold	Target	Maximum		
	0% vesting	Straight-line basis between 0% and 100% vesting	100% vesting	Actual	% achieved
Aggregate post-tax AOP (£) in constant currency	<2.9bn	2.9bn to 3.5bn	3.5bn or greater	3.3bn	69.2%

TSR multiplier

A TSR multiplier was used to adjust the outcome of the LTI scorecard in the table above. TSR was averaged at the start (Q4 2011) and end (Q4 2014) of the three-year performance period.

	Weighting	4% or more below index*	Equal to index*	4% or more above index*	Outcome	Multiplier	Weighted outcome
Annualised relative TSR growth (£)	50%	85%	100%	115%	8.7%	115.0%	57.5%
Annualised relative TSR growth (R)	50%				17.4%	115.0%	57.5%
Weighted total							**115.0%**

* Straight-line interpolation between the points

Overall outcome

Aggregate post-tax AOP (£) (in constant currency) – % achieved	69.2%
Aggregate post-tax AOP (£) in constant currency – % of maximum award (A)	60.1%
TSR multiplier – % achieved (B)	115.0%
Vesting – % of maximum award (A x B)	69.2%

Committee considerations:

- In respect of the STI and the LTI, the committee considered a report by the Chief Risk Officer, which confirmed that the targets had been fulfilled within the Company's risk appetite
- In respect of the LTI, the committee considered whether any downward adjustments to the outcome of the targets would be appropriate due to negative financial impacts or underperformance in the period, not adequately reflected in the AOP outcome. The committee concluded that no such adjustments were necessary
- In respect of the STI, the targets were adjusted positively/negatively for corporate transactions that were not envisaged when they were set. This was in order to preserve the stretch in the original targets.

2012 LTI awards over Old Mutual plc shares due to vest to the executive directors

Executive director	Old Mutual shares under option at grant	Achievement of performance targets	Old Mutual shares under option to vest in 2015	Old Mutual shares under option to vest in 2016	Average Old Mutual plc share price over Q4 2014	Value of share options to vest in 2015 £000	Value of share options to vest in 2016 £000	**Total value of LTI as shown in the single figure table £000**
Julian Roberts	1,384,470	69.2%	479,026	479,026	188.3p	902	902	**1,804**
Paul Hanratty	639,084	69.2%	221,123	221,123	188.3p	416	416	**833**

LTI values have been calculated using the average price of Old Mutual shares over the final quarter of 2014 (188.3p), and for 50% of the award that will vest in April 2015, will be restated in the 2015 Directors' Remuneration Report, once actual values on vesting are known.

In regard to Philip Broadley's unvested deferred STI and LTI awards, the committee exercised its discretion to treat him under Good Leaver provisions on the basis of his:

- Agreement not to join a competitor of the Old Mutual Group;
- Agreement to work with the Board to achieve an effective succession and transition process; and
- Strong performance in his role for over five years, which greatly contributed to the Group's recovery, rationalisation and improved financial position.

It was agreed that:

- Vesting of deferred STI awards and LTI awards would not be accelerated and awards would vest at the same time as would have applied if he had remained in employment
- All share incentive awards would be subject to forfeiture provisions for malus, on the same basis as if he had remained in employment
- LTI awards would vest only to the extent that the performance conditions had been met, and pro-rata for service
- He would not take up employment with or become a director of a competitor and, should he do so without the committee's express permission, he would be deemed to have waived his rights to any unvested share incentive awards at that time.

The committee has considered whether the above conditions have been met in respect of deferred STI and LTI awards due to vest in 2015 and has concluded that the awards should vest. Details of the value of the LTI award will be disclosed in the 2015 Directors' Remuneration Report.

Outcomes for LTI awards over Nedbank shares granted in 2012 (for the performance period 2012 – 2014)

Restricted share awards over 49,418 Nedbank shares were granted to Ingrid Johnson in March 2012. The shares held under award were subject to forfeiture provisions during a three-year vesting period, which required her to remain in employment with Nedbank and, for 50% of the award, the achievement of Nedbank corporate performance targets. The element of the award subject to the achievement of Nedbank corporate performance targets is set out below:

Nedbank shares under award at grant	Nedbank measure	Weighting	Range	Achieved	% of award vesting	Number of shares vesting in 2015	**Value of LTI included in the single figure table £000[2]**
24,709[1]	RoE (excluding goodwill) equal to or in excess of cost of equity	50%	0% to 8%	3.72%	74.3%	9,365	**122**
	Nedbank share price against Fini15 Index	50%	-20% to +30%	-19.7%	1.5%		

1 The number of shares under award was subject to a potential 30% uplift in the event that Nedbank met or exceeded the top of the range of the targets
2 The value has been calculated using the average price of Nedbank shares over the final quarter of 2014 (R232.85), converted into sterling using an exchange rate of R17.8712 to £1. The value shown in the single figure table will be restated in the 2015 Directors' Remuneration Report, once the actual value on vesting is known

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A deferred STI award over 10,477 Nedbank shares was granted to Ingrid Johnson under the Nedbank Compulsory Bonus Share Scheme in March 2012. The shares held under award were subject to forfeiture provisions which ended, in equal proportions, six months, 18 months and 30 months after the date of award. A matching award was offered (on a one-for-one basis) on any of the shares which were held voluntarily in the scheme until the third anniversary of the date of award. The matching award was subject to Ingrid Johnson remaining in employment with Nedbank during that three-year vesting period and, for 50% of the award, the achievement of Nedbank corporate performance targets. It was agreed with Nedbank that Ingrid Johnson would retain eligibility in relation to the employment condition provided she remained in employment with the Old Mutual Group. The element of the matching award subject to the achievement of Nedbank corporate performance targets is set out below:

Nedbank measure	Target	Achieved	% of award vesting	Maximum number of matching shares to be awarded in 2015	Actual number of matching shares to be awarded in 2015	**Value of LTI included in the single figure table £000[1]**
RoE (excluding goodwill) excess over cost of equity	2%	3.72%	100%	5,239	5,239	**68**

1 The value has been calculated using the average price of Nedbank shares over the final quarter of 2014 (R232.85), converted into sterling using an exchange rate of R17.8712 to £1. The value shown in the single figure table will be restated in the 2015 Directors' Remuneration Report, once the actual value on vesting is known

Single total figures of remuneration for non-executive directors (audited)

Non-executive directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits, other than those described in footnote 1 to the table below. This table shows the single total figures for both 2013 and 2014 for the Chairman and the other non-executive directors:

	Fees		Taxable benefits[1]		Total	
Non-executive director	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Patrick O'Sullivan	**370**	360	**17**	29	**387**	389
Mike Arnold	**97**	95	**–**	–	**97**	95
Zoe Cruz	**77**	–	**–**	–	**77**	–
Alan Gillespie	**94**	99	**–**	–	**94**	99
Danuta Gray	**88**	65	**–**	–	**88**	65
Adiba Ighodaro[2]	**67**	–	**–**	–	**67**	–
Reuel Khoza[3]	**315**	340	**–**	–	**315**	340
Roger Marshall	**107**	103	**–**	–	**107**	103
Nkosana Moyo	**77**	23	**–**	–	**77**	23
Nonkululeko Nyembezi-Heita	**72**	66	**–**	–	**72**	66
Former non-executive director						
Bongani Nqwababa (resigned January 2014)	**1**	78	**–**	–	**1**	78

1 Neither the Chairman nor any of the other non-executive directors received any pension-related benefits, short- or long-term incentives or any other items in the nature of remuneration in 2013 or 2014. The amounts included in the Taxable benefits column relate to the provision of travel to and from the office in London for the Chairman. The 2013 figure has been restated
2 Fees payable to Adiba Ighodaro were paid to Actis LLP rather than to her personally
3 Includes fees of £243,000 (£272,000 in 2013) in respect of Nedbank Group Limited

Scheme interests awarded during 2014 (audited)

The following tables show LTI awards in the form of nil-cost share options, deferred STI awards in the form of forfeitable shares awards and tax-advantaged share options (in respect of an all-employee Sharesave plan), granted to the executive directors during 2014. STI and LTI awards were granted in accordance with the grant policies set out above and the number of shares under award or option was calculated using the middle market quotation (MMQ) of Old Mutual plc shares on the business day preceding the date of grant. The Sharesave exercise price was determined at 20% below the average of the Company's MMQ over a three-day period immediately preceding the invitation date.

Date of grant	Award type	Basis of award	Old Mutual shares held under option or award	Share price at date of award	Face value at date of grant £000	% receivable if minimum performance is achieved	Vesting date	The end of the period over which the performance targets have to be fulfilled
Julian Roberts								
8 April 2014	Nil-cost share option	LTI (250% of base pay)	1,122,902	202.6p	2,275	0%	50% – 8 April 2017 50% – 8 April 2018	31 December 2016
8 April 2014	Forfeitable shares award	Deferred STI (50% of STI)	277,082	202.6p	561	100%	8 April 2017	N/A
30 April 2014	Tax-advantaged share option	Sharesave	11,076	162.5p[1]	18	100%	1 June 2017	N/A
Paul Hanratty[2]								
8 April 2014	Nil-cost share option	LTI (200% of base pay)	557,750	202.6p	1,130	0%	50% – 8 April 2017 50% – 8 April 2018	31 December 2016
8 April 2014	Forfeitable shares award	Deferred STI (50% of STI)	237,566	202.6p	481	100%	8 April 2017	N/A
8 August 2014	Nil-cost share option	LTI (35% of base pay)	115,688	190.6p	221	0%	50% – 8 August 2017 50% – 8 August 2018	31 December 2016
Ingrid Johnson[3]								
8 August 2014	Nil-cost share option	LTI (250% of base pay)	786,989	190.6p	1,500	0%	50% – 8 August 2017 50% – 8 August 2018	31 December 2016
Former executive director								
Philip Broadley								
8 April 2014	Forfeitable shares award	Deferred STI (50% of STI)	189,036	202.6	383	100%	8 April 2017	N/A

1 The Sharesave exercise price was set at a 20% discount to the average Old Mutual share price over a three-day period immediately preceding the invitation date
2 The Nil-cost share option and Forfeitable shares award granted to Paul Hanratty on 8 April 2014 were granted to him before he became a director of the Company
3 Ingrid Johnson also received awards over Nedbank shares in relation to her employment at Nedbank, as detailed on page 111

Performance measures for LTI awards over Old Mutual plc shares granted in 2014

	LTI scorecard	Threshold	Target	Maximum	Weight
Financial	EPS (p) (IFRS AOP-based CAGR*) post-tax	5.0%	7.5%	10.0%	15.0%
	EPS (c) (IFRS AOP-based CAGR*) post-tax	5.0%	7.5%	10.0%	15.0%
	RoE (IFRS AOP-based averaged over three years)	12.0%	13.5%	15.0%	30.0%
Strategic objectives	**1. Emerging Markets – Africa expansion (excluding banking)**				
	Customer growth in Africa excluding SA (CAGR*)	10.0%	15.0%	20.0%	10.0%
	Profit (AOP) growth in Africa excluding SA (CAGR*) pre-tax including LTIR	10.0%	15.0%	20.0%	5.0%
	2. Old Mutual Wealth				
	Profit (AOP) growth UK and International (CAGR*) pre-tax	10.0%	15.0%	20.0%	7.5%
	3. Restructuring objectives				
	Group structural changes/key initiatives	Targets disclosed at the end of the three-year performance period			12.5%
	4. Risk, governance, culture and reputation				
	Measures of risk, governance, culture and reputation	Assessed against measures and qualitatively			5.0%
Total					**100.0%**

* Compound annual growth over the three-year performance period

Governance

Scorecard for Strategic Objectives

1. Emerging Markets

- Core measures of focus are growth in African business outside South Africa, focusing on customers and profit
- This is in the Life and Short-term insurance business. It excludes banking (currently Nedbank and Central Africa Building Society) and minority interests
- The committee will also make a qualitative assessment of the overall delivery of a range of measures against plan.

2. Old Mutual Wealth

- Growth in AOP is the core measure – UK and International
- The committee will also make a qualitative assessment of the overall delivery of a range of measures against plan.

3. Restructuring objectives

- Agreed structural initiatives are commercially sensitive and will be disclosed in the Directors' Remuneration Report following the end of the three-year performance period.

4. Risk, governance, culture and reputation

The committee will use a number of measures to assess risk, culture and any impacts on governance and reputation, including the following:

- Risk assessments against key risk measures and risk appetite – assessed annually and over the three-year period
- Overall assessment of material breaches in risk, regulatory or governance issues and any reputational impact
- Annual culture survey results compared to prior year's results and to international standards measured at Group and business level for improved scores where needed or maintenance where levels in 2013 were high.

The committee will apply its discretion in determining the final outcomes in relation to the 2014 LTI, and in this regard:

- It will receive a report from the Chief Risk Officer to confirm that the performance of the Group has been achieved within the stated risk appetite. Where the risk appetite has been breached, the committee will have discretion to reduce the level of vesting accordingly.
- It will exercise its discretion to make adjustments where there is a significant negative impact on underlying financial performance which is not adequately reflected in AOP results (for example, where LTIR adjustments create any inconsistency between AOP and IFRS basic earnings).

Where the Group undergoes a significant change, such as a large disposal, acquisition or restructuring, the committee will review the targets to assess whether they need to be adjusted to reflect the change, or whether they should be replaced altogether.

*TSR multiplier**
A TSR multiplier will be used to adjust the weighted average outcome of the LTI scorecard in the table on the preceding page, as shown below. TSR will be averaged at the start (Q4 2013) and end (Q4 2016) of the three-year performance period.

	Relative TSR vs. index	Multiplier
Threshold	4% or more below index	0.85
Target	equal to index	1.00
Maximum	4% or more above index	1.15

* Relative TSR performance (calculated 50% against the FTSE 100 Index and 50% against the JSE ALSI) against the above ranges, with a multiplier being set on a linear basis between the points

Nedbank Scheme interests awarded (audited)

The following table shows STI deferral awards, in the form of restricted share awards over Nedbank shares that were granted to Ingrid Johnson by Nedbank in 2014, prior to her being appointed as Group Finance Director of the Company. In addition to the awards shown below, she also elected to use some of her net cash STI to invest 1,345 Nedbank shares under the terms of the Nedbank Voluntary Bonus Share Scheme, in respect of which a matching award will be granted if: (i) she remains in employment with the Old Mutual Group; (ii) the shares remain in the scheme for a period of 36 months; and (iii) the relevant performance condition is met (the target being the same target as applies to the Nedbank Compulsory Bonus Scheme below). Ingrid Johnson waived her rights to two restricted share awards granted in March 2014 before joining the Company as Group Finance Director.

Date of grant	Award type	Basis of award	Nedbank shares held under award	Face value at date of grant £000[3]	% receivable if minimum performance is achieved	Vesting date[4]	The end of the period over which the performance targets have to be fulfilled in order to receive the matching award
1 April 2014	Nedbank Compulsory Bonus Share Scheme[1]	STI deferral	4,371	£55	100%	Released from forfeiture in three equal tranches after six, 18 and 30 months from the date of award	31 December 2016
1 April 2014	Nedbank Compulsory Bonus Share Scheme[2]	STI deferral (time-based only)	4,372	£55	100%		N/A

1 A matching award will be granted if Ingrid Johnson remains in employment with the Old Mutual Group on the third anniversary of the date of grant, retains all of the deferred Nedbank shares for the full three-year period after award, and a Nedbank performance target, based on the simple average RoE (excluding goodwill) of Nedbank Group being greater or equal to the simple average cost of equity +2% over the three-year period
2 A matching award will be granted if Ingrid Johnson remains in employment with the Old Mutual Group on the third anniversary of the date of grant and retains all of the deferred Nedbank shares for the full three-year period after award
3 The face value at the date of grant has been calculated using the price of Nedbank shares at grant, namely R223 per share, converted to sterling using an exchange rate of R17.8712 to £1
4 Release from forfeiture applies in three equal tranches after six, 18 and 30 months from the date of award. However, the shares must be retained in the scheme until 31 March 2017 in order for Ingrid Johnson to qualify for the matching award

Appointments of executive directors during 2014

The Company announced the appointment of Paul Hanratty as Chief Operating Officer and Ingrid Johnson as Group Finance Director on 14 May 2014, and both joined the Board on 1 July 2014. Details of their remuneration packages were announced at the time, and are set out below:

	Element	Paul Hanratty	Ingrid Johnson
Fixed	Annual Base pay	£630,000	£600,000
Fixed	Benefits including pension-related benefits	Fixed allowance equal to 35% of base pay for pension and other elective benefits. Core insurance and other agreed benefits are also paid	
Variable	STI	Maximum of 150% (50% deferred for three years in the form of a forfeitable shares award) subject to Group financial performance (60%) and personal scorecard performance (40%)	
Variable	LTI for 2014	35% of base pay granted in August 2014 in the form of a nil-cost share option, 50% vesting after three years and 50% vesting after four years, subject to the achievement of performance targets	250% of base pay granted in August 2014 in the form of a nil-cost share option, 50% vesting after three years and 50% vesting after four years, subject to the achievement of performance targets
Variable	LTI for 2015 onwards	Maximum of 250% of base pay granted in the form of a nil-cost share option, 50% vesting after three years and 50% vesting after four years, subject to the achievement of performance targets.	

Payments to past directors (audited)

There were no payments made to past directors during 2014.

Payments for loss of office (audited)

There were no payments to directors for loss of office during 2014.

Shares in trust and shareholder dilution

At 31 December 2014, there were 121,102,176 shares held in employee share ownership trusts (ESOTs) for the purposes of collaterising some of the obligations under the Group's employee share incentive schemes. The strategy is to ensure that, with the exception of Black Economic Empowerment-related ESOTs, at least sufficient shares are held to satisfy restricted share/forfeitable shares awards. In calculating dilution limits, any awards that are satisfied by transfer of pre-existing issued shares (such as shares acquired by market purchase through ESOTs) and any shares comprised in any share option or share award that has lapsed or has been cash-settled are disregarded. At 31 December 2014, the Company had 2.24% of share capital available under the 5%-in-10-years limit applicable to discretionary share incentive schemes and 6.46% of share capital available under the 10%-in-10-years limit applicable to all share incentive schemes. The Company has complied with these limits at all times.

Directors' shareholdings and share interests (audited)

Within a period of five years of appointment to the role, the Group Chief Executive is required to build up a holding of shares in the Company equal in value to 200% of base pay, and the equivalent figure for other executive directors is 150% of base pay. Unvested share awards or share options and vested but unexercised share options are excluded for the purposes of the calculations. There is no requirement for executive directors to hold shares or share interests in the Company once they have ceased employment with the Group.

The following table illustrates that both Julian Roberts and Paul Hanratty met their respective requirements at 31 December 2014. Shares have been valued for these purposes at the year-end price, which was 190.5p per share. There have been no changes to the directors' shareholdings between 31 December 2014 and 27 February 2015; however, certain of the nil-cost share options granted in 2012 lapsed on 27 February 2015 due to the partial achievement of performance targets.

Executive director	Share ownership requirement (% of Base pay)	Number of shares required to be held	Number of shares owned outright (including by connected persons)	Share ownership requirement met	Vested but unexercised share options	Forfeitable shares awards not subject to performance targets[1]	Nil-cost share options subject to performance targets[2]	Sharesave share options not subject to performance targets[3]
Julian Roberts	200%	955,381	2,014,303	Yes	–	898,731	4,263,018	11,076
Paul Hanratty	150%	496,063	824,547	Yes	–	703,862	2,166,062	7,031
Ingrid Johnson	150%	472,441	–	No	–	–	786,989	–

1 Forfeitable shares awards are granted each year in relation to the deferred element of the STI. Julian Roberts and Paul Hanratty hold awards granted on 10 April 2012 (with a market value per share at grant of 157.1p), 8 April 2013 (194.4p) and 8 April 2014 (202.6p). Awards vest on the third anniversary of the date of award
2 Nil-cost share options are granted each year in relation to the LTI. Market value share options are no longer granted to executive directors. Julian Roberts and Paul Hanratty hold nil-cost share options granted on 11 April 2011 (with a market value per share at grant of 144.7p), 10 April 2012 (157.1p), 8 April 2013 (194.4p) and 8 April 2014 (202.6p). Paul Hanratty and Ingrid Johnson also hold nil-cost share options granted on 8 August 2014 with a market value per share at grant of 190.6p. The total shares held under option include the unvested options granted in 2011 and 2012, for which the performance targets were partially achieved as well as, for the options granted in 2012, the shares that lapsed on 27 February 2015 due to the partial achievement of the performance targets. Vesting of the nil-cost share options occurs 50% on the third anniversary and 50% on the fourth anniversary of the date of grant
3 Julian Roberts and Paul Hanratty hold tax-advantaged share options under the Old Mutual plc 2008 Sharesave Plan, originally granted to Julian Roberts on 30 April 2014 with an exercise price of 162.5p per share and to Paul Hanratty on 19 April 2012 with an exercise price of 128p per share. The exercise prices were determined at 20% below the average of the Company's MMQ over a three-day period immediately preceding the invitation dates. The options will become exercisable on 1 June 2017 and 1 June 2015 respectively

Share options exercised during 2014 (audited)

The following table shows all share options exercised by the executive directors during 2014:

Executive director	Type of option	Date of grant	Shares exercised	Exercise date	Exercise price	Share price at date of exercise	Gain[1] £000
Julian Roberts	Nil-cost	11 April 2011	617,528	11 April 2014	Nil	198.9p	1,228
	Nil-cost	13 May 2010	1,402,805	15 May 2014	Nil	200.8p	2,816
	Sharesave	9 April 2009	48,906	2 June 2014	32.0p	201.6p	83
Paul Hanratty	Market value[2]	8 April 2009	400,000	11 March 2014	54.1p	191.7p	550
	Nil-cost[2]	11 April 2011	287,696	11 April 2014	Nil	198.9p	572
	Nil-cost[2]	13 May 2010	401,405	15 May 2014	Nil	200.8p	806
	Market value	8 April 2009	400,000	8 August 2014	54.1p	186.7p	530
Former executive director							
Philip Broadley	Nil-cost	11 April 2011	410,474	11 April 2014	Nil	198.9p	817
	Nil-cost	13 May 2010	929,569	15 May 2014	Nil	200.8p	1,866

1 The full value of the shares on the date of exercise is shown. However, in respect of the nil-cost share options, Paul Hanratty sold 324,528 shares and retained 364,573 shares. He sold all of the shares relating to the exercise of the market value share options. Julian Roberts sold the shares resulting from the nil-cost share options but retained his Sharesave shares. Philip Broadley sold all of the exercised shares
2 These options were exercised by Paul Hanratty prior to him becoming a director of the Company

There are no share ownership requirements for the non-executive directors. Shares owned by the Chairman and the other non-executive directors holding office at 31 December 2014 (including holdings by connected persons) are shown below:

Non-executive director	Old Mutual plc shares held at 31 December 2014
Patrick O'Sullivan	100,000
Mike Arnold	26,475
Zoe Cruz	–
Alan Gillespie	13,000
Danuta Gray	14,175
Adiba Ighodaro	–
Reuel Khoza	3,566
Roger Marshall	45,000
Nkosana Moyo	10,000
Nonkululeko Nyembezi-Heita	3,566

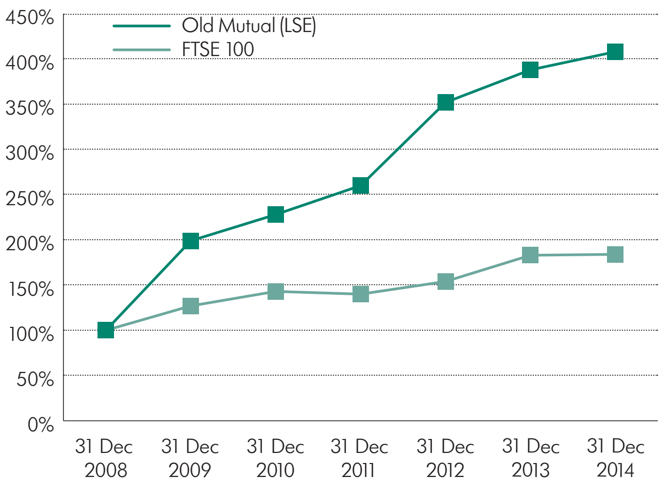
There have been no changes to the interests in shares owned by the Chairman and the other non-executive directors between 31 December 2014 and 27 February 2015.

Performance graphs

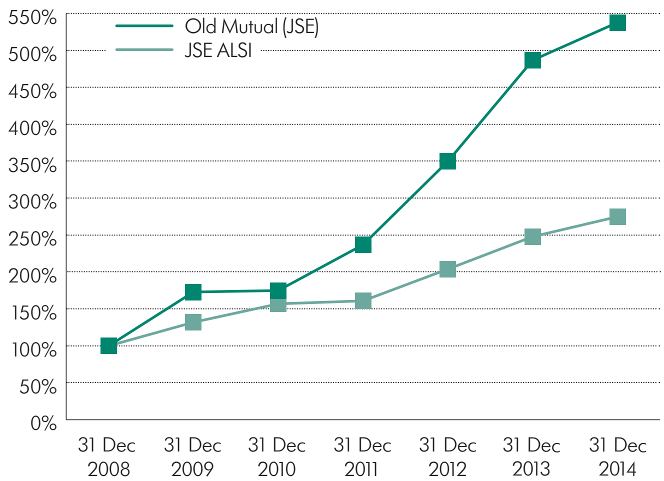
The charts below show the Company's six-year annual TSR performance against the FTSE 100 Index and JSE ALSI. These indices were selected because: (i) the Company is part of those indices; and (ii) due to the international structure and diversity of the Group's businesses, the two broad market indices shown are the only relevant market comparators available.

The charts show the value of TSR (assuming dividends reinvested) at each year-end from 31 December 2008 to 31 December 2014 on £100/R100 invested in Old Mutual plc shares compared with the TSR (calculated on the same basis) on £100/R100 invested in the FTSE 100 Index and the JSE ALSI at the same dates.

Old Mutual plc TSR performance against FTSE 100: Six-year performance to 31 December 2014



Old Mutual plc TSR performance against JSE ALSI: Six-year performance to 31 December 2014



Source: Datastream

Group Chief Executive's remuneration over the last six years

Julian Roberts	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Single figure	2,163	2,447	8,521	7,881	4,817	4,212
STI payout against maximum opportunity	77%	98%	92%	88%	85%	79%
LTI vesting against maximum opportunity	0%	0%	100%	80%	84%	69%

Governance

Percentage change in the remuneration of the Group Chief Executive

The table below shows the percentage change in the remuneration of the Group Chief Executive (from 2013 to 2014) compared to that for UK-based employees of the Old Mutual Group. The committee has selected employees in the UK, as the executive directors are employed in the UK and have a similar remuneration structure to those employees.

Element	Julian Roberts % change	Average UK-based employee[1] % change
Base pay	2.8%	3.0%
Taxable benefits	30.6%	3.0%
STI	(3.9%)	(4.4%)

[1] UK-based employees excluding employees in Nedbank, Old Mutual Global Investors (UK) Limited and Institutional Asset Management

Relative importance of spend on pay

The table below illustrates the Group's spend on pay compared with distributions to shareholders:

	2014 £m	2013 £m	Year-on-year change £m	Year-on-year change %
Dividends paid to ordinary equity holders	394	336	58	17.3%
Dividends paid to Nedbank minority equity holders	119	114	5	4.4%
Remuneration paid to all Group employees	1,860	1,904	(44)	(2.3%)

Implementation of remuneration policy in 2015

The Directors' Remuneration Policy will be implemented in 2015 as follows:

Base pay

The table below shows the changes to base pay for 2015, which are below the average increases of 3% for other employees in the UK:

Executive director	2015 £000	2014 £000	% increase
Julian Roberts	930	910	2.20%
Paul Hanratty	645	630	2.38%
Ingrid Johnson	615	600	2.50%

STI – 2015 performance year

For 2015, there has been no change to the maximum award of 150% of base pay or to the structure of the STI from those that applied in 2014. The split in financial metrics and personal scorecard objectives is 75% and 25% respectively for Julian Roberts, and 60% and 40% respectively for Paul Hanratty and Ingrid Johnson.

The agreed financial measures for 2015 are EPS in constant currency and RoE. These have been used as the core measures of financial performance for a number of years, as they are the most meaningful central measures of the effective use of capital and annual profit as the Group executes its strategy to grow the business through investment, integration and collaboration initiatives. The committee will disclose the STI targets retrospectively in the 2015 Directors' Remuneration Report as the committee believes that the STI targets are commercially sensitive and that it would be detrimental to the Company's interests to disclose them at the start of the performance period.

The committee considers corporate performance on environmental, social and governance issues, to the extent relevant, when setting executive directors' remuneration.

STI performance measures	Julian Roberts	Paul Hanratty	Ingrid Johnson
	Weighting per element (out of 100)		
EPS in constant currency	37.5	30	30
RoE	37.5	30	30
Group financial metrics – subtotal	**75**	**60**	**60**
Personal scorecard objectives[1]	**25**	**40**	**40**
Total weight	**100**	**100**	**100**

[1] Personal scorecard objectives are set under the headings of: (i) leading the business; (ii) core responsibilities; and (iii) leadership behaviours

Performance measures for LTI awards over Old Mutual plc shares to be granted in 2015

For 2015, there has been no change to the maximum LTI award of 250% of base pay (inclusive of the TSR multiplier). The structure has changed so that 70% is now based on Group financial metrics and 30% on key strategic objectives (60% Group financial metrics and 40% key strategic objectives in 2014).

	LTI scorecard	Threshold	Target	Maximum	Weight
Financial	EPS (p) (IFRS AOP-based CAGR*) post-tax	5%	7.5%	10%	17.5%
	EPS (c) (IFRS AOP-based CAGR*) post-tax	5%	7.5%	10%	17.5%
	RoE (IFRS-AOP based averaged over three years)	12.0%	13.5%	15.0%	35.0%
Strategic objectives	**1. In Africa, build a financial services champion**				
	In assessing performance against this objective, the committee will consider: (i) the quantum and quality/sustainability of synergy value achieved against the R1 billion target over the period; and (ii) growth in the Rest of Africa, considering the quality of investment made, the effectiveness of delivering integration plans and building market presence				12.5%
	2. In the UK, build the leading retail investment business				
	In assessing performance against this objective, the committee will consider the effectiveness of transforming the business, integrating acquisitions and delivering key strategic projects				10.0%
	3. Delivery of our culture and Responsible Business objectives				
	In assessing performance against this objective, the committee will have particular focus on the effectiveness of key culture initiatives and KPI targets across the Group, along with success of Old Mutual's financial wellbeing campaigns and responsible investment objectives				7.5%
Total					**100.0%**

* Compound annual growth over the three-year performance period

The committee will apply its discretion in determining the final outcomes in relation to the 2015 LTI, and in this regard:

- It will receive a report from the Chief Risk Officer to confirm that the performance of the Group has been achieved within the stated risk appetite. Where the risk appetite has been breached, the committee will have discretion to reduce the level of vesting accordingly
- It will exercise its discretion to make adjustments where there is a significant negative impact on underlying financial performance which is not adequately reflected in AOP results (for example, where LTIR adjustments create any inconsistency between AOP and IFRS basic earnings).

Where the Group undergoes a significant change, such as a large disposal, acquisition or restructuring, the committee will review the targets to assess whether they need to be adjusted to reflect the change, or whether they should be replaced altogether.

*TSR multiplier**

A TSR multiplier will be used to adjust the weighted average outcome of the LTI scorecard in the table shown above, as follows. TSR will be averaged at the start (Q4 2014) and end (Q4 2017) of the three-year performance period.

	Relative TSR vs index	Multiplier
Threshold	4% or more below index	0.85
Target	equal to index	1.00
Maximum	4% or more above index	1.15

* Relative TSR performance (calculated 50% against the FTSE 100 Index and 50% against the JSE ALSI) against the above ranges, with a multiplier being set on a linear basis between the points

Governance

Introduction of claw back and amendments to automatic Good Leaver provisions

In response to the implementation of the revised UK Corporate Governance Code, the Company has updated its malus provisions and has also introduced claw back on cash STI and vested LTI awards as follows:

	Criteria	Awards impacted and period applicable (net of statutory deductions basis for claw back)
Malus	■ Misleading or misstated financial results ■ Loss due to failure to observe risk management policies ■ Gross misconduct ■ Actions leading to reputational damage	■ Cash STI – during the period between the end of the performance period and the payment date ■ Unvested deferred STI awards – during the three-year performance period ■ Unvested LTI awards – three or four years matching the vesting period
Claw back	■ Misleading or misstated financial results ■ Loss due to failure to observe risk management policies ■ Gross misconduct	■ Cash STI – for a three-year period following the payment date ■ Vested LTI awards – for two years if three-year vesting and for one year if four-year vesting

These provisions take effect immediately for any new awards granted in respect of performance periods beginning on or after 1 January 2015.

It has also been decided that, for future share awards, retirement will no longer be considered an automatic Good Leaver reason for employees based in the UK at the date of award. Retirement may be considered for Good Leaver status under the discretionary Good Leaver provisions.

Non-executive directors' fees

The annual fees payable to the Chairman and to the other non-executive directors in 2014 and 2015, by role, are set out below:

Role	**2015 £000**	2014 £000
Chairman	**380**	370
Senior Independent Director	**15**	15
Board fee	**59**	57
Chairman of the Board Risk Committee	**30**	30
Member of the Board Risk Committee	**10**	10
Chairman of the Group Audit Committee	**30**	30
Member of the Group Audit Committee	**10**	10
Member of the Nomination Committee	**5**	5
Chairman of the Remuneration Committee	**30**	30
Member of the Remuneration Committee	**10**	10
Average payment per non-executive director (excluding the Chairman) based on the Board and Board committee structure in place at 31 December 2014	**85**	84

Consideration by the directors of matters relating to directors' remuneration

Committee meetings and members

The following, all of whom are or were at the relevant time independent non-executive directors of the Company, served as members of the committee during the year:

Non-executive director	Position	Period on the committee	Meetings attended	Meetings not attended
Danuta Gray	Chairman	March 2013 to date (Chairman since May 2014)	8	–
Zoe Cruz	Member	January 2014 to date	8	–
Alan Gillespie	Member	November 2010 to date (Chairman May 2013 to May 2014)	8	–
Roger Marshall	Member	May 2013 to date	7	1
Nkosana Moyo	Member	January 2014 to date	7	1
Bongani Nqwababa	Former member	April 2010 to January 2014	–	–

The committee Chairman has access to and regular contact with the Group Human Resources Department independently of the executive directors. During 2014, the committee met eight times. The Board accepted the recommendations made by the committee during the year without amendment. Paul Forsythe, Assistant Company Secretary, acted as Secretary to the committee.

Advisers to the committee

As foreshadowed in the 2013 Directors' Remuneration Report, a review of the committee's independent adviser was undertaken following Danuta Gray's appointment as Chairman. Following a competitive tender process, PwC was appointed as the independent adviser to the committee in October 2014, replacing Alan Judes, who had provided independent advice to the committee for many years. PwC provides wide-ranging advice and services across the Group on matters including transactions, tax, Internal Audit and IT security. In its capacity as adviser to the committee, PwC will work with management to prepare recommendations for the committee's consideration and will provide advice to the committee on benchmarking of total remuneration packages for the executive directors and other senior employees, the design of short-term and long-term incentive arrangements (including for employees of subsidiary companies), updating the committee on corporate governance best practice, advice in relation to the measurement of performance for incentive purposes and any other matters within the committee's terms of reference. PwC also provides advice to management on remuneration matters.

The committee undertakes a review of the advice it receives to assess whether it is objective and independent; it also satisfies itself that there are no conflicts of interest arising between it, the advisers and the Company. PwC is a signatory to the Remuneration Consultants' Group Code of Conduct.

Work undertaken by PwC for the committee is charged on a time basis and for 2014 was £26,420 excluding VAT.

Work undertaken by Alan Judes for the committee during 2014 included advising the committee in connection with the formulation of the Directors' Remuneration Policy, the disclosure of that policy, the total remuneration packages for the executive directors, the design of STI and LTI arrangements including arrangements for employees of subsidiary companies, updating the committee on corporate governance best practice and requirements for disclosure under newly enacted and promulgated legislation for departing directors, advising in connection with the measurement of performance for incentive purposes, and attending meetings of the committee. Fees paid to Alan Judes, through his consultancy Strategic Remuneration, were charged on a time basis and for 2014 were £66,800 excluding VAT (2013: £120,000 excluding VAT). Strategic Remuneration is a member of the Remuneration Consultants Group and adheres to that body's Code of Conduct.

Don Schneider, Ian Luke and Kevin Stacey of Group Human Resources assisted the committee during the year. Group Human Resources provided supporting materials for matters that came before the committee, including comparative data and justifications for proposed base pay, benefits, annual incentive plans, share awards and criteria for performance targets and appraisals against those targets. Patrick O'Sullivan, Julian Roberts and Sue Kean gave advice to the committee in assessing the performance of the Group Chief Executive, other members of the Group Executive Committee and the assessment of risk, respectively.

Voting at General Meetings

The voting results at AGMs on resolutions relating to our Directors' Remuneration Reports and the Directors' Remuneration Policy over the last two years were as follows:

Year of report	Type	Date of AGM	Votes for	Votes for %	Votes against	Votes against %	Total votes cast (excluding votes withheld)	Votes withheld
2013	Directors' Remuneration Policy	15 May 2014	3,280,532,172	97.17	95,664,621	2.83	3,376,196,793	27,097,233
2013	Directors' Remuneration Report	15 May 2014	3,253,282,521	97.04	99,343,587	2.96	3,352,626,108	50,669,930
2012	Directors' Remuneration Report	9 May 2013	2,933,771,399	97.94	61,752,305	2.06	2,995,523,704	123,524,253

Consideration of shareholder views

The committee considers shareholder feedback in relation to the Directors' Remuneration Report for the prior year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of remuneration arrangements for the following year. Where any significant change is proposed, the Chairman of the committee will inform major shareholders in advance, and will offer a meeting to discuss these.

Contents

FINANCIALS

In this section, we present the results of the Group and the Parent Company in accordance with International Financial Reporting Standards (IFRS). The IFRS results are also presented on an adjusted basis to reflect management's view of the underlying long-term performance of the Group.

GROUP FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the Annual Report and Accounts and the financial statements

The directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRS as adopted by the EU and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of Old Mutual plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Julian Roberts	**Ingrid Johnson**
Group Chief Executive	Group Finance Director

27 February 2015

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY

For the year ended 31 December 2014

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Old Mutual plc for the year ended 31 December 2014, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes which include the reconciliation of adjusted operating profit to profit after tax.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

- Loans and advances (£34,857 million)

  Refer to page 84 (Audit Committee Report), pages 136 to 137 and 163 (accounting policy) and the disclosures in notes A3, E1, E2 and E3 to the financial statements.

  The risk:
  The Group's loans and advances impairment assessment requires the exercise of judgement and the use of subjective assumptions. Due to the significance of loans and advances and the related estimation uncertainty, this is considered to be a key audit risk, both in respect of the mature, established clusters and the unsecured lending books within Nedbank, as well as the Emerging Markets exposure through the newly consolidated Old Mutual Finance.

  Our response:
  For all banking clusters, our procedures included testing the design, implementation and operating effectiveness of key controls in operation over the loan approval, administration and monitoring processes. We involved our own internal valuation specialists to assess each of the portfolio loan loss provisioning models employed by the Group and to compare the Group's assumptions to externally available data in relation to key inputs such as historical default rates, recovery rates, collateral valuation, and economic growth rates. We also performed detailed testing over the specific provisions held against loans and advances, by inspecting latest correspondence and Credit Committee minutes to inform our work and challenge assumptions where necessary, assessing collateral values and re-performing key calculations.

- Policyholder liabilities (£79,679 million)

  Refer to page 84 (Audit Committee Report), pages 137 to 138 and 188 to 191 (accounting policy) and the disclosures in notes A3, E1, E2, and E8 to the financial statements.

  The risk:
  The main risk associated with policyholder liabilities is in respect of the insurance contracts within the life businesses; Emerging Markets and Old Mutual Wealth. Judgement is required over the variety of uncertain future outcomes, including the policy for creating and releasing discretionary margins. Economic assumptions, such as investment return, discount rates, and operating assumptions, such as mortality and persistency, are the key inputs used to estimate the valuation of these long-term liabilities.

  Our response:
  Our procedures in this area included testing the design, implementation and operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of insurance liabilities and evaluation of the consistency of methodologies and the appropriateness of the assumptions used by the Group. We involved our own internal actuarial specialists to assist us in our challenge of the assumptions used and the process followed for setting and updating these assumptions, particularly around persistency, expense and mortality/morbidity assumptions. This included checking the appropriateness of the data used in management's analysis prepared to set the assumptions. Our challenge was provided in the context of our own industry knowledge, external data and our views of experience to date, an understanding of which was enhanced through our attendance at the Group's own Independent Review Committee meetings. In respect of the discretionary reserves held within the South African business we checked and challenged the Group's use and application of the established policy, with reference to industry-wide practice and applicable accounting standards.

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY continued

For the year ended 31 December 2014

- Goodwill and intangibles (£2,763 million)

  Refer to page 85 (Audit Committee Report), page 201 (accounting policy) and the disclosures in notes F1 to the financial statements.

  The risk:
  Goodwill and intangible assets represent a significant audit caption on the balance sheet and the determination of the recoverable amount of intangible assets (both acquired and internally generated) and goodwill is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows and the discount rate applied in the value-in-use valuation models. We consider that the greatest risk is within Old Mutual Wealth but significant goodwill also exists in Institutional Asset Management and the balance will increase as the Group pursues acquisitions.

  Our response:
  Our procedures included challenging the cash flow forecasts and the corresponding assumptions, such as discount rates, applied by the Group in the consideration of potential impairment of intangible assets, based on our understanding of the relevant business and the industry and economic environment in which it operates. We compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting and considered the appropriateness of the scenarios used, in the context of our wider business understanding. We involved our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rates and in evaluating these assumptions with reference to inputs we derived ourselves.

- Taxation (£200 million)

  Refer to page 84 (Audit Committee Report), page 138 (accounting policy) and the disclosures in notes F7 & H4 to the financial statements.

  The risk:
  Accruals for uncertain tax positions require the Group to make judgements and estimates in relation to tax exposures and in response to enquiries and challenges raised by the tax authorities. This is one of the key judgemental areas that our audit is concentrated on due to the Group operating in a number of different tax jurisdictions and the complexities of and developments in international tax legislation, particularly in relation to South Africa given the proportion of the Group's income earned there.

  Our response:
  In understanding the accruals held, we inspected the correspondence with the relevant tax authorities and associated advice and held discussions with relevant members of management. We involved our own local and international tax specialists to assist us in analysing the Group's tax positions and challenged positions taken by the Group in determining tax provisions based on our knowledge and experiences of the application of the international and local legislation by relevant authorities and courts.

For all of the risk areas set out above, we have assessed whether the Group's disclosures about the sensitivity of the relevant financial statement items to changes in the respective key assumptions appropriately reflect the associated risks and comply with the requirements of relevant accounting standards.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £80 million, determined with reference to a benchmark of Group profit before taxation. Materiality represents 5.2% of Group profit before tax. In normalising the benchmark, we considered certain of the Group's AOP adjustments.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £4 million in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's six business units we subjected all to audits for Group reporting purposes, being the Emerging Markets, Old Mutual Wealth, Nedbank, Institutional Asset Management, Bermuda and Group Head Office businesses. The component audit teams at each of the business units undertook their own scoping exercises, with oversight from the Group team, to ensure sufficient audit coverage to support their own reporting to the Group team. Our work covered 93% of total revenues, 99% of profit before tax and 92% of total Group assets.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities which ranged from £32 million to £65 million, having regard for the mix of size and risk profile of the Group across the components.

To support the audit instructions sent to our component teams, the Group audit team visited five component locations in South Africa, the US, Bermuda and elsewhere in the UK for planning and risk assessment meetings and maintained regular communication with the auditors at these locations throughout the audit cycle to discuss work progress and identify matters of relevance to our audit of the Group financial statements. At these visits and meetings, the status of any issues being reported to the Group audit team was discussed in detail, and any further work required by the Group audit team was then performed by the component auditor. The Senior Statutory Auditor, in conjunction with other senior staff in the Group audit team, also attended Audit Committee meetings held at the significant components to understand key risks and audit issues at a component level which may affect the Group financial statements.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, or
- The Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 92, in relation to going concern, and
- The part of the Corporate Governance Statement relating to the Parent Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the statement of directors' responsibilities set out on page 120, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

27 February 2015

GROUP FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

£m

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Revenue			
Gross earned premiums	B2	**3,209**	3,701
Outward reinsurance		**(308)**	(317)
Net earned premiums		**2,901**	3,384
Investment return (non-banking)	D2	**6,304**	9,986
Banking interest and similar income	D3	**3,057**	3,050
Banking trading, investment and similar income	D4	**197**	195
Fee and commission income, and income from service activities	D5	**2,894**	3,095
Other income		**125**	100
Total revenue		**15,478**	19,810
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(4,098)**	(5,410)
Reinsurance recoveries		**215**	246
Net claims and benefits incurred		**(3,883)**	(5,164)
Change in investment contract liabilities		**(3,544)**	(5,873)
Losses on loans and advances		**(252)**	(368)
Finance costs	D6	**(54)**	(81)
Banking interest payable and similar expenses	D7	**(1,672)**	(1,616)
Fee and commission expenses, and other acquisition costs	D8	**(863)**	(976)
Change in third-party interest in consolidated funds		**(322)**	(564)
Other operating and administrative expenses	D9	**(3,548)**	(3,653)
Total expenses		**(14,138)**	(18,295)
Share of associated undertakings' and joint ventures' profit after tax	G2	**26**	21
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(2)**	(4)
Profit before tax		**1,364**	1,532
Income tax expense	D1	**(462)**	(552)
Profit from continuing operations after tax		**902**	980
Discontinued operations			
(Loss)/profit from discontinued operations after tax	I1	**(50)**	3
Profit after tax for the financial year		**852**	983
Attributable to			
Equity holders of the parent		**582**	705
Non-controlling interests			
Ordinary shares	F10(a)(i)	**252**	259
Preferred securities	F10(a)(ii)	**18**	19
Profit after tax for the financial year		**852**	983
Earnings per share			
Basic earnings per share based on profit from continuing operations (pence)		**13.5**	14.9
Basic earnings per share based on profit from discontinued operations (pence)		**(1.1)**	0.1
Basic earnings per ordinary share (pence)	C2(a)	**12.4**	15.0
Diluted basic earnings per share based on profit from continuing operations (pence)		**12.5**	13.8
Diluted basic earnings per share based on profit from discontinued operations (pence)		**(1.0)**	0.1
Diluted basic earnings per ordinary share (pence)	C2(b)	**11.5**	13.9
Weighted average number of ordinary shares (millions)	C2(a)	**4,485**	4,442

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

£m

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Profit after tax for the financial year		**852**	983
Other comprehensive income for the financial year			
Items that will not be reclassified subsequently to profit or loss			
Fair value movements			
Property revaluation		**22**	23
Measurement movements on defined benefit plans		**2**	70
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	**6**	(12)
		30	81
Items that may be reclassified subsequently to profit or loss			
Fair value movements			
Net investment hedge		**(9)**	43
Available-for-sale investments			
Fair value gains/(losses)		**21**	(5)
Recycled to profit or loss		**(20)**	(9)
Exchange difference recycled to profit or loss on disposal of business		**(85)**	–
Shadow accounting		**(5)**	–
Currency translation differences on translating foreign operations		**(68)**	(1,257)
Other movements		**(18)**	9
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	**(5)**	2
		(189)	(1,217)
Total other comprehensive income for the financial year		**(159)**	(1,136)
Total comprehensive income for the financial year		**693**	(153)
Attributable to			
Equity holders of the parent		**441**	(96)
Non-controlling interests			
Ordinary shares		**234**	(76)
Preferred securities		**18**	19
Total comprehensive income for the financial year		**693**	(153)

GROUP FINANCIAL STATEMENTS
RECONCILIATION OF ADJUSTED OPERATING PROFIT TO PROFIT AFTER TAX

For the year ended 31 December 2014

£m

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Core operations			
Emerging Markets	B3	**617**	594
Nedbank	B3	**770**	797
Old Mutual Wealth	B3	**227**	217
Institutional Asset Management	B3	**131**	111
		1,745	1,719
Finance costs	B3	**(78)**	(92)
Long-term investment return on excess assets		**24**	43
Net interest payable to non-core operations		**(5)**	(11)
Corporate costs		**(55)**	(54)
Other net (costs)/income		**(26)**	7
Adjusted operating profit before tax	B3	**1,605**	1,612
Adjusting items	C1(a)	**(301)**	(286)
Non-core operations	B3	**1**	32
Profit before tax (net of policyholder tax)		**1,305**	1,358
Income tax attributable to policyholder returns	D1(d)	**59**	174
Profit before tax		**1,364**	1,532
Total tax expense	D1(a)	**(462)**	(552)
Profit from continuing operations after tax		**902**	980
(Loss)/profit from discontinued operations after tax	I1	**(50)**	3
Profit after tax for the financial period		**852**	983

Adjusted operating profit after tax attributable to ordinary equity holders of the parent

£m

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Adjusted operating profit before tax	B3	**1,605**	1,612
Tax on adjusted operating profit	D1(d)	**(439)**	(424)
Adjusted operating profit after tax		**1,166**	1,188
Non-controlling interests – ordinary shares	F10(a)(iii)	**(280)**	(279)
Non-controlling interests – preferred securities	F10(a)(ii)	**(18)**	(19)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	B3	**868**	890
Adjusted weighted average number of shares (millions)	C2(c)	**4,845**	4,836
Adjusted operating earnings per share (pence)	C2(c)	**17.9**	18.4

Basis of preparation of adjusted operating profit

Adjusted operating profit (AOP) reflects the directors' view of the underlying long-term performance of the Group. AOP is a measure of profitability which adjusts the IFRS profit measures for the specific items detailed in note C1 and, as such, it is a non-GAAP measure. The reconciliation set out above explains the differences between AOP and profit after tax as reported under IFRS.

For core life assurance and property & casualty businesses, AOP is based on a long-term investment return, including returns on investments held by life funds in Group equity and debt instruments, and is stated net of income tax attributable to policyholder returns. For all core businesses, AOP excludes goodwill impairment, the impact of accounting for intangibles acquired in a business combination and costs related to completed acquisitions, revaluations of put options related to long-term incentive schemes, profit/(loss) on acquisition/disposal of subsidiaries, associated undertakings and strategic investments, fair value profits/(losses) on certain Group debt instruments and costs related to the fundamental restructuring of continuing businesses. AOP includes dividends declared to holders of perpetual preferred callable securities. Old Mutual Bermuda and Nordic are treated as non-core and discontinued operations in the AOP disclosure. As such they are not included in AOP. Refer to note B1 for further information on the basis of segmentation.

Adjusted operating earnings per share is calculated on the same basis as AOP. It is stated after tax attributable to AOP and non-controlling interests. It excludes income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	At 31 December 2014 £m	At 31 December 2013 £m
Assets			
Goodwill and other intangible assets	F1	**2,763**	2,835
Mandatory reserve deposits with central banks		**829**	759
Property, plant and equipment	F2(a)	**765**	722
Investment property	F2(b)	**1,678**	1,811
Deferred tax assets	F7	**283**	303
Investments in associated undertakings and joint ventures	G2	**518**	168
Deferred acquisition costs	F3	**862**	1,211
Reinsurers' share of policyholder liabilities	E8	**2,314**	1,875
Loans and advances	E3	**34,857**	33,583
Investments and securities	E4	**87,547**	88,220
Current tax receivable		**92**	128
Trade, other receivables and other assets	F4	**2,362**	2,583
Derivative financial instruments	E6	**1,227**	1,259
Cash and cash equivalents		**4,944**	4,869
Non-current assets held for sale	I2	**1,475**	5
Total assets		**142,516**	140,331
Liabilities			
Long-term business insurance policyholder liabilities	E8	**10,519**	12,126
Investment contract liabilities	E8	**68,841**	69,015
Property & casualty liabilities	E8	**319**	332
Third-party interests in consolidated funds		**5,986**	5,478
Borrowed funds	E9	**3,044**	2,644
Provisions and accruals	F5	**284**	195
Deferred revenue	F6	**330**	628
Deferred tax liabilities	F7	**454**	491
Current tax payable		**189**	237
Trade, other payables and other liabilities	F8	**4,276**	4,300
Amounts owed to bank depositors	E10	**36,243**	34,370
Derivative financial instruments	E6	**1,201**	1,478
Non-current liabilities held for sale	I2	**1,285**	–
Total liabilities		**132,971**	131,294
Net assets		**9,545**	9,037
Shareholders' equity			
Equity attributable to equity holders of the parent	F9	**7,406**	7,270
Non-controlling interests			
Ordinary shares	F10(b)(i)	**1,867**	1,502
Preferred securities	F10(b)(ii)	**272**	265
Total non-controlling interests		**2,139**	1,767
Total equity		**9,545**	9,037

The consolidated financial statements on pages 124 to 228 were approved by the Board of directors on 27 February 2015.

Julian Roberts
Group Chief Executive

Ingrid Johnson
Group Finance Director

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities		
Profit before tax	**1,364**	1,532
Non-cash movements in profit before tax	**2,058**	1,423
Net changes in working capital	**739**	447
Taxation paid	**(402)**	(458)
Net cash inflow from operating activities	**3,759**	2,944
Cash flows from investing activities		
Net acquisitions of financial investments	**(2,873)**	(1,658)
Acquisition of investment properties	**(48)**	(47)
Proceeds from disposal of investment properties	**115**	22
Acquisition of property, plant and equipment	**(154)**	(113)
Proceeds from disposal of property, plant and equipment	**14**	6
Acquisition of intangible assets	**(76)**	(86)
Acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments	**(429)**	(119)
Disposal of interests in subsidiaries, associated undertakings, joint ventures and strategic investments[1]	**95**	8
Net cash outflow from investing activities	**(3,356)**	(1,987)
Cash flows from financing activities		
Dividends paid to		
Ordinary equity holders of the Company	**(394)**	(336)
Non-controlling interests and preferred security interests	**(177)**	(183)
Dividends received from associated undertakings	**5**	13
Interest paid (excluding banking interest paid)	**(48)**	(51)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)	**12**	11
Net disposal of treasury shares	**72**	55
Disposal of non-controlling interests in OM Asset Management plc	**184**	–
Issue of subordinated and other debt	**584**	586
Subordinated and other debt repaid	**(290)**	(578)
Net cash outflow from financing activities	**(52)**	(483)
Net increase in cash and cash equivalents	**351**	474
Effects of exchange rate changes on cash and cash equivalents	**(193)**	(828)
Cash and cash equivalents at beginning of the year	**5,628**	5,982
Cash and cash equivalents at end of the year	**5,786**	5,628
Consisting of		
Cash and cash equivalents	**4,944**	4,869
Mandatory reserve deposits with central banks	**829**	759
Cash and cash equivalents included in assets held for sale	**13**	–
Total	**5,786**	5,628

1 Included in disposal of interests in subsidiaries, associated undertakings, joint ventures and strategic investments is £76 million relating to disposal of subsidiaries.

Except for mandatory reserve deposits with central banks of £829 million (2013: £759 million) and cash and cash equivalents subject to consolidation of funds of £1,639 million (2013: £1,667 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations. Mandatory reserve deposits are, however, included in cash and cash equivalents for the purposes of the statement of cash flows in line with market practice in South Africa.

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Year ended 31 December 2014	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		**4,897**	**560**	**845**	**1,717**	**52**
Profit after tax for the financial year		–	–	–	–	–
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains						
Property revaluation		–	–	–	–	–
Measurement gains on defined benefit plans		–	–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	–
		–	–	–	–	–
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		–	–	–	–	–
Available-for-sale investments						
Fair value gains		–	–	–	–	**21**
Recycled to profit or loss[1]		–	–	–	–	**(20)**
Exchange differences recycled to profit or loss on disposal of business[1,2]		–	–	–	–	–
Shadow accounting		–	–	–	–	–
Currency translation differences on translating foreign operations		–	–	–	–	–
Other movements		–	–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	**(5)**
Total comprehensive income for the financial year		–	–	–	–	**(4)**
Dividends for the year	C3	–	–	–	–	–
Equity share-based payment transactions		–	–	–	–	–
Other movements in share capital		**10**	**1**	**11**	–	–
Expiry of Skandia AB shareholder claims		–	–	–	–	–
Merger reserve released[1]		–	–	–	**(375)**	–
Disposal of non-controlling interests in OM Asset Management plc	A2	–	–	–	–	–
Non-controlling interests in subsidiaries acquired	A2	–	–	–	–	–
Change in participation in subsidiaries		–	–	–	–	–
Transactions with shareholders		**10**	**1**	**11**	**(375)**	–
Shareholders' equity at end of the year		**4,907**	**561**	**856**	**1,342**	**48**

1 Following the disposal of Old Mutual Wealth's European businesses, as discussed in note A2, available-for-sale reserves of £20 million and foreign currency translation reserves of £46 million have been recycled to profit or loss. In addition, merger reserves of £375 million relating to these businesses have been released directly to retained earnings.
2 In addition to the above, foreign currency translation reserves of £39 million have been recycled directly to retained earnings following the OM Asset Management plc initial public offering

Retained earnings were reduced in respect of own shares held in policyholder's funds, ESOP trusts, Black Economic Empowerment trusts and other undertakings at 31 December 2014 by £338 million (2013: £428 million).

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
161	316	37	(1,234)	4,290	526	7,270	1,767	9,037
–	–	–	–	557	25	582	270	852
22	–	–	–	(5)	–	17	5	22
–	–	–	–	2	–	2	–	2
–	–	–	–	(1)	7	6	–	6
22	–	–	–	(4)	7	25	5	30
–	–	–	(9)	–	–	(9)	–	(9)
–	–	–	–	–	–	21	–	21
–	–	–	–	–	–	(20)	–	(20)
–	–	–	(85)	–	–	(85)	–	(85)
(5)	–	–	–	–	–	(5)	–	(5)
–	–	–	(45)	–	–	(45)	(23)	(68)
–	–	–	3	(21)	–	(18)	–	(18)
–	–	–	–	–	–	(5)	–	(5)
17	–	–	(136)	532	32	441	252	693
–	–	–	–	(394)	(32)	(426)	(145)	(571)
–	21	–	–	(3)	–	18	4	22
–	–	–	–	72	–	84	1	85
–	–	–	–	11	–	11	–	11
–	–	–	–	375	–	–	–	–
–	–	–	–	52	–	52	163	215
–	–	–	–	–	–	–	53	53
–	–	–	–	(44)	–	(44)	44	–
–	21	–	–	69	(32)	(305)	120	(185)
178	337	37	(1,370)	4,891	526	7,406	2,139	9,545

Financials

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Year ended 31 December 2013	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		4,892	559	835	1,717	65
Profit after tax for the financial year		–	–	–	–	–
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value movements						
Property revaluation		–	–	–	–	–
Measurement movements on defined benefit plans		–	–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	–
		–	–	–	–	–
Items that may be reclassified subsequently to profit or loss						
Fair value movements						
Net investment hedge		–	–	–	–	–
Available-for-sale investments						
Fair value gains		–	–	–	–	(6)
Recycled to profit or loss		–	–	–	–	(9)
Currency translation differences on translating foreign operations		–	–	–	–	–
Other movements		–	–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	2
Total comprehensive income for the financial year		–	–	–	–	(13)
Dividends for the year	C3	–	–	–	–	–
Equity share-based payment transactions		–	–	–	–	–
Other movements in share capital		5	1	10	–	–
Preferred securities purchased		–	–	–	–	–
Change in participation in subsidiaries		–	–	–	–	–
Transactions with shareholders		5	1	10	–	–
Shareholders' equity at end of the year		4,897	560	845	1,717	52

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
144	268	33	(378)	3,891	682	7,816	1,957	9,773
–	–	–	–	668	37	705	278	983
17	–	–	–	–	–	17	6	23
–	–	–	–	52	–	52	18	70
–	–	–	–	(14)	10	(4)	(8)	(12)
17	–	–	–	38	10	65	16	81
–	–	–	43	–	–	43	–	43
–	–	–	–	–	–	(6)	1	(5)
–	–	–	–	–	–	(9)	–	(9)
–	–	–	(899)	–	–	(899)	(358)	(1,257)
–	–	4	–	(1)	–	3	6	9
–	–	–	–	–	–	2	–	2
17	–	4	(856)	705	47	(96)	(57)	(153)
–	–	–	–	(336)	(47)	(383)	(136)	(519)
–	48	–	–	13	–	61	(17)	44
–	–	–	–	55	–	66	3	69
–	–	–	–	(21)	(156)	(177)	–	(177)
–	–	–	–	(17)	–	(17)	17	–
–	48	–	–	(306)	(203)	(450)	(133)	(583)
161	316	37	(1,234)	4,290	526	7,270	1,767	9,037

Financials

For the year ended 31 December 2014

A: Significant accounting policies

A1: Basis of preparation

Statement of compliance
Old Mutual plc (the Company) is a company incorporated in England and Wales.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in associates and joint ventures (other than those held by life assurance funds which are accounted for as investments). The Parent Company financial statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with IFRS as adopted by the EU. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies adopted by the Company and Group, unless otherwise stated, have been applied consistently to all periods presented in these consolidated financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and liabilities designated as fair value through profit or loss or as available-for-sale, owner-occupied property and investment property. Non-current assets and disposal groups held for sale are stated at the lower of the previous carrying amount and the fair value less costs to sell.

The Parent Company financial statements are prepared in accordance with these accounting policies, other than for investments in subsidiary undertakings and associates, which are stated at cost less impairments (see note E1(m)), in accordance with IAS 27.

The Company and Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate having taken into consideration the points as set out in the Directors' Report in the section headed Going concern.

Judgements made by the directors in the applications of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note A3.

Translation of foreign operations
The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the year-end exchange rates, and their income and expenses using the average exchange rates. Other than in respect of cumulative translation gains and losses up to 1 January 2004, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to net investments, is recognised in profit or loss. Cumulative translation gains and losses up to 1 January 2004, being the effective date of the Group's conversion to IFRS, were reset to zero.

The exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to pounds sterling are:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Income statement (average rate)	**Statement of financial position (closing rate)**	Income statement (average rate)	Statement of financial position (closing rate)
Rand	**17.8712**	**17.9976**	15.0959	17.4284
US dollars	**1.6474**	**1.5581**	1.5650	1.6566
Euro	**1.2399**	**1.2877**	1.1782	1.2014

Developments during 2014
Other than changes arising from new accounting developments as mentioned in note A5, the Group has not made any changes to the accounting policies during the year. Disclosures about the impact of future standards can be found in note A6.

These financial statements describe the material accounting policies and those which involve significant judgement, optionality in application and are material to the Group's overall financial statements. As such items which are immaterial or duplicated elsewhere in the Annual Report and Accounts have been removed from these financial statements.

A detailed list of the Group's accounting policies can be found at www.oldmutual.com. The contents of the website are not subject to audit.

A2: Significant corporate activity and business changes during the period

Acquisitions completed during the year

Acquisition of Faulu Kenya DTM LTD
On 1 April 2014, the Group completed the acquisition of a controlling stake in the micro-lender Faulu Kenya DTM LTD for £20 million. Goodwill of £3 million has been recognised on this transaction. No other intangible assets have been recognised. In addition, non-controlling interests of £9 million have been recognised on this transaction.

Acquisition of a significant interest in Banco Único
On 12 June 2014, the Group announced that it had completed the acquisition of a 36.4% stake in Banco Único for $24 million. Banco Único is equity accounted as a joint venture in these financial statements.

Acquisition of Intrinsic Financial Services Limited
On 1 July 2014, the Group announced that it had completed the acquisition of 100% of Intrinsic Financial Services Limited (Intrinsic), a financial advisers group of companies for total consideration of £98 million.The financial results and position of Intrinsic have been consolidated with effect from 1 July 2014.

The purchase price allocation has been finalised and allocated to goodwill (£59 million) and other intangible assets (£41 million).

Acquisition of Old Mutual Finance (Pty) Ltd
On 1 September 2014, the Group completed the acquisition of an additional 25% stake in Old Mutual Finance (Pty) Ltd (OMF) for R1,115 million (£63 million). As the Group now has a controlling shareholding of 75%, the financial results and position of OMF have been consolidated with effect from 1 September 2014.

The accounting related to the step up in ownership from 50% to 75% effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 75% of the business. Consequently a profit of approximately R1,112 million (£62 million) was realised on the transaction. Consistent with usual Group practice, this profit was recognised in the IFRS profit or loss, but excluded from AOP. Goodwill of £93 million, intangible assets of £27 million and non-controlling interest of £44 million have been recognised on this transaction.

Acquisition of 20.7% shareholding in Ecobank Transnational Incorporated (ETI)
On 7 October 2014, Nedbank Group Limited, the majority-owned South African banking subsidiary of the Group, announced that it has exercised its rights to subscribe for a 20.7% shareholding in ETI for a cash consideration of $494 million (£305 million). The acquisition of the 20.7% stake has resulted in ETI being an associate for Group reporting purposes. ETI has been equity accounted from 1 October 2014.

Disposals completed during the year

Disposal of Skandia Poland
On 30 May 2014, the Group completed the disposal of Skandia Poland, part of Old Mutual Wealth. A loss on disposal of £21 million has been recognised in profit or loss.

Disposal of Skandia Austria and Skandia Germany
On 1 October 2014, the Group announced that it had completed the sale of two of its Old Mutual Wealth businesses, Skandia Austria and Skandia Germany. A loss on disposal of £43 million has been recognised in profit or loss.

OM Asset Management plc initial public offering
On 15 October 2015, the Group announced the closing of the initial public offering (IPO) of 20.4% of OM Asset Management at a price to the public of $14.00 per share. As a result of the IPO, the Group has recognised a profit on disposal of £13 million directly in equity. At 31 December 2014, non-controlling interests of £163 million have been recognised in the statement of financial position. In addition to the above, £39 million of the foreign currency translation reserve has been transferred to retained earnings.

Disposal of Skandia Liechtenstein
On 6 November 2014, the Group completed the sale of Skandia Liechtenstein, part of Old Mutual Wealth. A total loss on disposal of £6 million has been recognised in profit or loss.

Financing activities during the year

Nedbank Group Limited
On 10 July 2014, Nedbank Group Limited announced its intention to issue new preference shares which will be utilised to raise funding for Nedbank's business activities in general. No new preference shares were issued during the year.

Emerging Markets
On 27 November 2014, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) issued R300 million Unsecured Subordinated Callable Fixed Rate Notes under its R10 billion Unsecured Callable Notes Programme. Interest is payable in arrears at a fixed rate of 9.255 per cent on 27 May and 27 November each year up to the first call date of 27 November 2019 or until the maturity date of 27 November 2024.

On 27 November 2014, OMLAC(SA) also issued R700 million Unsecured Subordinated Callable Floating Rate Notes under the same programme. Interest is payable at a floating rate of 3 month ZAR-JIBAR + 2.2 per cent on 27 November, 27 February, 27 May and 27 August each year until 27 November 2019. From this date the floating rate increases to 3 month ZAR-JIBAR + 3.3 per cent until the maturity date of 27 November 2024. The notes have an optional redemption date of 27 November 2019 and each subsequent floating interest payment date until maturity.

For the year ended 31 December 2014

A: Significant accounting policies continued

A2: Significant corporate activity and business changes during the period continued

Transactions announced during the year that will complete after 31 December 2014

Disposal of Skandia Luxembourg and Skandia France
On 3 September 2014, the Group announced that terms have been agreed to sell Skandia Luxembourg and Skandia France, part of Old Mutual Wealth.

For the year ended 31 December 2014, the net asset value of goodwill and intangible assets of these businesses has been written down to the fair value (less costs to sell) given expected losses on disposal. As a result, an impairment loss of £14 million has been recognised in profit or loss.

The disposal of these businesses were completed on 2 February 2015.

Acquisition of Quilter Cheviot
On 17 October 2014, the Group announced that Old Mutual Wealth had agreed the acquisition of Quilter Cheviot, a leading UK-based discretionary investment manager, for a total consideration of up to £585 million. The transaction completed on 25 February 2015. The Group awaits the transaction completion financial statements of Quilter Cheviot in order to finalise its purchase price accounting.

Acquisition of UAP Holdings Limited
On 9 January 2015, the Group announced that it acquired a 23.3% stake in UAP Holdings Limited (UAP), an investment, retirement and insurance group that operates in East Africa, for a consideration of KES 9 billion (£64 million). UAP will be treated as an associated undertaking from 9 January 2015.

Subsequently, on 26 January 2015, the Group announced it acquired an additional 37.3% (second tranche) of UAP for a consideration of KES 14 billion (£103 million), subject to regulatory approval. The transaction will increase the Group's total holding to 60.7% and will result in the Group consolidating UAP. The acquisition of the second tranche is expected to be completed in the first half of 2015.

A3: Critical accounting estimates and judgements

In the preparation of these financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, statement of financial position, other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions. There have been no significant methodology changes to the critical accounting estimates and judgements that the Group applied at 31 December 2014. The significant accounting policies are described in the relevant notes.

The key areas of the Group's business that typically require such estimates and the relevant accounting policies and notes are as follows:

Area	Policy note	More detail
Financial assets and liabilities	E1	E4
Life assurance contract provisions	E8	E8
Deferred acquisition costs	E8	F3
Intangible assets and goodwill	F1	F1
Consolidation	A3(d)	G3
Tax	A3(c)	D1/F7

Specific areas that have required closer attention in respect of the estimates and judgements during the year ended 31 December 2014 are explained in more detail below:

(a) Loans and advances
Provisions for impairment of loans and advances
The majority of loans and advances are in respect of Nedbank, which assesses its loan portfolios for impairment at each financial reporting date. Nedbank actively manages its exposure to loans and advances through robust credit approval processes. The credit loss ratio at year ended 31 December 2014 was 0.79% (2013: 1.06%). The impairment for performing loans is calculated on a portfolio basis, based on historical loss experience, adjusted for national and sector specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears, such as changes in macro-economic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

For portfolios of loans and advances which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. There are a number of models in use, each tailored to a product, line of business or client category. Judgement and knowledge are needed in selecting the statistical methods to use when the models are developed or revised. Additional impairment provisions may be raised for issues which the Group believes is not specifically covered by statistical models.

For wholesale (larger) exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account. The level of impairment allowance is the difference between the value of the discounted expected future cash flows and its carrying amount. Subjective judgements are made in the calculations of future cash flows and change with time as new information becomes available or as strategies evolve, resulting in frequent revisions to the impairment provision as individual decisions are taken.

Emerging Markets has lending exposure in South Africa, Kenya and Zimbabwe through non-wholly owned subsidiaries of £909 million (2013: £255 million). Credit loss ratios are monitored on each individual business unit and have generally improved in the current year.

Further detail is provided in note E3.

(b) Policyholder liabilities

Emerging Markets discretionary reserves

Technical provisions in South Africa are determined as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantees
- Compulsory margins, prescribed in terms of the Long Term Insurance Act, 1988 and South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of technical provisions held, and
- Discretionary margins, permitted by the Long Term Insurance Act, 1988 and SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice.

Discretionary margins are held as either implicit or explicit margins. Explicit discretionary margins are derived as conscious changes to assumptions used to project future experience to increase technical provisions. Implicit discretionary margins arise where the method used to calculate overall technical provisions results in liabilities that are greater than the sum of best estimate liabilities and compulsory margins.

Explicit discretionary margins of £459 million (1.7% of total technical provisions) were held at 31 December 2014 (2013: £489 million, 1.9% of total technical provisions). This consisted largely of:

- Margins held for Mass Foundation Cluster protection business, which allow for the uncertainty related to mortality experience in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short term nature of the equity option market in South Africa
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk and
- A margin set up in 2013 to allow for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Retail Affluent business. Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place. A similar margin was set up for the Mass Foundation Cluster savings book in 2014.

Emerging Markets Financial Soundness Valuation discount rate

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group requires discount rates to be set according to the South African professional guidance note (SAP 104). In line with these principles, the reference rate is selected as the Bond Exchange of South Africa (BESA) par bond 10-year yield.

The reference rate was relatively volatile over 2014, ranging from 7.6% to 9.0% during the year ended 31 December 2014 (2013: 6.2% to 8.5%). At 31 December 2014 the reference discount rate was 8.0% (2013: 8.1%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life assurance businesses in 2014, given the continuance of the hedging program and discretionary margins put in place to mitigate these impacts.

The Group estimates that a 1% reduction in the reference discount rate will result in an increase in policyholder liabilities of £2 million (2013: £6 million), allowing for the impact of the hedging programme.

Further disclosure of the policyholder sensitivity to interest rates is provided in note E8(g).

For the year ended 31 December 2014

A: Significant accounting policies continued

A3: Critical accounting estimates and judgements continued

Old Mutual Bermuda guarantees
Since the closure of Old Mutual Bermuda to new business in March 2009, management's key priorities have been to de-risk the business, manage the risk and solvency position and preserve shareholder value. The run-off of the book and hedging of the guarantees has significantly reduced the Group's risk exposure. The active contracts for which reserves are recognised are deferred and fixed index annuity investments and variable annuity products, which include guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum death benefits (GMDB).

The key risk to the Group relates to the GMAB policies which were sold with Universal Guarantee Options (UGOs).

UGOs guarantee policyholders the return of 120% of invested premiums and, subject to policyholder election, they may include a Highest Anniversary Value (HAV) guarantee. These guarantees are effective on the 10 year anniversary of policies, which will be reached in 2017 and 2018. The risk attaching to the guarantee of 120% of invested premium, and relating to equity and foreign exchange downside risks, is managed by a dynamic tail hedging strategy, which progressively increases hedge coverage if the value of underlying policyholder investments decreases.

The Old Mutual Bermuda business has also implemented a series of structured 'look back' options for the HAV risk of markets rising above the 120% guarantee and then subsequently falling below 120%, having reset the guarantees amount above 120%.

GMAB reserves have reduced from $84 million at 31 December 2013 to $82 million at 31 December 2014.

There are no significant risks to the Group associated with GMDB and management continues to operate strong oversight over the business.

(c) Tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given tiAhme the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

(d) Consolidation set of standards
The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

Consolidation of investment funds and securitisation vehicles
The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. See note G3(b) for disclosures in respect of the investment funds in which the Group has an interest.

The Group has sponsored certain asset backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset backed financing vehicles.

Structured entities
The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as certain securitisation vehicles and other funding vehicles represent investments in structured entities.

A4: Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'. In order to satisfy the requirements of IAS 1, the following analysis is given to describe how the statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

The following statement of financial position captions are generally classified as current: cash and cash equivalents, non-current assets held for sale, client indebtedness for acceptances, current tax receivable, third-party interests in the consolidation of funds, current tax payable, liabilities under acceptances and non-current liabilities held for sale. The following balances are generally classified as non-current: goodwill and other intangible assets, mandatory reserve deposits with central banks, property, plant and equipment, investment property, deferred tax assets, investments in associated undertakings and jointly controlled operations, deferred acquisition costs, deposits held with reinsurers, provisions, deferred revenue and deferred tax liabilities.

The following balances include both current and non-current portions: reinsurers' shares of life assurance policyholder liabilities and property & casualty business liabilities, loans and advances, investments and securities, other assets, derivative financial assets and liabilities, life assurance policyholder liabilities and property & casualty liabilities, borrowed funds, amounts owed to bank depositors and other liabilities. The split between the current and non-current portions for these assets and liabilities is given either by way of a footnote to the relevant note to the accounts or by way of a maturity analysis (in respect of major financial liability captions).

A5: Standards, amendments to standards and interpretations adopted in the 2014 annual financial statements

The following standards, amendments to standards and interpretations, which are relevant to the Group, have been adopted in these financial statements:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IFRIC 21 'Levies'

The adoption of these standards did not have any impact on the Group financial statements.

A6: Future standards, amendments to standards and interpretations not early-adopted in the 2014 annual financial statements

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, which are relevant to the Group, have been issued by the International Accounting Standards Board (IASB).

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of 'own credit' with respect to issued debt liabilities that are designated at fair value, replaces the current rules for impairment of financial assets and amends the requirements for hedge accounting.

Classification and measurement of financial assets and liabilities
IFRS 9 requires that an entity's business model and a financial instrument's contractual cash flows will determine its classification and therefore its measurement in the financial statements. Upon assessment each financial asset will be classified as either fair value through profit or loss (FVTPL), amortised cost, or fair value through Other Comprehensive Income (FVOCI). As these requirements are different than the assessments under the existing IAS 39 rules, some differences to classification and measurement of financial assets are to be expected.

The classification and measurement of financial liabilities remain largely unchanged under IFRS 9 from current requirements. However, where issued debt liabilities are designated at fair value, the fair value movements attributable to an entity's own credit risk will be recognised in Other Comprehensive Income rather than in the Consolidated income statement under IFRS 9.

Impairment of financial assets
The impairment rules under IFRS 9 will apply to those financial assets that are measured at amortised cost and debt instruments measured at FVOCI. Impairment will move from a model whereby credit losses are recognised when a 'trigger' event occurs under IAS 39 to an expected loss model, where provisions are taken upon initial recognition of the financial asset based on expectations of potential credit losses at that time.

The allowance for credit losses provided for on initial recognition will be based on a 12-month expected credit loss basis. Subsequently, should the probability of default of the issuer increase significantly, the expected credit loss of the financial asset over its lifetime (lifetime expected losses) will be recognised as an additional provision. As a result of the changes to impairment rules, IFRS 9 will result in an increase in subjectivity as provisions will be based on forward-looking, probability-weighted information that is continuously monitored and incorporated over the life of the financial asset. This is in contrast to impairment recognition that is based on credit events that have already occurred under IAS 39. IFRS 9 is expected to result in an increase in the overall level of impairment allowances, due to the likelihood that there will be a larger population of financial assets to which lifetime expected losses applies as compared to the population of financial assets for which credit events have already occurred under IAS 39.

Hedge accounting
IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. Generally, some restrictions under current rules have been removed and a greater variety of hedging instruments and hedged items become available for hedge accounting.

Effective date
IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 9 which is expected to have the largest impact on the Groups' banking operations. The standard has not yet been endorsed by the EU.

For the year ended 31 December 2014

A: Significant accounting policies continued

A6: Future standards, amendments to standards and interpretations not early-adopted in the 2013 annual financial statements continued

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which specifies how and when revenue is recognised, but does not impact income recognition related to financial instruments in scope of IFRS 9 or IAS 39. IFRS 15 replaces several other IFRS standards and interpretations that currently govern revenue recognition under IFRS and provides a single, principles-based five-step model to be applied to all contracts with customers. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

IFRS 15 will be effective for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact of IFRS 15. The standard has not yet been endorsed by the EU.

B: Segment information

B1: Basis of segmentation

The Group's segmental results are analysed and reported on a basis consistent with the way that management and the Board of directors of Old Mutual plc assesses performance of the underlying businesses and allocates resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentation currency) and in the functional currency of each business.

Adjusted operating profit (AOP) is one of the key measures reported to the Group's management and Board of directors for their consideration in the allocation of resources to and the review of performance of the segments. As appropriate to the business line, the Board reviews additional measures to assess the performance of each of the segments. These typically include sales, net client cash flows, funds under management, gross earned premiums, underwriting results, net interest income, non-interest revenue and credit losses.

A reconciliation between segment revenues and expenses and the Group's revenues and expenses is shown in note B3. Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Given the nature of the operations, there are no major trading activities between the segments.

The revenues generated in each reported segment can be seen in the analysis of profits and losses in note B3. The segmental information in notes B3 and B4, reflects the adjusted and IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board of directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

There are four primary business activities from which the Group generates revenue. These are life assurance (premium income), asset management business (fee and commission income), banking (banking interest receivable and investment banking income) and property & casualty (premium income). Other revenue includes gains and losses on investment securities.

The principal lines of business from which each operating segment derives its revenues are as follows:

Core operations
Emerging Markets – life assurance, property & casualty, asset management and banking
Nedbank – banking, asset management and life assurance
Old Mutual Wealth – life assurance and asset management
Institutional Asset Management – asset management

Non-core operations
Old Mutual Bermuda – life assurance

Segment presentation

The results of the property & casualty business were previously disclosed separately. However, following changes in management oversight, these have been included in the Emerging Markets segment with effect from 1 January 2014. This change has been applied to all periods presented and comparative information has been re-presented accordingly.

The USAM segment has been renamed to Institutional Asset Management and consists of OM Asset Management plc, a listed subsidiary of the Group and Rogge Global Partners plc, a fixed income asset management affiliate of the Group.

There have been no other changes to the presentation of segment information.

The Group's reported segments are now Emerging Markets, Nedbank, Old Mutual Wealth and Institutional Asset Management. The Other segment includes Group Head Office. For all reporting periods, Old Mutual Bermuda is classified as a continuing operation in the IFRS income statement, but as non-core in determining the Group's AOP.

As set out in the 2013 Annual Report and Accounts, the Group continues to incur costs related to the sale of its Nordic business in 2012. These costs largely relate to the transition of IT information and support services that were previously provided by the Nordic business to the wider Group, back to the Group. These costs are included in the expenses related to the discontinued operations in the IFRS consolidated income statement for the year ended 31 December 2014 and as non-core for determining the Group's AOP for the year ended 31 December 2014. Further information on the results of discontinued operations is provided in note I1.

All other businesses have been classified as continuing operations for all reporting periods.

B2: Gross earned premiums and deposits to investment contracts

Year ended 31 December 2014	**Emerging Markets**	**Old Mutual Wealth**	**Total**
			£m
Life assurance – insurance contracts	**1,299**	**280**	**1,579**
Life assurance – investment contracts with discretionary participation features	**961**	**–**	**961**
General insurance	**669**	**–**	**669**
Gross earned premiums	**2,929**	**280**	**3,209**
Life assurance – other investment contracts recognised as deposits	**1,981**	**6,442**	**8,423**

Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Total
			£m
Life assurance – insurance contracts	1,616	336	1,952
Life assurance – investment contracts with discretionary participation features	1,025	–	1,025
General insurance	724	–	724
Gross earned premiums	3,365	336	3,701
Life assurance – other investment contracts recognised as deposits	2,015	5,889	7,904

Financials

For the year ended 31 December 2014

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2014

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	2,929	–
Outward reinsurance		(223)	–
Net earned premiums		2,706	–
Investment return (non-banking)	D2	3,422	–
Banking interest and similar income	D3	116	2,941
Banking trading, investment and similar income	D4	7	190
Fee and commission income, and income from service activities	D5	506	919
Other income		80	22
Inter-segment revenues		86	11
Total revenue		6,923	4,083
Expenses			
Claims and benefits (including change in insurance contract provisions)		(3,707)	–
Reinsurance recoveries		79	–
Net claims and benefits incurred		(3,628)	–
Change in investment contract liabilities		(1,208)	–
Losses on loans and advances		–	(252)
Finance costs (including interest and similar expenses)	D6	–	–
Banking interest payable and similar expenses	D7	(42)	(1,628)
Fee and commission expenses, and other acquisition costs	D8	(318)	(8)
Change in third-party interest in consolidated funds		–	–
Other operating and administrative expenses	D9	(1,074)	(1,387)
Income tax attributable to policyholder returns		(36)	–
Inter-segment expenses		(11)	(47)
Total expenses		(6,317)	(3,322)
Share of associated undertakings' and joint ventures' profit after tax	G2	11	9
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–	–
Adjusted operating profit/(loss) before tax and non-controlling interests		617	770
Income tax expense	D1	(189)	(195)
Non-controlling interests		(18)	(274)
Adjusted operating profit/(loss) after tax and non-controlling interests		410	301
Adjusting items after tax and non-controlling interests	C1(a)	(15)	14
Profit/(loss) after tax from continuing operations		395	315
Loss from discontinued operations after tax	I1	–	–
Profit/(loss) after tax attributable to equity holders of the parent		395	315

[1] Non-core operations relate to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the year ended 31 December 2014 was £1 million. Non-core operations also include £31 million relating to the disposal of Nordic in 2012 and £19 million relating to the disposal of US Life in 2011. Further information on discontinued operations is provided in note I1

Of the total revenues, £2,997 million was generated in the UK (2013: £4,947 million), £1,029 million in the rest of Europe (2013: £864 million), £10,977 million in South Africa (2013: £13,446 million), £377 million in the United States (2013: £439 million) and £98 million relates to other operating segments (2013: £114 million).

£m

Old Mutual Wealth	Institutional Asset Management	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[1]	IFRS Income statement
280	–	–	–	3,209	–	–	3,209
(85)	–	–	–	(308)	–	–	(308)
195	–	–	–	2,901	–	–	2,901
2,493	–	28	438	6,381	(91)	14	6,304
–	–	–	–	3,057	–	–	3,057
–	–	–	–	197	–	–	197
1,085	422	–	9	2,941	(47)	–	2,894
8	11	–	1	122	–	3	125
2	–	2	(105)	(4)	–	4	–
3,783	433	30	343	15,595	(138)	21	15,478
(385)	–	–	–	(4,092)	–	(6)	(4,098)
136	–	–	–	215	–	–	215
(249)	–	–	–	(3,877)	–	(6)	(3,883)
(2,336)	–	–	–	(3,544)	–	–	(3,544)
–	–	–	–	(252)	–	–	(252)
–	–	(78)	–	(78)	24	–	(54)
–	–	–	–	(1,670)	(2)	–	(1,672)
(479)	(4)	–	(108)	(917)	58	(4)	(863)
–	–	–	(322)	(322)	–	–	(322)
(429)	(303)	(86)	(18)	(3,297)	(241)	(10)	(3,548)
(23)	–	–	–	(59)	59	–	–
(40)	(1)	(6)	105	–	–	–	–
(3,556)	(308)	(170)	(343)	(14,016)	(102)	(20)	(14,138)
–	6	–	–	26	–	–	26
–	–	–	–	–	(2)	–	(2)
227	131	(140)	–	1,605	(242)	1	1,364
(48)	(29)	22	–	(439)	(23)	–	(462)
–	(6)	–	–	(298)	28	–	(270)
179	96	(118)	–	868	(237)	1	632
(216)	(19)	(1)	–	(237)	237	–	–
(37)	77	(119)	–	631	–	1	632
–	–	–	–	–	–	(50)	(50)
(37)	77	(119)	–	631	–	(49)	582

For the year ended 31 December 2014

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2013

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	3,365	–
Outward reinsurance		(230)	–
Net earned premiums		3,135	–
Investment return (non-banking)	D2	5,184	–
Banking interest and similar income	D3	–	3,050
Banking trading, investment and similar income	D4	–	195
Fee and commission income and income from service activities	D5	552	1,048
Other income		39	31
Inter-segment revenues		61	11
Total revenue		8,971	4,335
Expenses			
Claims and benefits (including change in insurance contract provisions)		(5,061)	–
Reinsurance recoveries		201	–
Net claims and benefits incurred		(4,860)	–
Change in investment contract liabilities		(1,952)	–
Losses on loans and advances		–	(368)
Finance costs (including interest and similar expenses)	D6	–	–
Banking interest payable and similar expenses	D7	–	(1,616)
Fee and commission expenses and other acquisition costs	D8	(341)	(12)
Change in third-party interest in consolidated funds		–	–
Other operating and administrative expenses	D9	(1,165)	(1,495)
Income tax attributable to policyholder returns		(62)	–
Inter-segment expenses		(11)	(49)
Total expenses		(8,391)	(3,540)
Share of associated undertakings' and joint ventures' profit after tax	G2	14	2
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–	–
Adjusted operating profit/(loss) before tax and non-controlling interests		594	797
Income tax expense	D1	(155)	(200)
Non-controlling interests		(16)	(282)
Adjusted operating profit/(loss) after tax and non-controlling interests		423	315
Adjusting items after tax and non-controlling interests	C1(a)	(84)	12
Profit/(loss) after tax from continuing operations		339	327
Profit from discontinued operations after tax	I1	–	–
Profit/(loss) after tax attributable to equity holders of the parent		339	327

[1] Non-core operations relate to Old Mutual Bermuda. Old Mutual Bermuda profit after tax for the year ended 31 December 2013 was £32 million. Non-core operations also include a net gain of £3 million divestment cost and additional proceeds received in relation to the Nordic business sold in 2012. Further information on discontinued operations is provided in note I1

Old Mutual Wealth	Institutional Asset Management	Other	Consolidation adjustments	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations[1]	IFRS Income statement £m
336	–	–	–	3,701	–	–	3,701
(87)	–	–	–	(317)	–	–	(317)
249	–	–	–	3,384	–	–	3,384
4,159	–	68	634	10,045	(94)	35	9,986
–	–	–	–	3,050	–	–	3,050
–	–	–	–	195	–	–	195
1,173	381	–	8	3,162	(67)	–	3,095
21	3	(2)	2	94	–	6	100
1	–	8	(92)	(11)	–	11	–
5,603	384	74	552	19,919	(161)	52	19,810
(347)	–	–	–	(5,408)	–	(2)	(5,410)
45	–	–	–	246	–	–	246
(302)	–	–	–	(5,162)	–	(2)	(5,164)
(3,921)	–	–	–	(5,873)	–	–	(5,873)
–	–	–	–	(368)	–	–	(368)
–	–	(92)	–	(92)	11	–	(81)
–	–	–	–	(1,616)	–	–	(1,616)
(622)	(4)	–	(70)	(1,049)	78	(5)	(976)
–	–	–	(564)	(564)	–	–	(564)
(408)	(274)	(78)	(10)	(3,430)	(210)	(13)	(3,653)
(112)	–	–	–	(174)	174	–	–
(21)	–	(11)	92	–	–	–	–
(5,386)	(278)	(181)	(552)	(18,328)	53	(20)	(18,295)
–	5	–	–	21	–	–	21
–	–	–	–	–	(4)	–	(4)
217	111	(107)	–	1,612	(112)	32	1,532
(40)	(27)	(2)	–	(424)	(128)	–	(552)
–	–	–	–	(298)	20	–	(278)
177	84	(109)	–	890	(220)	32	702
(139)	(30)	21	–	(220)	220	–	–
38	54	(88)	–	670	–	32	702
–	–	–	–	–	–	3	3
38	54	(88)	–	670	–	35	705

Financials

For the year ended 31 December 2014

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2014

	Notes	Emerging Markets	Nedbank
Assets			
Goodwill and other intangible assets	F1	275	452
Mandatory reserve deposits with central banks		–	829
Property, plant and equipment	F2(a)	304	432
Investment property	F2(b)	1,290	7
Deferred tax assets	F7	87	17
Investments in associated undertakings and joint ventures	G2	61	426
Deferred acquisition costs	F3	100	–
Reinsurers' share of policyholder liabilities	E8	132	7
Loans and advances	E3	909	33,773
Investments and securities	E4	29,584	6,359
Current tax receivable		11	16
Trade, other receivables and other assets	F4	622	585
Derivative financial instruments	E6	239	849
Cash and cash equivalents		1,024	741
Non-current assets held for sale	I2	155	1
Inter-segment assets		644	305
Total assets		35,437	44,799
Liabilities			
Long-term business insurance policyholder liabilities	E8	9,276	232
Investment contract liabilities	E8	19,956	653
Property & casualty liabilities	E8	319	–
Third-party interests in consolidated funds		–	–
Borrowed funds	E9	420	1,833
Provisions and accruals	F5	198	1
Deferred revenue	F6	22	-
Deferred tax liabilities	F7	203	42
Current tax payable		107	7
Trade, other payables and other liabilities	F8	1,845	790
Amounts owed to bank depositors	E10	385	35,858
Derivative financial instruments	E6	286	843
Non-current liabilities held for sale	I2	–	–
Inter-segment liabilities		384	615
Total liabilities		33,401	40,874
Net assets		2,036	3,925
Equity			
Equity attributable to equity holders of the parent		1,929	2,067
Non-controlling interests		107	1,858
Ordinary shares	F10(b)(i)	107	1,586
Preferred securities	F10(b)(ii)	–	272
Total equity		2,036	3,925

The net assets of Emerging Markets are stated after eliminating investments in Group equity and debt instruments of £227 million (2013: £302 million) held in policyholder funds. These include investments in the Company's ordinary shares, subordinated liabilities and preferred securities issued by the Group's banking subsidiary Nedbank Limited.

£m

	Old Mutual Wealth	Institutional Asset Management	Other	Consolidation adjustments	Non-core operations	Total
	1,197	839	–	–	–	2,763
	–	–	–	–	–	829
	13	16	–	–	–	765
	–	–	–	381	–	1,678
	6	172	–	–	1	283
	–	21	10	–	–	518
	746	16	–	–	–	862
	2,175	–	–	–	–	2,314
	175	–	–	–	–	34,857
	46,631	40	554	4,038	341	87,547
	64	1	–	–	–	92
	385	134	36	302	298	2,362
	–	–	71	60	8	1,227
	689	130	696	1,639	25	4,944
	1,319	–	–	–	-	1,475
	154	–	321	(1,615)	191	–
	53,554	1,369	1,688	4,805	864	142,516
	291	–	–	–	720	10,519
	48,188	–	–	–	44	68,841
	–	–	–	–	–	319
	–	–	–	5,986	–	5,986
	–	114	677	–	–	3,044
	40	3	42	–	–	284
	308	–	–	–	–	330
	190	–	19	–	–	454
	35	3	37	–	–	189
	913	278	76	364	10	4,276
	–	–	–	–	–	36,243
	–	–	1	70	1	1,201
	1,285	–	–	–	–	1,285
	179	144	293	(1,615)	–	–
	51,429	542	1,145	4,805	775	132,971
	2,125	827	543	–	89	9,545
	2,125	653	543	–	89	7,406
	–	174	–	–	–	2,139
	–	174	–	–	–	1,867
	–	–	–	–	–	272
	2,125	827	543	-	89	9,545

For the year ended 31 December 2014

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2013

	Notes	Emerging Markets	Nedbank
Assets			
Goodwill and other intangible assets	F1	134	446
Mandatory reserve deposits with central banks		–	759
Property, plant and equipment	F2(a)	303	391
Investment property	F2(b)	1,443	11
Deferred tax assets	F7	104	11
Investments in associated undertakings and joint ventures	G2	76	63
Deferred acquisition costs	F3	107	–
Reinsurers' share of policyholder liabilities	E8	174	11
Loans and advances	E3	255	33,145
Investments and securities	E4	28,592	5,387
Current tax receivable		12	32
Trade, other receivables and other assets	F4	713	585
Derivative financial instruments	E6	349	791
Cash and cash equivalents		702	1,196
Non-current assets held for sale	I2	–	–
Inter-segment assets		635	77
Total assets		33,599	42,905
Liabilities			
Long-term business insurance policyholder liabilities	E8	9,467	191
Investment contract liabilities	E8	18,576	661
Property & casualty liabilities	E8	332	–
Third-party interests in consolidated funds		–	–
Borrowed funds	E9	187	1,813
Provisions and accruals	F5	133	(1)
Deferred revenue	F6	18	–
Deferred tax liabilities	F7	182	34
Current tax payable		125	17
Trade, other payables and other liabilities	F8	1,932	873
Amounts owed to bank depositors	E10	280	34,083
Derivative financial instruments	E6	466	974
Non-current liabilities held for sale	I2	–	–
Inter-segment liabilities		197	567
Total liabilities		31,895	39,212
Net assets		1,704	3,693
Equity			
Equity attributable to equity holders of the parent		1,654	1,976
Non-controlling interests		50	1,717
Ordinary shares	F10(b)(i)	50	1,452
Preferred securities	F10(b)(ii)	–	265
Total equity		1,704	3,693

£m

	Old Mutual Wealth	Institutional Asset Management	Other	Consolidation adjustments	Non-core operations	Total
	1,461	794	–	–	–	2,835
	–	–	–	–	–	759
	12	15	1	–	–	722
	–	–	–	357	–	1,811
	20	167	–	–	1	303
	–	19	10	–	–	168
	1,094	10	–	–	–	1,211
	1,690	–	–	–	–	1,875
	183	–	–	–	–	33,583
	49,868	33	378	3,502	460	88,220
	84	–	–	–	–	128
	426	113	43	351	352	2,583
	–	–	62	49	8	1,259
	687	117	457	1,667	43	4,869
	5	–	–	–	–	5
	93	21	976	(2,083)	281	–
	55,623	1,289	1,927	3,843	1,145	140,331
	1,613	–	–	–	855	12,126
	49,714	–	–	–	64	69,015
	–	–	–	–	–	332
	–	–	–	5,478	–	5,478
	–	2	642	–	–	2,644
	32	2	29	–	–	195
	610	–	–	–	–	628
	254	–	21	–	–	491
	52	3	40	–	–	237
	786	248	40	412	9	4,300
	7	–	–	–	–	34,370
	–	–	–	36	2	1,478
	–	–	–	–	–	–
	312	487	520	(2,083)	–	–
	53,380	742	1,292	3,843	930	131,294
	2,243	547	635	–	215	9,037
	2,243	547	635	–	215	7,270
	–	–	–	–	–	1,767
	–	–	–	–	–	1,502
	–	–	–	–	–	265
	2,243	547	635	–	215	9,037

For the year ended 31 December 2014

C: Other key performance information

C1: Operating profit adjusting items

(a) Summary of adjusting items for determination of adjusted operating profit (AOP)

In determining the AOP of the Group for core operations, certain adjustments are made to profit before tax to reflect the directors' view of the underlying long-term performance of the Group. The following table shows an analysis of those adjustments from AOP to profit before and after tax.

£m

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
(Expense)/income			
Goodwill impairment and impact of acquisition accounting	C1(b)	**(128)**	(141)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**(2)**	(4)
Short-term fluctuations in investment return	C1(d)	**(49)**	6
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	**(42)**	(100)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**32**	42
Institutional Asset Management equity plans	C1(g)	**(42)**	(38)
Credit-related fair value losses on Group debt instruments	C1(h)	**(10)**	(31)
Restructuring costs	C1(i)	**(60)**	(20)
Total adjusting items		**(301)**	(286)
Tax on adjusting items	D1(d)	**36**	46
Non-controlling interest in adjusting items		**28**	20
Total adjusting items after tax and non-controlling interests		**(237)**	(220)

(b) Goodwill impairment and impact of acquisition accounting

When applying acquisition accounting, deferred acquisition costs and deferred revenues existing at the point of acquisition are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill, other intangible assets and the value of the acquired present value of in-force business (acquired PVIF). In determining AOP, the Group recognises deferred revenue and acquisition costs and deferred revenue in relation to policies sold by acquired businesses pre-acquisition. The Group excludes the impairment of goodwill and the amortisation and impairment of acquired other intangibles and acquired PVIF as well as movements in certain acquisition date provisions. Costs incurred on completed acquisitions are also excluded from AOP. If the intangible assets recognised as a result of a business combination are subsequently impaired, this is excluded from AOP. The effect of these adjustments to determine AOP are summarised below:

£m

Year ended 31 December 2014	Emerging Markets	Old Mutual Wealth	Total
Amortisation of acquired PVIF	**(3)**	**(67)**	**(70)**
Amortisation of acquired deferred costs and revenue	**–**	**11**	**11**
Amortisation of other acquired intangible assets	**(7)**	**(47)**	**(54)**
Change in acquisition date provisions	**–**	**(1)**	**(1)**
Impairment of goodwill and other intangible assets	**–**	**(14)**	**(14)**
Goodwill impairment and impact of acquisition accounting	**(10)**	**(118)**	**(128)**

£m

Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Total
Amortisation of acquired PVIF	–	(76)	(76)
Amortisation of acquired deferred costs and revenue	–	11	11
Amortisation of other acquired intangible assets	(2)	(46)	(48)
Impairment of goodwill and other intangible assets	(8)	(20)	(28)
Goodwill impairment and impact of acquisition accounting	(10)	(131)	(141)

(c) Loss on disposal of subsidiaries, associated undertakings and strategic investments

Loss on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Emerging Markets	**66**	–
Old Mutual Wealth	**(70)**	–
Institutional Asset Management	**2**	(4)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	**(2)**	(4)

Emerging Markets

On 30 April 2014, following the termination of the management agreement with SA Corporate Real Estate Fund, a JSE listed real estate trust, the Group agreed to sell and transfer the business to the new manager once the transaction became unconditional. A profit of £4 million has been recognised in profit or loss.

On 1 September 2014, the Group completed the acquisition of an additional 25% stake in Old Mutual Finance (Pty) Ltd. The accounting related to the step up in ownership from 50% to 75% effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 75% of the business. Consequently a profit of £62 million has been realised on the transaction, calculated as the difference between the fair value of the initial 50% and the carrying amount of the investment in Old Mutual Finance (Pty) Ltd at 1 September 2014.

Old Mutual Wealth

On 30 May 2014, the Group completed the disposal of Skandia Poland, part of Old Mutual Wealth. A loss on disposal of £21 million has been recognised profit or loss.

On 1 October 2014, the Group announced that it had completed the sale of Skandia Austria and Skandia Germany. A loss on disposal of £43 million has been recognised in profit or loss.

On 6 November 2014, the Group completed the sale of Skandia Liechtenstein. A loss on disposal of £6 million has been recognised in profit or loss.

Institutional Asset Management

During the year ended 31 December 2014, the Group received additional earn-out income of £2 million from affiliates disposed of in the prior year.

On 2 January 2013, the Group completed the sale of five of its affiliates and recognised a loss of £1 million.

On 11 October 2013, Institutional Asset Management committed to a plan to cease the operations of Echo Point. The incremental cost of £3 million associated with discontinuing the entity was recognised in full during October 2013.

(d) Short-term fluctuations in investment return

Profit before tax, as disclosed in the consolidated IFRS income statement, includes actual investment returns earned on the shareholder assets of the Group's life assurance and property & casualty businesses. AOP is stated after recalculating shareholder asset investment returns based on a long-term investment return rate. The difference between the actual and the long-term investment returns is referred to as the short-term fluctuation in investment return.

Long-term rates of return are based on achieved rates of return appropriate to the underlying asset base, adjusted for current inflation expectations, default assumptions, costs of investment management and consensus economic investment forecasts. The underlying rates are principally derived with reference to 10-year government bond rates, cash and money market rates and an explicit equity risk premium for South African businesses. The rates set out below reflect the apportionment of underlying investments in cash deposits, money market instruments and equity assets. Long-term rates of return are reviewed frequently by the Board, usually annually, for appropriateness. The review of the long-term rates of return seeks to ensure that the returns credited to AOP are consistent with the actual returns expected to be earned over the long term.

For Emerging Markets, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For Old Mutual Wealth, the return is applied to average investible assets.

		%
Long-term investment rates	**Year ended 31 December 2014**	Year ended 31 December 2013
Emerging Markets	**7.4 – 8.0**	7.4 – 8.0
Old Mutual Wealth	**1.0**	1.0

For the year ended 31 December 2014

C: Other key performance information continued

C1: Operating profit adjusting items continued

Analysis of short-term fluctuations in investment return

Year ended 31 December 2014	Emerging Markets	Old Mutual Wealth	Other	Total £m
Actual shareholder investment return	**64**	**23**	**16**	**103**
Less: Long-term investment return	**123**	**5**	**24**	**152**
Short-term fluctuations in investment return	**(59)**	**18**	**(8)**	**(49)**

Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Other	Total £m
Actual shareholder investment return	160	22	34	216
Less: Long-term investment return	137	30	43	210
Short-term fluctuations in investment return	23	(8)	(9)	6

(e) Investment return adjustment for Group equity and debt instruments held in policyholder funds
AOP includes investment returns on policyholder investments in Group equity and debt instruments held by the Group's life funds. These include investments in the Company's ordinary shares and the subordinated liabilities and ordinary shares issued by the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax in the IFRS income statement, but are included in AOP. This ensures consistency of treatment with the measures in the related policyholder liability. During the year ended 31 December 2014, the investment return adjustment increased AOP by £42 million (year ended 31 December 2013: increase of £100 million).

(f) Dividends declared to holders of perpetual preferred callable securities
Dividends declared to the holders of the Group's perpetual preferred callable securities on an AOP basis were £32 million for the year ended 31 December 2014 (year ended 31 December 2013: £42 million). For the purpose of determining AOP, these are recognised in finance costs on an accrual basis. In accordance with IFRS, the total cash distribution is recognised directly in equity.

(g) Institutional Asset Management equity plans
Institutional Asset Management has a number of long-term incentive arrangements with senior employees in its asset management affiliates.

The Group has issued put options over the equity of certain affiliates to senior affiliate employees, as part of its Institutional Asset Management incentive schemes. The impact of revaluing these instruments is recognised in accordance with IFRS, but excluded from AOP. At 31 December 2014, these instruments were revalued, the impact of which was a loss of £42 million (year ended 31 December 2013: loss of £38 million).

(h) Credit-related fair value losses on Group debt instruments
The widening of the credit spread on the Group's debt instruments causes the market value of these instruments to decrease, resulting in gains being recognised in profit or loss. Conversely, if the credit spread narrows the market value of debt instruments increases causing losses to be recognised in the consolidated income statement. In the directors' view, such movements are not reflective of the underlying performance of the Group and will reverse over time. Therefore they have been excluded from AOP. For the year ended 31 December 2014, due to narrowing of credit spreads, a net loss of £10 million was recognised (year ended 31 December 2013: net loss of £31 million).

(i) Old Mutual Wealth restructuring expenditure
The Old Mutual Wealth business embarked on a significant programme of operational change in 2013. This will fundamentally restructure the way in which its UK platform business operates. Over the next two years, it will migrate certain elements of service provision to International Financial Data Services (IFDS). Costs related to decommissioning of existing technology and service provision and the migration of service to IFDS are excluded from AOP. These costs comprise payments to IFDS and directly attributable internal project costs and totalled £60 million for the year ended 31 December 2014 (year ended 31 December 2013: £20 million).

C2: Earnings and earnings per share

The Group calculates earnings per share (EPS) on a number of different bases as appropriate to prevailing international, UK and South African practices and guidance. IFRS requires the calculation of basic and diluted EPS. Adjusted operating EPS reflects earnings per share that is consistent with the Group's alternative profit measure. JSE Limited (JSE) listing requirements also require the Group to calculate headline EPS. The Group's EPS on these different bases are summarised below:

Pence

	Source of guidance	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Basic earnings per share	IFRS	C2(a)	**12.4**	15.0
Diluted basic earnings per share	IFRS	C2(b)	**11.5**	13.9
Adjusted operating earnings per share	Group policy	C2(c)	**17.9**	18.4
Headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	**12.3**	15.6
Headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	**12.6**	15.2
Diluted headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	**11.4**	14.4
Diluted headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	**11.6**	14.1

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity shareholders by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder funds, Employee Share Ownership Plan Trusts (ESOP), Black Economic Empowerment trusts and other related undertakings.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

£m

	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the financial year attributable to equity holders of the parent from continuing operations	**632**	702
(Loss)/profit for the financial year attributable to equity holders of the parent from discontinued operations	**(50)**	3
Profit for the financial year attributable to equity holders of the parent	**582**	705
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	**(25)**	(37)
Profit attributable to ordinary equity holders	**557**	668

Total dividends paid to holders of perpetual preferred callable securities of £25 million for the year ended 31 December 2014 (year ended 31 December 2013: £37 million) are stated net of tax credits of £7 million (year ended 31 December 2013: £10 million).

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

Millions

	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Weighted average number of ordinary shares in issue		**4,901**	4,897
Shares held in charitable foundations		**(6)**	(6)
Shares held in ESOP trusts		**(50)**	(55)
Adjusted weighted average number of ordinary shares	C2(c)	**4,845**	4,836
Shares held in life funds		**(127)**	(155)
Shares held in Black Economic Empowerment trusts		**(233)**	(239)
Weighted average number of ordinary shares used to calculate basic earnings per share		**4,485**	4,442
Basic earnings per ordinary share (pence)		**12.4**	15.0

For the year ended 31 December 2014

C: Other key performance information continued

C2: Earnings and earnings per share continued

(b) Diluted basic earnings per share

Diluted basic EPS recognises the dilutive impact of shares and options held in ESOP trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Profit attributable to ordinary equity holders (£m)		**557**	668
Dilution effect on profit relating to share options issued by subsidiaries (£m)		**(10)**	(10)
Diluted profit attributable to ordinary equity holders (£m)		**547**	658
Weighted average number of ordinary shares (millions)	C2(a)	**4,485**	4,442
Adjustments for share options held by ESOP trusts (millions)		**48**	45
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**233**	239
Weighted average number of ordinary shares used to calculate diluted basic earnings per share (millions)		**4,766**	4,726
Diluted basic earnings per ordinary share (pence)		**11.5**	13.9

(c) Adjusted operating earnings per share

The following table presents a reconciliation of profit for the financial year to adjusted operating profit after tax attributable to ordinary equity holders and summarises the calculation of adjusted operating earnings per share:

	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Profit for the financial year attributable to equity holders of the parent		**582**	705
Adjusting items	C1(a)	**301**	286
Tax on adjusting items		**(36)**	(46)
Non-core operations	B3	**(1)**	(32)
Loss/(profit) from discontinued operations	I1	**50**	(3)
Non-controlling interest on adjusting items		**(28)**	(20)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)		**868**	890
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)	C2(a)	**4,845**	4,836
Adjusted operating earnings per share (pence)		**17.9**	18.4

(d) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2013 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		Year ended 31 December 2014		Year ended 31 December 2013	
	Notes	**Gross**	**Net**	Gross	Net
Profit for the financial year attributable to equity holders of the parent		582	582	705	705
Dividends paid to holders of perpetual preferred callable securities		(25)	(25)	(37)	(37)
Profit attributable to ordinary equity holders		557	557	668	668
Adjustments:					
Impairments of goodwill and intangible assets		14	14	28	28
Loss/(profit) on disposal of subsidiaries, associated undertakings and strategic investments		2	14	4	(12)
Realised gains (net of impairments) on available-for-sale financial assets		(20)	(20)	(8)	(8)
Headline earnings		553	565	692	676
Dilution effect on earnings relating to share options issued by subsidiaries (£m)		(10)	(10)	(10)	(10)
Diluted headline earnings		543	555	682	666
Weighted average number of ordinary shares (millions)	C2(a)	4,485	4,485	4,442	4,442
Diluted weighted average number of ordinary shares (millions)	C2(b)	4,766	4,766	4,726	4,726
Headline earnings per share (pence)		12.3	12.6	15.6	15.2
Diluted headline earnings per share (pence)		11.4	11.6	14.4	14.1

C3: Dividends

£m

	Year ended 31 December 2014	Year ended 31 December 2013
2012 Final dividend paid – 5.25p per $11^{3}/_{7}$p share	**–**	238
2013 Interim dividend paid – 2.10p per $11^{3}/_{7}$p share	**–**	98
2013 Final dividend paid – 6.00p per $11^{3}/_{7}$p share	**279**	–
2014 Interim dividend paid – 2.45p per $11^{3}/_{7}$p share	**115**	–
Dividends to ordinary equity holders	**394**	336
Dividends paid to holders of perpetual preferred callable securities	**32**	47
Dividend payments for the year	**426**	383

Final and interim dividends paid to ordinary equity holders are calculated using the number of shares in issue at the record date less own shares held in ESOP trusts, life funds of Group entities, Black Economic Empowerment trusts and related undertakings.

As a consequence of the exchange control arrangements in place in certain African territories, dividends to ordinary equity holders on the branch registers of those countries (or in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

A final dividend of 6.25 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been recommended by the directors. The final dividend will be paid on 29 May 2015 to shareholders on the register at the close of business on 17 April 2015 for the South Africa, Zimbabwe, Namibia and Malawi registers and 22 April 2015 for the UK register. The dividend will absorb an estimated £293 million of shareholders' funds. The Company is not planning to offer a scrip dividend alternative.

In March and November 2014, £17 million and £15 million respectively, were declared and paid to holders of perpetual preferred callable securities (March 2013: £22 million, November 2013: £25 million).

For the year ended 31 December 2014

D: Other income statement notes

D1: Income tax expense

(a) Analysis of total income tax expense

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Current tax		
United Kingdom	**19**	(3)
Overseas tax		
– Africa	**336**	407
– Europe	**32**	19
– Rest of the world	**5**	7
Withholding taxes	**16**	16
Adjustments to current tax in respect of prior years	**31**	(25)
Total current tax	**439**	421
Deferred tax		
Origination and reversal of temporary differences	**43**	142
Effect on deferred tax of changes in tax rates	**–**	(15)
Recognition of previously unrecognised deferred tax assets	**–**	1
Adjustments to deferred tax in respect of prior years	**(20)**	3
Total deferred tax	**23**	131
Total income tax expense	**462**	552

(b) Reconciliation of total income tax expense

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	**1,364**	1,532
Tax at UK standard rate of 21.5% (2013: 23.25%)	**293**	356
Different tax rate or basis on overseas operations	**95**	57
Untaxed and low taxed income	**(56)**	(76)
Disallowable expenses	**67**	35
Net movement on deferred tax assets not recognised	**7**	31
Effect on deferred tax of changes in tax rates	**–**	(15)
Withholding taxes	**8**	10
Income tax attributable to policyholder returns	**46**	133
Tax on Group equity held in life funds	**–**	21
Other	**2**	–
Total income tax expense	**462**	552

(c) Income tax relating to components of other comprehensive income

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Preferred perpetual callable securities	**(7)**	(10)
Measurement gains on defined benefit plans	**1**	22
Income tax on items that will not be reclassified subsequently to profit or loss	**(6)**	12
Income tax on items that may be reclassified subsequently to profit or loss	**5**	(2)
Income tax (credit)/expense relating to components of other comprehensive income	**(1)**	10

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Income tax expense	**462**	552
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	**15**	26
(Loss)/profit on disposal of subsidiaries, associates and strategic investments	**(11)**	16
Short-term fluctuations in investment return	**6**	(2)
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**(7)**	(10)
Institutional Asset Management equity plans	**20**	11
Restructuring costs	**13**	5
Total tax on adjusting items	**36**	46
Income tax attributable to policyholders returns	**(59)**	(174)
Income tax on adjusted operating profit	**439**	424

D2: Investment return (non-banking)

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest and similar income		
Loans and advances	**5**	48
Investments and securities	**974**	1,012
Cash and cash equivalents	**127**	121
Total interest and similar income	**1,106**	1,181
Dividend income – investments and securities	**334**	390
Fair value gains and losses recognised in income	**4,653**	8,161
Rental income from investment properties	**150**	152
Investment property gains on revaluation	**62**	103
Foreign currency losses	**(1)**	(1)
Total amounts recognised in profit or loss	**6,304**	9,986
Total interest income for assets not at fair value through profit or loss	**9**	12
The fair value gains and losses shown above are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	**–**	(25)
Designated at fair value through profit or loss	**4,653**	8,172
Available-for-sale financial assets	**–**	14
	4,653	8,161

There were no fair value gains and losses on available-for-sale financial assets for the year ended 31 December 2014 in the normal course of business that were recycled to investment return (non-banking). For the year ended 31 December 2013, £14 million relates to gains realised on the sale of debt securities held by the Group's Old Mutual Bermuda business.

For the year ended 31 December 2014

D: Other income statement notes continued

D3: Banking interest and similar income

£m

	Year ended 31 December 2014	Year ended 31 December 2013
Loans and advances	**2,710**	2,703
Mortgage loans	**1,190**	1,187
Finance lease and instalment debtors	**500**	514
Credit cards	**96**	98
Overdrafts	**83**	84
Term loans and other	**841**	820
Investments and securities	**347**	347
Government and government-guaranteed securities	**200**	236
Other debt securities, preference shares and debentures	**147**	111
Total interest and similar income	**3,057**	3,050
Total interest income for assets not at fair value through profit or loss	**2,453**	2,536
Total interest income on impaired financial assets	**50**	65

D4: Banking trading, investment and similar income

£m

	Year ended 31 December 2014	Year ended 31 December 2013
Dividend income – investments and securities	**5**	3
Rental income from investment property	**7**	5
Net exchange and other non-interest income	**33**	17
Net trading income	**152**	170
Total banking trading, investment and similar income	**197**	195
The fair value gains and losses included above are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	**8**	(145)
Designated at fair value through profit or loss	**(2)**	147
	6	2
Realised fair value gains included above	**6**	2

D5: Fee and commission income and income from service activities

£m

Year ended 31 December 2014	Life and savings	Asset management	Banking	General insurance	Total
Fee and commission income	**832**	**1,111**	**838**	**29**	**2,810**
Transaction and performance fees	**–**	**30**	**13**	**–**	**43**
Change in deferred revenue	**18**	**24**	**–**	**(1)**	**41**
	850	**1,165**	**851**	**28**	**2,894**

£m

Year ended 31 December 2013	Life and savings	Asset management	Banking	General insurance	Total
Fee and commission income	902	1,126	934	28	2,990
Transaction and performance fees	–	20	–	–	20
Change in deferred revenue	49	38	1	(3)	85
	951	1,184	935	25	3,095

D6: Finance costs

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
			£m
Interest payable on borrowed funds		**48**	50
Senior debt and term loans		**8**	8
Subordinated debt		**55**	57
Interest rate swaps		**(15)**	(15)
Fair value gains and losses on borrowed funds		**6**	31
Borrowed funds		**34**	(17)
Derivative instruments used as economic hedges		**(28)**	48
Total finance costs excluding banking activities		**54**	81
Finance costs from banking activities	D7	**159**	156
Total Group finance costs on debt instruments		**213**	237
The fair value gains and losses shown above are analysed according to their IAS 39 categorisations as follows:			
Designated at fair value through profit or loss		**6**	31

D7: Banking interest payable and similar expense

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
			£m
Amounts owed to bank depositors		**1,529**	1,484
Deposits and loan accounts		**1,074**	977
Current and savings accounts		**8**	11
Negotiable certificates of deposit		**288**	340
Long-term debt instruments	D6	**159**	156
Other liabilities		**143**	132
Total interest payable and similar expenses		**1,672**	1,616
Total interest expense included above for liabilities not at fair value through profit or loss		**1,483**	1,372

D8: Fee and commission expenses and other acquisition costs

Year ended 31 December 2014	Life and savings	Asset management	General insurance	Total
				£m
Fee and commission expenses	**492**	**161**	**107**	**760**
Change in deferred acquisition costs	**24**	**13**	**(1)**	**36**
Other acquisition costs	**67**	**–**	**–**	**67**
	583	**174**	**106**	**863**

Year ended 31 December 2013	Life and savings	Asset management	General insurance	Total
				£m
Fee and commission expenses	538	200	115	853
Change in deferred acquisition costs	29	31	(2)	58
Other acquisition costs	65	–	–	65
	632	231	113	976

Financials

For the year ended 31 December 2014

D: Other income statement notes continued

D9: Other operating and administrative expenses

(a) Other operating and administrative expenses include:

	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Staff costs	D9(b)	**1,860**	1,904
Depreciation	F2(a)	**83**	88
Software costs		**9**	10
Operating lease rentals – banking		**61**	63
Operating lease rentals – non-banking		**27**	32
Amortisation of PVIF and other acquired intangibles	F1(f)	**170**	173
Impairment of goodwill and other intangible assets	C1(b)/F1(f)	**14**	28

Operating lease payments principally represent rentals payable by the Group for the rental of buildings and equipment.

(b) Staff costs

	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Wages and salaries		**1,094**	1,184
Social security costs		**39**	31
Retirement obligations			
Defined contribution plans		**82**	88
Defined benefit plans	H1(b)	**(3)**	1
Other retirement benefits	H1(b)	**8**	10
Bonus and incentive remuneration		**403**	373
Share-based payments			
Cash settled		**61**	40
Equity settled		**54**	59
Other		**122**	118
		1,860	1,904

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
The average number of persons employed by the Group was:		
Emerging Markets	**25,684**	22,646
Old Mutual Wealth	**3,223**	2,886
Nedbank	**31,083**	29,799
Institutional Asset Management	**1,343**	1,249
Other	**228**	206
Non-core operations (Old Mutual Bermuda)	**22**	26
	61,583	56,812

(c) Fees to Group's auditors

Included in other operating expenses and loss from discontinued operations are fees paid to the Group's auditors. These can be categorised as follows:

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Fees for audit services		
Group	**1.3**	1.3
Subsidiaries	**12.1**	10.5
Pension schemes	**0.3**	0.2
Total audit fees	**13.7**	12.0
Fees for non-audit services		
Audit-related assurance	**0.9**	0.7
Taxation compliance	**1.6**	1.6
Corporate finance transactions	**0.4**	0.2
Other non-audit services	**0.5**	0.3
Total non-audit services	**3.4**	2.8
Total Group auditors' remuneration	**17.1**	14.8

In addition to the above, fees of £3.2 million (2013: £3.7 million) were payable to other auditors in respect of joint audit arrangements of Nedbank, the Group's banking subsidiary in South Africa.

E: Financial assets and liabilities

E1: Group statement of financial position

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

(a) Recognition and derecognition

A financial asset or liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when, and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control.

A financial liability is derecognised when, and only when, the liability is extinguished. That is, when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

(b) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(c) Derivative financial instruments

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives not designated as hedges for hedge accounting purposes are included in investment income or finance costs as appropriate.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(d) Hedge accounting
Qualifying hedging instruments must either be derivative financial instruments or non-derivative financial instruments used to hedge the risk of changes in foreign currency exchange rates, changes in fair value or changes in cash flows. Changes in the value of the financial instrument should be expected to offset changes in the fair value or cash flows of the underlying hedged item.

The Group designates certain qualifying hedging instruments as either (1) a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (fair value hedge) or (2) a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction, and could affect profit or loss (cash flow hedge) or (3) a hedge of a net investment in a foreign operation. Hedge accounting is used for qualifying hedging instruments designated in this way provided certain criteria are met.

The Group's criteria in accordance with reporting standards for a qualifying hedging instrument to be accounted for as a hedge include:

- Upfront formal documentation of the hedging instrument, hedged item or transaction, risk management objective and strategy, the nature of the risk being hedged and the effectiveness measurement methodology that will be applied is prepared before hedge accounting is adopted
- The hedge is documented showing that it is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk, consistent with the risk management and strategy detailed in the upfront hedge documentation
- The effectiveness of the hedge can be reliably measured
- The hedge is assessed and determined to have been highly effective on an ongoing basis
- For cash flow hedges of a forecast transaction, an assessment that it is highly probable that the hedged transaction will occur and will carry profit or loss risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in profit or loss, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or hedges of a net investment in a foreign operation, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. For fair value hedge accounting, any previous adjustment to the carrying amount of a hedged interest-bearing financial instrument carried at amortised cost (as a result of previous hedge accounting), is amortised in profit or loss from the date hedge accounting ceases, to the maturity date of the financial instrument, based on the effective interest method.

For hedges of a net investment in a foreign operation, any cumulative gains or losses in equity are recognised in profit or loss on disposal of the foreign operation.

(e) Embedded derivatives
Certain derivatives embedded in financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised as such on a standalone basis, when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in profit or loss. If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as fair value through profit or loss and measured at fair value.

(f) Offsetting financial instruments and related income
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position, with the exception of those relating to hedges, which are disclosed in accordance with profit or loss effect of the hedged item.

(g) Interest income and expense
Interest income and expense in relation to financial instruments carried at amortised cost or held as available-for-sale are recognised in profit or loss using the effective interest method, taking into account the expected timing and amount of cash flows. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income and expense on financial instruments carried at fair value through profit or loss are presented as part of interest income or expense.

(h) Non-interest revenue
Non-interest revenue in respect of financial instruments principally comprises fees and commission and other operating income. These are accounted for as set out below.

Fees and commission income
Loan origination fees, for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Fees and commission arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Other income
Revenue other than interest, fees and commission (including fees and insurance premiums), which includes exchange and securities trading income, dividends from investments and net gains on the sale of banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably and it is probable that the economic benefits of the transaction or service will flow to the Group.

(i) Financial assets
Non-derivative financial assets are recorded as held-for-trading, designated as fair value through profit or loss, loans and receivables, held-to-maturity or available-for-sale. An analysis of the Group's statement of financial position, showing the categorisation of financial assets, together with financial liabilities is set out in note E1(o).

(j) Classification of financial instruments
Held-for-trading financial assets
Held-for-trading financial assets are those that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists, or are derivatives that are not designated as effective hedging instruments.

Financial assets designated as fair value through profit or loss
Financial assets that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis (for instance with respect to financial assets supporting insurance contract provisions) or are managed, evaluated and reported using a fair value basis (for instance financial assets supporting shareholders' funds).

All financial assets carried at fair value through profit or loss, whether held-for-trading or designated, are initially recognised at fair value and subsequently remeasured at fair value based on bid prices quoted in active markets. If such price information is not available for these instruments, the Group uses other valuation techniques, including internal models, to measure these instruments. These techniques use market observable inputs where available, derived from similar assets and liabilities in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters, the Group estimates the non-market observable inputs used in its valuation models. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Fair values of certain financial instruments, such as over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads, and volatility factors.

Realised and unrealised fair value gains and losses on all financial assets carried at fair value through profit or loss are included in investment return (non-banking) or in banking trading, investment and similar income as appropriate.

Interest earned whilst holding financial assets at fair value through profit or loss is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, when a dividend is declared.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. Loans and receivables are carried at amortised cost less any impairment write-downs. Third-party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

Held-to-maturity financial assets
Financial assets with fixed maturity dates which are quoted in an active market and where management has both the intent and the ability to hold the asset to maturity are classified as held-to-maturity. These assets are carried at amortised cost less any impairment write-downs. Interest earned on held-to-maturity financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate.

Available-for-sale financial assets
Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices other than those designated fair value through profit or loss or as loans and receivables, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale financial assets are measured at fair value based on bid prices quoted in active markets. If such prices are unavailable or determined to be unreliable, the fair value of the financial asset is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on observable market data where available at the reporting date.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(j) Classification of financial instruments continued

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are disposed, the related accumulated fair value adjustments are included in profit or loss as gains and losses from available-for-sale financial assets. When available-for-sale assets are impaired the resulting loss is shown separately in profit or loss as an impairment charge.

Interest earned on available-for-sale financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, as appropriate when a dividend is declared.

Financial liabilities (other than investment contracts and derivatives)

Non-derivative financial liabilities, including borrowed funds, amounts owed to depositors and liabilities under acceptances, are recorded as held-for-trading, designated as fair value through profit or loss or as financial liabilities at amortised cost.

Liabilities that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or are managed, evaluated and reported using a fair value basis.

For financial liabilities recorded at fair value and which contain a demand feature, the fair value of the liability is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial liabilities categorised at amortised cost are recognised initially at fair value, which is normally represented by the transaction price less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Equity classified conversion options included within financial liabilities are recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bondholders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other income.

(k) Reclassifications of financial assets

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was required to be categorised as held-for-trading (on the basis that it was held for the purpose of selling or repurchasing in the near term) may under exceptional circumstances be reclassified out of the fair value through profit or loss category if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable.

Other non-derivative financial assets that were required to be categorised as held-for-trading at initial recognition may be reclassified out of the fair value through profit or loss category in rare circumstances. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. Measurement of the asset after reclassification depends on the subsequent categorisation.

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was designated as available-for-sale may under exceptional circumstances be reclassified out of the available-for-sale category to the loans and receivables category if it meets the loans and receivables definition at the date of reclassification and if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable. In the case of a financial asset with a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is amortised to profit or loss over the remaining life using the effective interest method together with any difference between the new amortised cost and the maturity amount. In the case of a financial asset that does not have a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is recognised in profit or loss when the financial asset is sold or otherwise disposed.

(l) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as appropriate when considering the de-recognition criteria contained within IAS 39. The securities that are retained in the financial statements are reflected as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell at a pre-determined price are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the lives of agreements using the effective interest method.

Securities lent to counterparties are retained in the financial statements and any interest earned recognised in profit or loss using the effective interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(m) Parent Company investments in subsidiary undertakings and associates

Parent Company investments in subsidiary undertakings and associates are recorded at cost. Impairments of Parent Company investments in subsidiary undertakings and associates are accounted for in the same way as impairments of other non-financial assets.

(n) Impairments of financial assets

Indicators of impairment

A provision for impairment is established if there is objective evidence that the Group will not be able to recover all amounts relating to the financial asset. Observable data that could come to the attention of the Group that could lead to a provision for impairment to be made include:

- Significant financial difficulty of the counterparty
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group, for economic or legal reasons relating to the counterparty's financial difficulty, grants to the counterparty a concession that the Group would not otherwise consider
- It becoming probable that the counterparty will enter bankruptcy or other financial reorganisation
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including:
  - adverse changes in the payment status of counterparties in the group of financial assets; or
  - national or local economic conditions that correlate with defaults on the assets in the group of financial assets.

In addition, for an available-for-sale financial asset, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment.

Financial assets at amortised cost

The amount of the impairment of a financial asset held at amortised cost is the difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the effective interest rate at initial recognition. In estimating future expected cash flows, the Group looks at the contractual cash flows of the assets and adjusts these contractual cash flows for historical loss experience of assets with similar credit risks, with this adjusted to reflect any additional conditions that are expected to arise or to account for those which no longer exist. This is done to predict inherent losses which exist in the asset as at the reporting date but have not been reported.

The impairment provision also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the reporting date, but these components have not yet been specifically identified. When a loan is uncollectable, it is written-off against the related impairment provision.

If the amount of impairment subsequently decreases due to an event occurring after the write-down, the release of the impairment provision is credited to profit or loss. Impairment reversals are limited to what the carrying amount would have been had no impairment losses been recognised.

Interest income on impaired loans and receivables is recognised on the impaired amount using the original effective interest rate before the impairment.

Available-for-sale financial assets

The amount of the impairment loss of an available-for-sale financial asset is the cumulative loss that has been recognised in other comprehensive income, being the difference between the acquisition cost and the asset's current fair value, less any impairment loss on that asset previously recognised in profit or loss. For available-for-sale debt securities, fair value is determined as the present value of expected future cash flows discounted at the current market rate of interest.

All such impairments are recognised in profit or loss. The release of an impairment allowance in respect of a debt instrument categorised as available-for-sale is credited to profit or loss, the release in respect of an equity instrument categorised as available-for-sale is credited to the available-for-sale reserve within equity.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(o) Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

At 31 December 2014 £m

Measurement basis		Fair value (note E1(q))			Amortised cost (note E1(r))			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	829	–	–	–	–	829	–	–
Investments in associated undertakings and joint ventures	518	–	50	–	–	–	–	468
Reinsurers' share of policyholder liabilities	2,314	–	2,027	–	–	12	–	275
Loans and advances	34,857	1,497	3,523	2	–	29,835	–	–
Investments and securities	87,547	839	83,568	754	2,325	61	–	–
Trade, other receivables and other assets	2,362	117	310	–	–	1,260	–	675
Derivative financial instruments	1,227	1,227	–	–	–	–	–	–
Cash and cash equivalents	4,944	–	–	–	–	4,944	–	–
Total assets that include financial instruments	134,598	3,680	89,478	756	2,325	36,941	–	1,418
Total non-financial assets	7,918	–	–	–	–	–	–	7,918
Total assets	142,516	3,680	89,478	756	2,325	36,941	–	9,336
Liabilities								
Life assurance policyholder liabilities	79,360	–	60,904	–	–	–	–	18,456
Third-party interest in consolidation of funds	5,986	–	5,986	–	–	–	–	–
Borrowed funds	3,044	–	734	–	–	–	2,310	–
Trade, other payables and other liabilities	4,276	251	341	–	–	–	2,217	1,467
Amounts owed to bank depositors	36,243	4,290	2,199	–	–	–	29,754	–
Derivative financial instruments	1,201	1,201	–	–	–	–	–	–
Total liabilities that include financial instruments	130,110	5,742	70,164	–	–	–	34,281	19,923
Total non-financial liabilities	2,861	–	–	–	–	–	–	2,861
Total liabilities	132,971	5,742	70,164	–	–	–	34,281	22,784

At 31 December 2013 £m

Measurement basis		Fair value (note E1(q))			Amortised cost (note E1(r))			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	759	–	–	–	–	759	–	–
Investments in associated undertakings and joint ventures	168	–	49	–	–	–	–	119
Reinsurers' share of policyholder liabilities	1,875	–	1,624	–	–	16	–	235
Loans and advances	33,583	2,147	3,668	4	–	27,764	–	–
Investments and securities	88,220	971	84,873	807	1,461	108	–	–
Trade, other receivables and other assets	2,583	193	347	–	–	1,447	–	596
Derivative financial instruments	1,259	1,259	–	–	–	–	–	–
Cash and cash equivalents	4,869	–	–	–	–	4,869	–	–
Total assets that include financial instruments	133,316	4,570	90,561	811	1,461	34,963	–	950
Total non-financial assets	7,015	–	–	–	–	–	–	7,015
Total assets	140,331	4,570	90,561	811	1,461	34,963	–	7,965
Liabilities								
Life assurance policyholder liabilities	81,141	–	61,555	–	–	–	–	19,586
Third-party interest in consolidation of funds	5,478	–	5,478	–	–	–	–	–
Borrowed funds	2,644	–	747	–	–	–	1,897	–
Trade, other payables and other liabilities	4,300	263	294	–	–	–	2,398	1,345
Amounts owed to bank depositors	34,370	3,303	5,179	–	–	–	25,888	–
Derivative financial instruments	1,478	1,478	–	–	–	–	–	–
Total liabilities that include financial instruments	129,411	5,044	73,253	–	–	–	30,183	20,931
Total non-financial liabilities	1,883	–	–	–	–	–	–	1,883
Total liabilities	131,294	5,044	73,253	–	–	–	30,183	22,814

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(p) Fair values of financial assets and liabilities

(i) Determination of fair value

All financial instruments, regardless of their IAS 39 categorisation, are initially recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price. That is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets, which in certain circumstances includes using quotations from independent third parties such as brokers and pricing services, and offer prices for liabilities. When quoted prices are not available, fair values are determined by using valuation techniques that refer as far as possible to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. A number of factors such as bid-offer spread, credit profile, servicing costs and model uncertainty are taken into account, as appropriate, when values are calculated using a valuation technique. Changes in the assumptions used in such valuations could impact the reported value of such instruments. All derivative instruments are measured at fair value.

In general, none of the carrying amounts of financial assets and liabilities carried at amortised cost have a fair value significantly different to their carrying amounts. Such assets and liabilities primarily comprise variable-rate financial assets and liabilities that re-price as interest rates change, short-term deposits or current assets.

All financial assets and liabilities that are measured at amortised cost are initially recognised at fair value plus transaction costs.

The following is taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads
- The inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair-value measurement of derivative instruments, with particular emphasis on DVA and
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are stated at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (which comprise cash and cash equivalents, cash with central banks, other assets and liabilities) are reasonably approximated by the carrying amounts reflected in the statement of financial position as they are short-term in nature or re-price to current market rates frequently.

(ii) Fair value hierarchy
Fair values are determined according to the following hierarchy.

- Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets. Instruments classified as Level 1 generally comprise listed equity securities, government securities and other listed debt securities and similar instruments, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds and investment contract liabilities linked to Level 1 pooled investments and other assets.
- Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. Instruments classified as Level 2 generally comprise unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Certain inputs, such as discount rates and credit spreads may be unobservable but these inputs do not have a significant impact on the fair value of the instrument. This includes certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
- Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. Instruments classified as Level 3 generally comprise unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.
- The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument.

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured. Details of the Group's valuation techniques can be found in note E1(q) (iii). There have been no significant changes to the valuation techniques applied.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(q) Disclosure of financial assets and liabilities measured at fair value

(i) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The table below presents the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in note E1(o), and in terms of the fair value hierarchy as required by IFRS 7 'Financial Instruments: Disclosures'.

£m

At 31 December 2014	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	3,680	373	3,299	8
Loans and advances	1,497	–	1,497	–
Investments and securities	839	254	585	–
Other financial assets	117	117	–	–
Derivative financial instruments – assets	1,227	2	1,217	8
Designated (fair value through profit or loss)	89,478	73,554	14,320	1,604
Investments in associated undertakings and joint ventures	50	–	–	50
Reinsurers' share of policyholder liabilities	2,027	2,027	–	–
Loans and advances	3,523	177	3,344	2
Investments and securities	83,568	71,040	10,976	1,552
Other financial assets	310	310	–	–
Available-for-sale financial assets (fair value through equity)	756	137	618	1
Loans and advances	2	2	–	–
Investments and securities	754	135	618	1
Total assets measured at fair value	**93,914**	**74,064**	**18,237**	**1,613**
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	5,742	245	5,497	–
Other liabilities	251	243	8	–
Amounts owed to bank depositors	4,290	–	4,290	–
Derivative financial instruments – liabilities	1,201	2	1,199	–
Designated (fair value through profit or loss)	70,164	44,274	25,136	754
Life assurance policyholder liabilities	60,904	43,571	16,579	754
Third-party interests in consolidated funds	5,986	–	5,986	–
Borrowed funds	734	653	81	–
Other liabilities	341	50	291	–
Amounts owed to bank depositors	2,199	–	2,199	–
Total liabilities measured at fair value	**75,906**	**44,519**	**30,633**	**754**

At 31 December 2013	Total	Level 1	Level 2	Level 3
				£m
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	4,570	493	4,066	11
Loans and advances	2,147	–	2,147	–
Investments and securities	971	295	673	3
Other financial assets	193	193	–	–
Derivative financial instruments – assets	1,259	5	1,246	8
Designated (fair value through profit or loss)	90,561	76,822	11,980	1,759
Investments in associated undertakings and joint ventures	49	–	–	49
Reinsurers' share of policyholder liabilities	1,624	1,624	–	–
Loans and advances	3,668	1	3,665	2
Investments and securities	84,873	74,850	8,315	1,708
Other financial assets	347	347	–	–
Available-for-sale financial assets (fair value through equity)	811	348	461	2
Loans and advances	4	4	–	–
Investments and securities	807	344	461	2
Total assets measured at fair value	95,942	77,663	16,507	1,772
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	5,044	265	4,779	–
Other liabilities	263	256	7	–
Amounts owed to bank depositors	3,303	–	3,303	–
Derivative financial instruments – liabilities	1,478	9	1,469	–
Designated (fair value through profit or loss)	73,253	46,783	25,538	932
Life assurance policyholder liabilities	61,555	46,084	14,539	932
Third-party interests in consolidated funds	5,478	–	5,478	–
Borrowed funds	747	663	84	–
Other liabilities	294	36	258	–
Amounts owed to bank depositors	5,179	–	5,179	–
Total liabilities measured at fair value	78,297	47,048	30,317	932

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(q) Disclosure of financial assets and liabilities measured at fair value continued

(ii) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year:

£m

	Held-for-trading		Designated fair value through profit or loss			Available-for-sale	Total
Year ended 31 December 2014	Investments and securities	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Level 3 financial assets							
At beginning of the year	3	8	49	2	1,708	2	1,772
Total net (losses)/gains recognised in the profit or loss for the period	–	(1)	–	–	53	–	52
Purchases and issues	–	–	(1)	–	136	–	135
Sales and settlements	(3)	–	–	–	(319)	(1)	(323)
Transfers in	–	–	–	–	54	–	54
Transfers out	–	–	–	–	(36)	–	(36)
Foreign exchange and other	–	1	2	–	(44)	–	(41)
Total level 3 financial assets	–	8	50	2	1,552	1	1,613
Gains relating to assets held at 31 December 2014 recognised in profit or loss	–	(1)	–	–	22	–	21

£m

Year ended 31 December 2014	Designated fair value through profit or loss – Life assurance policyholder liabilities (investment contracts)
Level 3 financial liabilities	
At beginning of the year	932
Total net gains recognised in profit or loss for the period	(47)
Purchases and issues	8
Sales and settlements	(137)
Foreign exchange and other	(2)
Total level 3 financial liabilities	754
Gains relating to liabilities held at 31 December 2014 recognised in profit or loss	(47)

Year ended 31 December 2013	Held-for-trading: Investments and securities	Held-for-trading: Derivatives	Designated fair value through profit or loss: Investments in associated undertakings and joint ventures	Designated fair value through profit or loss: Loans and advances	Designated fair value through profit or loss: Investments and securities	Available-for-sale: Investments and securities	Total £m
Level 3 financial assets							
At beginning of the year	4	–	73	9	1,122	2	1,210
Total net gains/(losses) recognised in the profit or loss for the period	1	–	(1)	–	65	–	65
Purchases and issues	–	9	4	–	290	–	303
Sales and settlements	(1)	–	(12)	(6)	(77)	–	(96)
Transfers in	–	–	–	–	464	–	464
Transfers out	–	–	–	–	(21)	–	(21)
Foreign exchange and other	(1)	(1)	(15)	(1)	(135)	–	(153)
Total level 3 financial assets	3	8	49	2	1,708	2	1,772
Gains relating to assets held at 31 December 2013 recognised in profit or loss	–	–	–	–	55	–	55

During 2013, £464 million of investments and securities was transferred from Level 2 to Level 3 in terms of the fair value hierarchy. This relates to Old Mutual Wealth investments in illiquid property investment funds. Observable inputs which can be utilised to value these funds are not readily available. These investment funds back policyholder liabilities (investment contracts) for which there is a corresponding £464 million Level 3 of the fair value hierarchy. The backing of liabilities by assets means that the Group is not exposed to any profit or loss arising on the realisation of these investment funds.

Year ended 31 December 2013	£m Designated fair value through profit or loss – Life assurance policyholder liabilities (investment contracts)
Level 3 financial liabilities	
At beginning of the year	480
Total net gains recognised in profit or loss for the period	(8)
Purchases and issues	106
Sales and settlements	(114)
Transfers in	464
Foreign exchange and other	4
Total level 3 financial liabilities	932
Losses relating to liabilities held at 31 December 2014 recognised in profit or loss	(12)

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(q) Disclosure of financial assets and liabilities measured at fair value continued

(iii) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

In respect of private equity investments, which are included as investment securities, the valuations are assessed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment, in line with industry guidelines. In many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicators including, for example, multiples for comparable listed companies and discounts for marketability.

For asset-backed securities whose prices are unobservable, models are used to generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The models used are calibrated by using securities for which external market information is available.

For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. These principle assumptions include credit volatilities and correlations used in the valuation of the structured credit derivatives. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

The table below summarises the significant inputs to value instruments categorised as Level 3 and their sensitivity to changes in the inputs used.

Types of financial instruments	Fair values at 31 December 2014 £m	Valuation techniques	Significant unobservable input	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs at 31 December 2014 £m
Assets					
Investments in associated undertakings and joint ventures	50 (2013: 49)	Discounted cash flows (DCF) Price earnings ratios	Valuation multiples	-16% to +16%	Favourable: 7 (2013: 7) Unfavourable: 7 (2013: 8)
Investments and securities	1,553 (2013: 1,713)	Discounted cash flows (DCF) EBITDA multiple Price earnings ratios Adjusted net asset values supplied by fund managers	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return, cost of capital Inflation rates Market adjusted price (infrequently traded shares)	Nedbank: -13% to +13% Emerging Markets: -10% to +10% Institutional asset management: -10% to +10%	Favourable: 202 (2013: 212) Unfavourable: 190 (2013: 198)
Loans and advances	2 (2013: 2)	Discounted cash flows (DCF)	Correlations Volatilities Credit spreads	-13% to +13%	Unfavourable: £nil (2013: £nil) Favourable: £nil (2013: £nil)
Derivatives	8 (2013: 8)	Option pricing model	Interest rates Volatilities	-10% to +10%	Unfavourable: 6 (2013: 6) Favourable: £nil (2013: £nil)
Liabilities					
Long-term business polyholder liabilities	754 (2013: 932)	Adjusted net asset values supplied by fund managers Option pricing model	Interest rates Volatilities	-10% to +10%	Favourable: 70 (2013: 85) Unfavourable: 80 (2013: 74)

Financial instruments that are classified as Level 2 in terms of the fair value hierarchy tend to use market observable inputs (such as risk free interest rates) to determine the value of the instruments. Such instruments would include the value of bonds and debt instruments.

Financial instruments that are classified as Level 3 use more market unobservable inputs such as an entity's earnings and adjusted price earning volatilities. The valuation of the majority of Level 3 instruments uses extensive inputs, which are unobservable in order to determine their value.

Alternative assumptions

Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities.

Alternative assumptions are assessed in terms of possible favourable and unfavourable changes in the key market inputs for the major types of Level 3 financial assets and liabilities, ranging from, for example, up to a 13% change in the price earnings multiple for equity securities, and up to a 13% change in the discount rates applied to debt securities and volatility assumptions in derivative contracts. Changes in business risk inputs such as lapses and non-performance risk were also considered.

The impact of reasonable possible alternative assumptions on other comprehensive income was £nil in both years.

(iv) Financial instruments designated as fair value through profit or loss

Certain items in the Group's statement of financial position that would otherwise be categorised as loans and receivables under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

£m

Change in fair value due to change in credit risk	At 31 December 2014 Maximum exposure to credit risk	At 31 December 2014 Current financial year	At 31 December 2014 Cumulative	At 31 December 2013 Maximum exposure to credit risk	At 31 December 2013 Current financial year	At 31 December 2013 Cumulative
Loans and advances	**3,347**	**–**	**–**	3,434	1	–
Investments and securities	**6,406**	**(1)**	**(3)**	6,547	7	(2)
Other financial assets	**21**	**–**	**–**	19	8	–
	9,774	**(1)**	**(3)**	10,000	16	(2)

Certain items in the Group's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

£m

Change in fair value due to change in credit risk	At 31 December 2014 Fair value	At 31 December 2014 Current financial year	At 31 December 2014 Cumulative	At 31 December 2014 Contractual maturity amount	At 31 December 2013 Fair value	At 31 December 2013 Current financial year	At 31 December 2013 Cumulative	At 31 December 2013 Contractual maturity amount
Borrowed funds	**734**	**10**	**97**	**606**	747	32	87	709
Amounts owed to bank depositors	**2,199**	**(2)**	**(5)**	**2,198**	5,179	(1)	(4)	5,177
	2,933	**8**	**92**	**2,804**	5,926	31	83	5,886

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to a change in credit risk shown above is determined as the amount of the change in fair value of the instrument that is not attributable to changes in market conditions that give rise to market risk. For loans and receivables that have been designated as at fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value of the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated at fair value through profit or loss. The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available.

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(r) Fair value hierarchy for assets and liabilities not measured at fair value
(i) Financial instruments

Certain financial instruments of the Group are not carried at fair value, principally investments and securities categorised as held to maturity, loans and receivables, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

Held-to-maturity investments and securities
The fair value of investments and other securities is determined based on available market prices and directors' valuations where appropriate. They would be classified into Level 1 (available market prices) and Level 2 (directors' valuations) of the fair value hierarchy.

Loans and advances
Loans and advances, detailed in note E3, that are not recognised at fair value, principally comprise variable-rate financial assets. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction.

The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

The Group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

The Group is of the opinion that the carrying value of loans and advances approximates fair value. Loans and advances would be classified into Level 3 of the fair value hierarchy.

Other financial assets
The carrying values of cash and cash equivalents, mandatory deposits with central banks, provisions and accrurals and trade and other receivables and other assets are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Cash and cash equivalents and mandatory reserves would be classified into Level 1 of the fair value hierarchy. Trade, other receivables and other assets would be classified into Level 3 of the fair value hierarchy.

Amounts owed to depositors
The Group is of the opinion that the carrying value of variable-rate amounts owed to depositors approximates fair value. Amounts owed to depositors would be classified into Level 2 of the fair value hierarchy.

Borrowed funds
The Group is of the opinion that the carrying value of variable-rate long-term debt instruments approximates fair value. Long-term debt instruments would generally be classified into Level 1 or Level 2 of the fair value hierarchy.

Other financial liabilities
The carrying values of trade, other payables and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short-term in nature or are repriced to current market rates at frequent intervals. Trade, other payables and other liabilities would be classified into Level 3 of the fair value hierarchy.

(ii) Non-financial instruments

The fair value of plant and equipment, investment in associated undertakings and joint ventures (that are not categorised as Designated at fair value through profit or loss) and Life assurance policyholder liabilities (that are not categorised as Designated at fair value through profit or loss) approximates the respective carrying values. All of these assets and liabilities would be classified as Level 3.

(s) Non-recurring assets and liabilities at fair value
(i) Business combinations

Non-recurring assets and liabilities recognised at fair value arise from assets and liabilities that have been acquired as a result of business combinations (refer to note H8). The assets and liabilities acquired are valued based on expected future cash flows which will be received from the assets or paid to settle the liability and which have been discounted at an appropriate rate. The majority of assets and liabilities acquired in a business combination are classified as Level 3. The following table shows the fair value of the non-recurring assets and liabilities as a result of business acquisitions:

	£m As at 31 December 2014
Intangible assets	**100**
Property, plant and equipment	**20**
Loans and advances	**498**
Trade, other receivables and other assets	**15**
Total assets	**633**
Borrowed funds	**335**
Amounts owed to bank depositors	**69**
Trade, other payables and other liabilities	**129**
Total liabilities	**533**

The comparative amounts for 2013 were £55 million for assets and £26 million for liabilities.

(ii) Held for sale buildings and investment properties

Investment properties of £156 million (2013: £nil) and buildings of £nil (2013: £5 million) were transferred to held for sale during the year and are regarded as non-recurring assets and classified as Level 3. More detail on held to sale assets can be found in note I2.

(t) Risks
Market risk

(i) Overview

Market risk is the risk of a financial impact arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the Group's business units has their own established set of policies, principles and governance processes to monitor and manage market risk within their individual businesses and in accordance with their local regulatory requirements. Group-level governance and monitoring processes provide oversight of these individual approaches to the management of market risk.

The sensitivity of the Group's earnings, capital position and embedded value to market risk is monitored through the Group's embedded value and risk appetite reporting processes.

(ii) Insurance operations

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and to earnings are quantified in accordance with the Group's risk appetite framework. Additional detail is provided in the Principal Risks and Uncertainties section.

In South Africa the stock selection and investment analysis process is supported by a well developed research function. For fixed annuities, market risks are managed where possible by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risk on policies that include guarantees where shareholders carry the investment risk, principally reside in the South African guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilts. Other non-profit policies are also suitably matched based upon comprehensive investment guidelines. Market risk on with-profit policies with guarantees is managed through appropriate asset-liability matching, which includes hedging, as per the Principles and Practices of Financial Management (PPFM).

In Old Mutual Wealth's unit-linked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of Old Mutual Wealth's shareholders' funds, market risk is addressed in Old Mutual Wealth's investment policy, which provides for very limited opportunity for entities to invest their shareholder capital in equities and other volatile assets.

For the variable annuity business in Old Mutual Bermuda, market risk to shareholders arises from offering policyholder guaranteed returns. In addition, these guarantees are US dollar denominated and a significant portion of the underlying assets invested in by Old Mutual Bermuda's clients are exposed to currencies other than US dollar. The market and currency risk is managed through a dynamic tail hedging strategy, with the overall exposures to changes in markets monitored closely so that timely actions can be taken to re-establish hedging as required.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(iii) Banking operations

The principal market risks arising in the Group's banking operations arise from:

- Trading risk in Nedbank Capital and
- Banking book interest rate risk from repricing and/or maturity mismatches between on- and off-balance sheet components in all banking businesses.

A comprehensive market risk framework is used to ensure that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk.

Trading risk

Market risk exposures from trading activities at Nedbank Capital are measured using Value-at-Risk (VaR), supplemented by sensitivity analysis, and stress and scenario analysis. Limit structures are set accordingly.

The VaR risk measure for Nedbank estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank represents the overnight loss that has less than 1% chance of occurring under normal market conditions. By its nature, VaR is only a single measure and cannot be relied upon on its own as a means of measuring and managing risk.

(t) Risks continued

£m

	Average		Minimum		Maximum		Year-end	
At 31 December	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Historical VaR (one-day, 99%) by risk type								
Foreign exchange	**0.2**	0.1	**–**	–	**0.6**	0.5	**0.1**	0.1
Interest rate	**0.4**	0.3	**0.3**	0.1	**0.7**	0.6	**0.3**	0.6
Equity product	**0.1**	0.1	**–**	–	**0.3**	0.3	**0.1**	0.1
Other	**0.2**	0.2	**0.2**	0.1	**0.3**	0.4	**0.3**	0.2
Diversification	**(0.4)**	(0.3)	**–**	–	**–**	–	**(0.3)**	(0.3)
Total VaR exposure	**0.6**	0.4	**0.4**	0.2	**0.9**	0.7	**0.5**	0.6

Banking book interest rate risk

Banking book interest rate risk at Nedbank arises because:

- The bank writes a large amount of prime-linked assets and raises fewer prime-linked deposits
- Funding is prudently raised across the curve at fixed-term deposit rates that re-price only on maturity
- Short-term demand-funding products re-price to different short-end base rates
- Certain ambiguous maturity accounts are non-rate-sensitive
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not re-price for interest rate changes.

Nedbank uses standard analytical techniques to measure interest rate sensitivity within its banking book. This includes static re-price gap analysis and a point-in-time interest income stress testing for parallel interest rate moves over a forward-looking 12 month period. At 31 December 2014 the sensitivity of the banking book to a 1% instantaneous reduction in interest rates would have led to a reduction in net interest income and equity of £57 million (2013: £54 million).

The table below shows the re-pricing profile of Nedbank's banking book, which highlights the fact that assets re-price quicker than liabilities following derivative hedging activities:

£m

At 31 December 2014	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Trading and non-rate	Total
Interest rate re-pricing gap							
Total assets	**29,517**	**1,492**	**1,295**	**2,559**	**902**	**9,204**	**44,969**
Total liabilities and shareholders' funds	**(27,068)**	**(1,459)**	**(1,514)**	**(918)**	**(265)**	**(13,745)**	**(44,969)**
Interest rate hedging activities	**1,355**	**418**	**71**	**(1,394)**	**(450)**	**–**	**–**
Repricing profile	**3,804**	**451**	**(148)**	**247**	**187**	**(4,541)**	**–**
Cumulative repricing profile	**3,804**	**4,255**	**4,107**	**4,354**	**4,541**	**–**	**–**
Expressed as a % of total assets	**8.5%**	**9.5%**	**9.1%**	**9.7%**	**10.1%**	**–**	**–**

£m

At 31 December 2013	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Trading and non-rate	Total
Interest rate re-pricing gap							
Total assets	29,940	1,099	450	2,632	1,065	7,825	43,011
Total liabilities and shareholders' funds	(26,479)	(2,025)	(1,602)	(989)	(224)	(11,692)	(43,011)
Interest rate hedging activities	(497)	1,572	1,035	(1,418)	(692)	–	–
Repricing profile	2,964	646	(117)	225	149	(3,867)	–
Cumulative repricing profile	2,964	3,610	3,493	3,718	3,867	–	–
Expressed as a % of total assets	6.9%	8.4%	8.1%	8.6%	9.0%	–	–

The analysis indicates that the maturity profile of financial assets is broadly matched to the financial liabilities due to derivative hedging activities. This means that in the event of increasing interest rates, net interest income will remain stable in the short-term.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(u) Currency translation risk

The Group is exposed to movements in exchange rates from changes in the sterling value of surplus assets and earnings denominated in foreign currencies. From a capital perspective, our capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. The functional currencies of the Group's principal overseas operations are South African rand, US dollar and Euro. The Group reduces this risk through the use of currency swaps, currency borrowings and forward foreign exchange contracts. Such risk mitigation techniques are reflected in the currency analysis that follows.

The tables below show the Group's statement of financial position by major currency:

£m

At 31 December 2014	ZAR	GBP	USD	EUR	SEK	Other	Total
Assets							
Mandatory reserve deposits with central banks	806	–	–	–	–	23	829
Reinsurers' share of policyholder liabilities	116	2,169	1	–	–	28	2,314
Loans and advances	31,464	412	1,879	182	22	898	34,857
Investments and securities	31,420	37,116	10,835	5,251	1,078	1,847	87,547
Trade, other receivables and other assets	1,260	404	482	101	–	115	2,362
Derivative financial instruments – assets	1,065	139	11	8	2	2	1,227
Cash and cash equivalents	2,409	1,434	318	511	6	266	4,944
Total financial assets	68,540	41,674	13,526	6,053	1,108	3,179	134,080
Total non-financial assets	3,061	2,258	1,421	1,407	–	289	8,436
Total assets	71,601	43,932	14,947	7,460	1,108	3,468	142,516
Liabilities							
Life assurance policyholder liabilities	28,322	36,472	6,314	4,883	1,086	2,283	79,360
Third-party interests in consolidation of funds	3,112	2,818	48	8	–	–	5,986
Borrowed funds	2,211	677	146	–	–	10	3,044
Trade, other payables and other liabilities	2,655	992	253	84	–	292	4,276
Amounts owed to bank depositors	32,266	599	1,683	270	6	1,419	36,243
Derivative financial instruments – liabilities	1,100	93	3	1	2	2	1,201
Total financial liabilities	69,666	41,651	8,447	5,246	1,094	4,006	130,110
Total non-financial liabilities	779	573	75	1,329	–	105	2,861
Total liabilities	70,445	42,224	8,522	6,575	1,094	4,111	132,971

£m

At 31 December 2013	ZAR	GBP	USD	EUR	SEK	Other	Total
Assets							
Mandatory reserve deposits with central banks	747	–	1	–	–	11	759
Reinsurers' share of policyholder liabilities	160	1,680	1	5	–	29	1,875
Loans and advances	30,509	369	1,716	284	16	689	33,583
Investments and securities	29,351	34,462	10,708	9,908	1,460	2,331	88,220
Trade, other receivables and other assets	1,425	424	507	146	13	68	2,583
Derivative financial instruments – assets	1,126	75	45	4	3	6	1,259
Cash and cash equivalents	2,511	1,271	408	412	5	262	4,869
Total financial assets	65,829	38,281	13,386	10,759	1,497	3,396	133,148
Total non-financial assets	2,570	2,140	1,361	753	–	359	7,183
Total assets	68,399	40,421	14,747	11,512	1,497	3,755	140,331
Liabilities							
Life assurance policyholder liabilities	27,211	34,253	6,022	9,639	1,459	2,557	81,141
Third-party interests in consolidation of funds	3,154	2,274	25	25	–	–	5,478
Borrowed funds	2,000	642	2	–	–	–	2,644
Trade, other payables and other liabilities	2,746	803	342	131	12	266	4,300
Amounts owed to bank depositors	31,218	611	1,535	249	3	754	34,370
Derivative financial instruments – liabilities	1,301	22	149	–	3	3	1,478
Total financial liabilities	67,630	38,605	8,075	10,044	1,477	3,580	129,411
Total non-financial liabilities	736	592	55	354	–	146	1,883
Total liabilities	68,366	39,197	8,130	10,398	1,477	3,726	131,294

The exposure to currency risk on policyholder funds is included under market risk as discussed above.

The derivative instruments are stated at their fair value, and not their notional amounts. Therefore, this table does not reflect the results of risk management activities undertaken by the Group.

(v) Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments. The majority of these transactions are governed by the principles of ISDA or similar types of agreements. These agreements aim to protect the parties in the event of default.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

£m

At 31 December 2014	**Gross amount of financial instrument**	**Amounts offset in the statement of financial position**	**Financial instruments presented in the statement of financial position**	**Amounts available for future set off: Master netting agreement**	**Amounts available for future set off: Collateral received/ pledged[1]**	**Position not subject to offset**
Financial assets						
Loans and advances	**35,017**	**(160)**	**34,857**	**(140)**	**–**	**34,717**
Derivative financial instruments – assets	**1,335**	**(108)**	**1,227**	**(1,102)**	**–**	**125**
	36,352	**(268)**	**36,084**	**(1,242)**	**–**	**34,842**
Financial liabilities						
Amounts owed to bank depositors	**37,883**	**(1,640)**	**36,243**	**(3,288)**	**–**	**32,955**
Derivative financial instruments – liabilities	**1,464**	**(263)**	**1,201**	**(1,096)**	**(63)**	**42**
	39,347	**(1,903)**	**37,444**	**(4,384)**	**(63)**	**32,997**

£m

At 31 December 2013	Gross amount of financial instrument	Amounts offset in the statement of financial position	Financial instruments presented in the statement of financial position	Amounts available for future set off: Master netting agreement	Amounts available for future set off: Collateral received/ pledged[1]	Position not subject to offset
Financial assets						
Loans and advances	33,631	(48)	33,583	(118)	–	33,465
Derivative financial instruments – assets	1,259	–	1,259	(1,087)	–	172
	34,890	(48)	34,842	(1,205)	–	33,637
Financial liabilities						
Amounts owed to bank depositors	35,299	(929)	34,370	(3,164)	–	31,206
Derivative financial instruments – liabilities	1,478	–	1,478	(1,117)	(107)	254
	36,777	(929)	35,848	(4,281)	(107)	31,460

1 This represents the amounts that could be offset in the event of default. These arrangements are typically governed by master netting and collateral arrangements

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E1: Group statement of financial position continued

(w) Capital management

The Group actively manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- Maintain sufficient, but not excessive, financial strength to support stakeholder requirements
- Optimise debt to equity structure to enhance shareholder returns
- Retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds, preference shares, subordinated debt and borrowings. Alternative resources are utilised where appropriate. Targets are established in relation to regulatory solvency, credit ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with our risk appetite and the requirements of our various stakeholders.

The individual companies in the Group are subject to regulatory capital requirements at an individual level. In addition the Group as a whole is subject to the solvency requirements of the Financial Groups Directive (FGD) as implemented by the Prudential Regulation Authority (PRA). Further detail of the Group's regulatory capital surplus and that of subsidiaries is provided in the Annual Report and Accounts. As at 31 December 2014, the unaudited pro-forma surplus was estimated to be £2.0 billion (2013: £2.1 billion). The FGD position will be submitted to the PRA by 30 April 2015.

A key component of our approach to capital management is to ensure that the Group's policies are aligned with the Group's overall strategy, business plans and risk appetite. The Group's Capital Management Committee (GCMC) reviews the capital structure regularly.

E2: Credit risk

Overall exposure to credit risk

The Group is exposed to banking credit risk from lending and other financing activities, through its exposure to Nedbank and its exposure to banking operations within Emerging Markets. Nedbank's lending portfolio forms a substantial part of the Group's loans and advances, as analysed in note E3. Credit risk represents the most significant risk type facing Nedbank, accounting for 58% of its economic capital requirements. Nedbank's credit risk profile is managed in terms of its credit risk management framework, which encompasses comprehensive credit risk policy, mandate (limits) and governance structures, and is approved by the Nedbank Board.

The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. Credit risk is managed through research and analysis at the time of investment. The Group's exposure and the credit rating of its counterparties are continuously monitored.

The overlap of exposures to a single counterparty is limited across regions. The credit risk on liquid funds and derivative financial instruments is limited due to counterparty credit rating and collateral requirements set by the Credit Risk Policy.

The Group is also exposed to the risk of credit defaults and movements in credit spreads from its insurance businesses. This includes counterparty default risk, which arises mainly from reinsurance and hedging arrangements.

Other than the above, the Group has other limited credit risk exposures in respect of amounts due from policyholders, intermediaries and reinsurers. Credit risk exposure from our property & casualty business is small and none of the life assurance operations cedes significant risk through reinsurance. Loans to policyholders are secured on the surrender value of the relevant policies.

E2: Credit risk continued

The table below represents the Group's maximum exposure to credit risk, without taking into account the value of any collateral obtained. The total credit exposure also includes potential exposure arising from financial guarantees given by the Group and undrawn loan commitments, which are not yet reflected in the Group's statement of financial position.

		£m
	At 31 December 2014	At 31 December 2013
Mandatory reserve deposits with central banks	**829**	759
Reinsurers' share of policyholder liabilities	**2,314**	1,875
Loans and advances	**34,857**	33,583
Investments and securities	**19,314**	18,539
Government and government-guaranteed securities	**6,039**	6,235
Other debt securities, preference shares and debentures	**10,180**	9,217
Short-term funds and securities treated as investments	**2,480**	2,565
Other	**615**	522
Other assets	**2,284**	2,248
Derivative financial instruments – assets	**1,227**	1,259
Cash and cash equivalents	**4,944**	4,869
Financial guarantees and other credit-related contingent liabilities	**1,973**	2,576
Loan commitments and other credit-related commitments	**5,347**	5,128
Non-current assets held for sale	**1,475**	5
	74,564	70,841

(i) Financial collateral

The Group takes financial collateral to support exposures in its banking and securities and lending activities. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

(ii) Non-financial collateral

The Group takes other non-monetary collateral to recover outstanding lending exposures in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgage over property (both residential and commercial), and liens over business assets (including, but not limited to plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower. Where the Group is exposed to syndicated lending, the collateral offered by the borrower is secured by security special purpose vehicles.

Should a counterparty be unable to settle its obligations, the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

A further analysis of credit risk is provided in notes E3, E4, E5 and F4.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E3: Loans and advances

(a) Summary

£m

	Notes	At 31 December 2014	At 31 December 2013
Home loans		**7,909**	7,989
Commercial mortgages		**6,870**	6,102
Properties in possession		**33**	44
Credit cards		**745**	656
Overdrafts		**929**	884
Policyholder loans		**248**	241
Other loans to clients		**4,856**	4,989
Preference shares and debentures		**1,006**	1,089
Net finance leases and instalment debtors		**5,236**	4,879
Gross investment	E3(b)	**6,551**	6,095
Unearned finance charges		**(1,315)**	(1,216)
Factoring accounts		**277**	275
Trade, other bills and bankers' acceptances		**16**	2
Term loans		**6,436**	5,596
Remittances in transit		**11**	14
Deposits placed under reverse purchase agreements		**1,016**	1,480
Gross loans and advances		**35,588**	34,240
Provisions for impairment		**(731)**	(657)
Specific provisions		**(494)**	(428)
Portfolio provision		**(237)**	(229)
Total net loans and advances		**34,857**	33,583

Non-performing loans included above had a book value less impairment provisions of £501 million (2013: £573 million).

Of the gross loans and advances shown above, £11,096 million (2013: £10,845 million) is receivable within one year of the reporting date and is regarded as current. £23,761 million (2013: £22,541 million) is regarded as non-current based on the maturity profile of the assets.

Of the gross loans and advances shown above, £35,357 million (2013: £33,802 million) relates to balances held by the Group's banking operations. No impairments have been raised against policyholder loans as they are fully backed by amounts owing to policyholder liabilities.

The table below gives an age analysis of loans and advances representing primarily the exposures of the Group's banking operations:

£m

	At 31 December 2014	At 31 December 2013
Neither past due nor impaired	**33,270**	32,015
Past due but not impaired	**1,226**	1,106
Past due but less than 1 month	**691**	595
Past due, greater than 1 month but less than 3 months	**511**	502
Past due, greater than 3 months but less than 6 months	**10**	7
Past due, greater than 6 months but less than 1 year	**1**	–
Past due more than 1 year	**13**	2
Impaired loans and advances individually impaired	**1,092**	1,119
Gross loans and advances	**35,588**	34,240
Provisions for impairment	**(731)**	(657)
Total net loans and advances	**34,857**	33,583

The neither past due nor impaired loans and advances can be further analysed by credit rating as follows:

£m

	At 31 December 2014				At 31 December 2013			
	Investment grade	**Sub-investment grade**	**Not rated**	**Total**	Investment grade	Sub-investment grade	Not rated	Total
Home loans	**1,144**	**4,161**	**317**	**5,622**	1,034	5,570	404	7,008
Commercial mortgages	**2,454**	**5,559**	**78**	**8,091**	2,095	3,609	179	5,883
Credit cards	**61**	**572**	**1**	**634**	76	483	1	560
Overdrafts	**201**	**519**	**86**	**806**	219	474	61	754
Policyholder loans	**–**	**–**	**226**	**226**	195	–	27	222
Other loans to clients	**3,055**	**1,540**	**247**	**4,842**	3,347	1,542	150	5,039
Preference shares and debentures	**633**	**220**	**152**	**1,005**	908	169	12	1,089
Net finance leases and instalment debtors	**244**	**4,432**	**120**	**4,796**	285	4,070	100	4,455
Factoring accounts	**8**	**246**	**–**	**254**	16	242	–	258
Trade, other bills and bankers' acceptances	**–**	**16**	**–**	**16**	2	–	1	3
Term loans	**4,154**	**1,407**	**390**	**5,951**	3,451	1,757	43	5,251
Remittances in transit	**–**	**–**	**11**	**11**	–	–	13	13
Deposits placed under reverse purchase agreements	**964**	**52**	**–**	**1,016**	1,231	249	–	1,480
Gross loans and advances	**12,918**	**18,724**	**1,628**	**33,270**	12,859	18,165	991	32,015

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

Collateral is held as security against certain loans and advances detailed above, with this principally consisting of cash, properties and letters of credit.

Movements in provisions for impairment of loans and advances are analysed as follows:

£m

	At 31 December 2014			At 31 December 2013		
	Specific impairment	**Portfolio impairment**	**Total impairment**	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the year	**428**	**229**	**657**	541	249	790
Acquisitions through business combinations	**97**	**–**	**97**	–	–	–
Profit or loss charge	**285**	**20**	**305**	391	36	427
Recoveries of amounts previously written off	**(53)**	**–**	**(53)**	(59)	–	(59)
Amounts written off against the provision	**(328)**	**(1)**	**(329)**	(373)	(33)	(406)
Foreign exchange and other movements	**65**	**(11)**	**54**	(72)	(23)	(95)
Balance at end of the year	**494**	**237**	**731**	428	229	657

The majority of loans and advances are in respect of Nedbank. Loans and advances increased by 5.1%, in local currency terms, due to solid growth in wholesale banking. This was offset by muted growth in retail home loans and reductions in personal loans. Nedbank's credit loss ratio at 0.79% compared with 2013 (1.06%) improved, due to impairments decreasing by 19.0%. Further detail on Nedbank is available at www.nedbankgroup.co.za.

During the year under review, the Group recognised collateral of £33 million (2013: £44 million) in the statement of financial position. These amounts are being included in the loans and advances above as properties in possession.

(b) Finance lease and instalment debtors

£m

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
Amounts receivable under finance leases – At 31 December	**2014**	2013	**2014**	2013
Within one year	**1,696**	1,616	**1,361**	1,293
In the second to fifth years inclusive	**4,559**	4,213	**3,603**	3,374
After five years	**296**	266	**272**	212
	6,551	6,095	**5,236**	4,879
Less: unearned finance income	**(1,315)**	(1,216)	**–**	–
Present value of minimum lease payments receivable	**5,236**	4,879	**5,236**	4,879

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E4: Investments and securities

£m

	At 31 December 2014	At 31 December 2013
Government and government-guaranteed securities	**6,039**	6,235
Other debt securities, preference shares and debentures	**10,180**	9,020
Listed	**7,225**	6,101
Unlisted	**2,955**	2,919
Equity securities	**16,779**	16,894
Listed	**15,856**	15,990
Unlisted	**923**	904
Pooled investments	**51,454**	52,984
Listed	**8,776**	6,973
Unlisted	**42,678**	46,011
Short-term funds and securities treated as investments	**2,480**	2,565
Other	**615**	522
Total investments and securities	**87,547**	88,220

Investments and securities are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, £58,675 million (2013: £55,154 million) is regarded as current and £28,872 million (2013: £33,066 million) is regarded as non-current.

(a) Debt instruments and similar securities

All debt instruments and similar securities are neither past due nor impaired.

The following table shows an analysis of the carrying values of the Group's neither past due nor impaired debt instruments and similar securities according to their credit rating (Standard & Poor's or an equivalent), by investment grade:

£m

At 31 December 2014	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower)	Not rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	**5,061**	**33**	**7**	**938**	**6,039**
Other debt securities, preference shares and debentures	**6,478**	**248**	**1,933**	**1,521**	**10,180**
Short-term funds and securities	**2,192**	**9**	**138**	**141**	**2,480**
Other	**44**	**–**	**87**	**305**	**436**
Debt instruments and similar securities	**13,775**	**290**	**2,165**	**2,905**	**19,135**

At 31 December 2013	Investment grade (AAA to BBB)	Sub-investment grade (BB and lower)	Not rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	4,808	25	59	1,343	6,235
Other debt securities, preference shares and debentures	5,560	131	1,947	1,382	9,020
Short-term funds and securities	1,943	–	431	191	2,565
Other	20	–	137	362	519
Debt instruments and similar securities	12,331	156	2,574	3,278	18,339

In general, no collateral is taken in respect of the Group's holdings of debt instruments and similar securities.

E5: Securities lending

The Group participates in securities lending programmes where securities holdings are lent to third parties. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the relevant investment classification. Collateral is held in respect of the loaned securities.

The table below represents the amounts lent and the related collateral received:

		£m
	At 31 December 2014	At 31 December 2013
Assets lent under securities lending		
Equity	**491**	452
Debt securities	**79**	155
	570	607
Amounts received as collateral for securities lending		
Cash	**570**	630
Debt securities	**56**	17
	626	647

Cash collateral has been recognised in the statement of financial position with a corresponding liability to return the collateral included in other liabilities. Of the collateral included in the table above, £56 million (2013: £17 million) can be sold or repledged and £nil (2013: £nil) has been sold or repledged.

At 31 December 2014, the Group has provided £283 million (2013: £203 million) in debt securities collateral under repurchase arrangements.

At 31 December 2014 and 31 December 2013, the Group has not provided any cash collateral for security lending arrangements.

E6: Derivative financial instruments – assets and liabilities

The Group utilises derivative instruments for both economic hedging and non-hedging purposes. The derivative instruments become in-the-money or out-of-the-money as a result of fluctuations in market interest rates, foreign exchange rates or asset prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are in-the-money or out-of-the-money and, therefore, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The Group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with which it deals and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Group.

The following table provides a detailed breakdown of the Group's derivative financial instruments outstanding at year-end. These instruments allow the Group and its customers to transfer, modify or reduce their credit, equity market, foreign exchange and interest rate risks.

				£m
	Derivative financial instruments			
	Assets		**Liabilities**	
At 31 December	**2014**	2013	**2014**	2013
Equity derivatives	**42**	46	**21**	41
Exchange rate contracts	**420**	286	**290**	287
Interest rate contracts	**645**	810	**773**	1,050
Credit derivatives	**57**	68	**46**	63
Other derivatives	**63**	49	**71**	37
Total	**1,227**	1,259	**1,201**	1,478

The undiscounted contractual maturities of the cash flows of the derivative liabilities held are as follows:

							£m
Derivative financial liabilities	**Carrying amount**	**Less than 3 months**	**More than 3 months less than 1 year**	**Between 1 and 5 years**	**More than 5 years**	**No contractual maturity date**	**Total**
At 31 December 2014	**1,201**	**56**	**171**	**344**	**1,026**	**–**	**1,597**
At 31 December 2013	1,478	5	165	404	1,757	–	2,331

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E7: Hedge accounting

Net investment hedges

The Group uses a combination of currency swaps, forward foreign exchange contracts and debt raised in the currency of the exposure to mitigate the translation effect of holding overseas companies. The following table summarises the Group's open positions with respect to financial instruments utilised for net investment hedging purposes. There was no ineffectiveness in respect of the net investment hedges during the financial year ended 31 December 2014 and the financial year ended 31 December 2013.

The table below sets out the notional amounts of derivative contracts used as hedging instruments:

£m

	At 31 December 2014			At 31 December 2013		
	USD	**ZAR**	**EUR**	USD	ZAR	EUR
Open positions						
Forward contracts	**24**	**148**	**–**	–	119	106
Currency swaps	**117**	**–**	**–**	110	–	–
	141	**148**	**–**	110	119	106

£m

	At 31 December 2014	At 31 December 2013
Fair value of financial instruments designated as net investment hedges		
ZAR forward foreign exchange contracts	**(1)**	11
EUR forward foreign exchange contracts	**1**	2
USD forward foreign exchange contracts	**(1)**	–
USD cross currency swap	**3**	19
	2	32

The ZAR, USD and EUR forward exchange contracts are designated as hedges against foreign currency risk in respect of the Group's investments in its South African, US and European operations.

E8: Insurance and investment contracts

Life assurance

Classification of contracts

Contracts sold as life assurance (with the exception of unit-linked assurance contracts) are categorised into insurance contracts, contracts with a discretionary participation feature or investment contracts, being in accordance with the classification criteria set out in the following paragraphs.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. Unit-linked assurance contracts are savings contracts with a small or insignificant component of insurance risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts. Such contracts include savings and/or investment contracts sold without life assurance protection.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is the risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, security index, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participating features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount or timing of which is at the Group's discretion, represent a significant portion of the total contractual payments and are contractually based on (1) the performance of a specified pool of contracts or a specified type of contract, (2) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (3) the profit or loss of the Group. Investment contracts with discretionary participating features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Premiums on life assurance
Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of other insurance contracts and investment contracts with a discretionary participating feature are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment.

Amounts received under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as deposits and credited directly to investment contract liabilities.

Revenue on investment management service contracts
Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which services will be provided. Fees charged for investment management service contracts by asset management businesses are also recognised on this basis.

Claims paid on life assurance
Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified.

Reinsurance recoveries are accounted for in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as deductions from investment contract liabilities.

Amounts received under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to investment contract liabilities.

Insurance contract provisions
Insurance contract provisions for African businesses have been computed using a gross premium valuation method. Provisions in respect of African businesses have been made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104 (2012). Under this guideline, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities.

Reserves on immediate annuities and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

For other territories, the valuation bases adopted are in accordance with local actuarial practices and methodologies.

Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made.

The provision estimation techniques and assumptions are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the directors consider that the gross insurance contract provisions and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

In respect of South African life assurance, shadow accounting is applied to insurance contract provisions where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to insurance contract provisions is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing insurance contract provisions are also recognised directly in other comprehensive income.

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

E: Financial assets and liabilities continued

E8: Insurance and investment contracts continued

Investment contract liabilities
Investment contract liabilities in respect of the Group's other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group's unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a 'deposit floor' such that the liability established cannot be less than the amount repayable on demand.

Acquisition costs
Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

As the gross premium valuation method used in African territories to determine insurance contract provisions makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised in the statement of financial position for the contracts issued in these areas.

Deferral of costs on insurance business in other territories is limited to the extent that they are deemed recoverable from available future margins.

Costs incurred in acquiring investment management service contracts
Incremental costs that are directly attributable to securing an investment management service contract are recognised as an asset if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised. Costs attributable to investment management service contracts in the asset management businesses are also recognised on this basis.

Property & casualty
Contracts under which the Group accepts significant insurance risk from another party and are not classified as life insurance are classified as general insurance. All classes of property & casualty business are accounted for on an annual basis.

Premiums in property & casualty
Premiums stated gross of commissions exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

Claims on property & casualty
Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the accounting period, whether reported or not.

Outstanding claims do not include any provision for possible future claims where the claims arise under contracts not in existence at the reporting date.

The Group performs liability adequacy testing at a business unit level on its claim liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and the unearned premium reserve) is sufficient in view of estimated future cash flows.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

Acquisition costs on property & casualty
Acquisition costs, which represent commission and other related expenses, are deferred and amortised over the period in which the related premiums are earned.

Reinsurance
The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For property & casualty business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The reinsurers' share of policyholder liabilities in Old Mutual Wealth relates to investment contracts where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

(a) Policyholder liabilities
The Group's insurance and investment contracts are analysed as follows:

£m

	At 31 December 2014			At 31 December 2013		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Insurance contracts	**10,519**	**(172)**	**10,347**	12,126	(141)	11,985
Life assurance policyholder liabilities	**10,369**	**(154)**	**10,215**	11,953	(119)	11,834
Outstanding claims	**150**	**(18)**	**132**	173	(22)	151
Investment contracts	**68,841**	**(2,026)**	**66,815**	69,015	(1,620)	67,395
Unit-linked investment contracts and similar contracts	**60,158**	**(2,026)**	**58,132**	60,769	(1,620)	59,149
Other investment contracts	**746**	**–**	**746**	786	–	786
Discretionary participating investment contracts	**7,937**	**–**	**7,937**	7,460	–	7,460
Total life assurance policyholder liabilities	**79,360**	**(2,198)**	**77,162**	81,141	(1,761)	79,380
Property & casualty liabilities						
Claims incurred but not reported	**47**	**(10)**	**37**	49	(7)	42
Unearned premiums	**96**	**(45)**	**51**	92	(49)	43
Outstanding claims	**176**	**(61)**	**115**	191	(58)	133
Total property & casualty liabilities	**319**	**(116)**	**203**	332	(114)	218
Total policyholder liabilities	**79,679**	**(2,314)**	**77,365**	81,473	(1,875)	79,598

Of the £2,314 million (2013: £1,875 million) included in reinsurer's share of life assurance policyholder and property & casualty liabilities is an amount of £2,266 million (2013: £1,774 million) which is classified as current, the remainder being non-current.

(b) Insurance contracts
Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

£m

	At 31 December 2014			At 31 December 2013		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balance at beginning of the year	**11,953**	**(119)**	**11,834**	14,457	(129)	14,328
Income						
Premium income	**1,750**	**(73)**	**1,677**	2,126	(70)	2,056
Investment income	**1,173**	**–**	**1,173**	1,402	–	1,402
Other income	**1**	**–**	**1**	5	–	5
Expenses						
Claims and policy benefits	**(1,973)**	**60**	**(1,913)**	(2,674)	60	(2,614)
Operating expenses	**(455)**	**–**	**(455)**	(509)	–	(509)
Disposal of interests in subsidiaries[1]	**(156)**	**–**	**(156)**	–	–	–
Currency translation (gain)/loss	**(303)**	**2**	**(301)**	(2,415)	17	(2,398)
Other charges and transfers	**105**	**(41)**	**64**	(57)	12	(45)
Taxation	**(9)**	**–**	**(9)**	(16)	–	(16)
Transfer to operating profit	**(412)**	**17**	**(395)**	(366)	(9)	(375)
Transfer to non-current liabilities held for sale	**(1,305)**	**–**	**(1,305)**	–	–	–
Balance at end of the year	**10,369**	**(154)**	**10,215**	11,953	(119)	11,834

1 The disposal of interests in subsidiaries relates to the disposal of Old Mutual Wealth's European businesses, as discussed in note A2.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E8: Insurance and investment contracts continued

(c) Unit-linked investment contracts and similar contracts, and other investment contracts

£m

	At 31 December 2014	At 31 December 2013
Balance at beginning of the year	**61,555**	57,823
Contributions received	**8,847**	8,452
Maturities	**(432)**	(518)
Withdrawals and surrenders	**(6,696)**	(7,044)
Disposal of interests in subsidiaries[1]	**(4,524)**	–
Fair value movements	**3,520**	5,670
Foreign exchange and other movements	**(1,360)**	(2,828)
Transfer to non-current liabilities held for sale	**(6)**	–
Balance at end of the year	**60,904**	61,555

1 The disposal of interests in subsidiaries relates to the disposal of Old Mutual Wealth's European businesses, as discussed in note A2.

(d) Discretionary participating investment contracts

£m

	At 31 December 2014	At 31 December 2013
Balance at beginning of the year	**7,460**	7,710
Income		
Premium income	**961**	1,025
Investment income	**874**	1,599
Expenses		
Claims and policy benefits	**(945)**	(901)
Operating expenses	**(76)**	(80)
Other charges and transfers	**(73)**	(61)
Taxation	**(8)**	(11)
Currency translation gain	**(195)**	(1,733)
Transfer to operating profit	**(61)**	(88)
Balance at end of the year	**7,937**	7,460

(e) Contractual maturity analysis

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts.

The undiscounted cash flows of discretionary participating investment contracts only include amount vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

The Group acknowledges that for property & casualty the unearned premium provision, which will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision. The Group has estimated the potential claim outflows that may be associated with this unearned premium.

£m

At 31 December 2014	Carrying amount	Undiscounted cash flows: Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Life assurance policyholder liabilities						
Insurance contracts	**10,519**	**394**	**960**	**5,340**	**17,625**	**24,319**
Life assurance policyholder liabilities	**10,369**	**244**	**960**	**5,340**	**17,625**	**24,169**
Outstanding claims	**150**	**150**	**–**	**–**	**–**	**150**
Investment contracts	**68,841**	**67,008**	**742**	**144**	**668**	**68,562**
Unit-linked investment contracts and similar contracts	**60,158**	**58,864**	**728**	**113**	**622**	**60,327**
Other investment contracts	**746**	**710**	**14**	**31**	**46**	**801**
Discretionary participating investment contracts	**7,937**	**7,434**	**–**	**–**	**–**	**7,434**
Total life assurance policyholder liabilities	**79,360**	**67,402**	**1,702**	**5,484**	**18,293**	**92,881**
Property & casualty liabilities						
Claims incurred but not reported	**47**	**29**	**13**	**5**	**–**	**47**
Unearned premiums	**96**	**11**	**52**	**33**	**–**	**96**
Outstanding claims	**176**	**76**	**64**	**36**	**–**	**176**
Total property & casualty liabilities	**319**	**116**	**129**	**74**	**–**	**319**
Total policyholder liabilities	**79,679**	**67,518**	**1,831**	**5,558**	**18,293**	**93,200**

£m

At 31 December 2013	Carrying amount	Undiscounted cash flows: Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Life assurance policyholder liabilities						
Insurance contracts	12,126	1,686	941	5,248	18,135	26,010
Life assurance policyholder liabilities	11,953	1,513	941	5,248	18,135	25,837
Outstanding claims	173	173	–	–	–	173
Investment contracts	69,015	63,604	609	1,230	3,067	68,510
Unit-linked investment contracts and similar contracts	60,769	56,132	590	1,184	2,998	60,904
Other investment contracts	786	668	19	46	69	802
Discretionary participating investment contracts	7,460	6,804	–	–	–	6,804
Total life assurance policyholder liabilities	81,141	65,290	1,550	6,478	21,202	94,520
Property & casualty liabilities						
Claims incurred but not reported	49	21	13	16	–	50
Unearned premiums	92	39	49	5	–	93
Outstanding claims	191	82	49	60	–	191
Total property & casualty liabilities	332	142	111	81	–	334
Total policyholder liabilities	81,473	65,432	1,661	6,559	21,202	94,854

E: Financial assets and liabilities continued

E8: Insurance and investment contracts continued

(f) Insurance risk (risk arising within insurance contracts)
For accounting purposes insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk. Contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk in the case of life assurance or risk of loss (from fire, accident, or other source) in the case of property & casualty.

Insurance risk arises through exposure to variable claims experience on life assurance, critical illness and other protection business and exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality and morbidity claim rates, relative to the actuarial assumptions made in the pricing process, may prevent the Group from achieving its profit objectives.

The Group has developed a risk policy which sets out the practices which are used to monitor and manage insurance risk as well as management information and stress testing requirements. The policy is cascaded to all entities across the Group who each have their own risk policy suite aligned to the Group. As well as management of persistency, expense and claims experience, the risk policy sets requirements and standards on matters such as underwriting and claims management practices, and the use of reinsurance to mitigate insurance risk.

The sensitivity of the Group's earnings, capital position and embedded value to insurance risk is monitored through the Group's embedded value and risk appetite reporting processes.

The insurance risk profile and experience is closely monitored to ensure that the exposure remains acceptable.

The financial impact of insurance risk events is examined through stress tests carried out within the MCEV and IFRS sensitivities, ICA and Economic Capital assessment.

Mortality and morbidity
Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Possible causes are new and unexpected epidemics and widespread changes in lifestyle such as eating, smoking and exercise habits. Higher than expected claims levels will reduce expected emerging profits. For contracts where the insured risk is survival, the most significant factor that is likely to adversely impact the claims experience is continued improvement in medical science and social conditions that increase longevity.

For unit-linked contracts, a risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of significant changes in the expectation for future claims experience, subject to 'Treating Customers Fairly' principles.

The operations manage mortality and morbidity risks through its underwriting policy and external reinsurance arrangements where its policy is to retain certain types of insurance risks within specified maximum single event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

Persistency
Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to expected.

In order to limit this risk to an acceptable level, products (including charging and commission structures) are designed to limit the risk of direct financial loss on surrender, subject to 'Treating Customers Fairly' principles.

Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if statistics show significant adverse movement or emerging trends in experience.

Expenses
Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some products' structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to 'Treating Customers Fairly' principles.

Tax
Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.

Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation as paid by either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens. The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.

(g) Sensitivity analysis – life assurance

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

The tables below demonstrate the effect of a change in a key assumption while other assumptions remain unchanged:

At 31 December 2014	**Change** %	**Emerging Markets** £m	**Old Mutual Wealth** £m	**Bermuda** £m
Assumption				
Mortality and morbidity rates – assurance	**10**	**271**	**2**	**–**
Mortality rates – annuities	**(10)**	**44**	**–**	**–**
Discontinuance rates	**10**	**(7)**	**(1)**	**1**
Expenses (maintenance)	**10**	**54**	**3**	**–**

At 31 December 2013	Change %	Emerging Markets £m	Old Mutual Wealth £m	Bermuda £m
Assumption				
Mortality and morbidity rates – assurance	10	256	2	–
Mortality rates – annuities	(10)	42	–	–
Discontinuance rates	10	(7)	(1)	3
Expenses (maintenance)	10	52	3	–

Emerging Markets

The changes in insurance contract liabilities shown are calculated using the specified increase or decrease to the rates, with no change in charges paid by policyholders.

The insurance contract liabilities recorded for the Emerging Market business are also impacted by the valuation discount rate assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate assumption) would result in a net increase to the insurance contract liabilities, and decrease to profit, of £3 million (2013: £6 million). This impact is calculated with no change in charges paid by policyholders. The 2014 impact is lower than the 2013 impact due to further management actions taken to reduce the impact of changing interest rates on operating profit.

It should be noted that where the assets and liabilities of a product are closely matched (for instance non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

Old Mutual Wealth

The changes in insurance contract liabilities shown are calculated independently using the specified increase or decrease to the rates, with no change in premiums paid by policyholders. The assumption changes have no impact on the linked UK business.

Whole of Life is the main product group affected by the lapse assumption change. This is because the policies have the longest duration and represent close to 95% of the reserve. The main product groups impacted by the expense, mortality and morbidity sensitivities are Whole of Life and Accelerated Critical Illness.

In the Old Mutual Wealth business, non-linked liabilities are well matched by gilts so that the net impact of a valuation interest rate change taking asset and liability movement into account is negligible.

Old Mutual Bermuda

Lapses and partial withdrawals have the largest impact where increased activity reduces the guarantee portion of the business since less death and living benefit exposure is expected in the future. Mortality plays a much smaller part in Bermuda since all the business is accumulation/savings type business. Increased deaths do accelerate payment of guaranteed minimum death benefits but there is a comparable release of reserve on the maturity guarantee providing an offset (about 74% of the variable annuity business has both death/living benefits).

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E8: Insurance and investment contracts continued

(h) Sensitivity analysis – property & casualty
An increase of 10% in the average cost of claims would require the recognition of an additional loss of £37 million (2013: £49 million) net of reinsurance. Similarly, an increase of 10% in the ultimate number of claims would result in an additional loss of £37 million (2013: £49 million) net of reinsurance.

The majority of the Group's property & casualty contracts are classified as 'short-tailed', meaning that any claim is settled within a year after the loss date. This contrasts with the 'long-tailed' classes where the claims cost take longer to materialise and settle. The Group's property & casualty long-tailed business is generally limited to accident, third-party motor, liability and some engineering classes. In total the long-tail business comprises less than five per cent of an average year's claim costs.

(i) Reinsurance assets – credit risk
None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the statement of financial position all are considered investment grade with the exception of £36 million of unrated exposures (2013: £73 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances.

E9: Borrowed funds

£m

	Notes	Non-banking	Banking	At 31 December 2014	Non-banking	Banking	At 31 December 2013
Senior debt securities and term loans		**112**	**1,264**	**1,376**	113	1,166	1,279
Floating rate notes	E9(a)(i)	**–**	**563**	**563**	–	673	673
Fixed rate notes	E9(a)(ii)	**112**	**576**	**688**	113	478	591
Term loans	E9(a)(iii)	**–**	**125**	**125**	–	15	15
Revolving credit facilities	E9(b)	**114**	**72**	**186**	–	–	–
Mortgage-backed securities	E9(c)	**–**	**52**	**52**	–	65	65
Subordinated debt securities	E9(d)	**788**	**642**	**1,430**	703	597	1,300
Borrowed funds		**1,014**	**2,030**	**3,044**	816	1,828	2,644
Other instruments treated as equity for accounting purposes							
€374 million perpetual preferred callable securities at 5.00%	F9(b)	**253**			253		
£273 million perpetual preferred callable securities at 6.40%	F9(b)	**273**			273		
Total: Book value		**1,540**			1,342		
Nominal value of the above		**1,512**			1,370		

The table below is a maturity analysis of the liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year-end exchange rates.

£m

	Non-banking	Banking	At 31 December 2014	Non-banking	Banking	At 31 December 2013
Less than 1 year	**392**	**633**	**1,025**	98	392	490
Greater than 1 year and less than 5 years	**555**	**1,738**	**2,293**	751	1,734	2,485
Greater than 5 years	**1,116**	**302**	**1,418**	1,099	242	1,341
Total	**2,063**	**2,673**	**4,736**	1,948	2,368	4,316

(a) Senior debt securities and term loans

(i) Floating rate notes (net of Group holdings)

	Maturity date	At 31 December 2014 £m	At 31 December 2013 £m
Banking – Floating rate unsecured senior debt			
R2,563 million at JIBAR + between 0.94% and 1.05%	Repaid	–	138
R1,297 million at JIBAR + 1.00%	February 2015	72	75
R1,027 million at JIBAR + 1.75%	April 2015	57	60
R250 million at JIBAR + 1.00%	August 2015	14	14
R1,044 million at JIBAR + 2.20%	September 2015	59	61
R677 million at JIBAR + 1.25%	March 2016	38	39
R3,056 million at JIBAR + 0.80%	July 2016	169	176
R694 million at JIBAR + 0.75%	November 2016	39	40
R405 million at JIBAR + 1.30%	February 2017	23	23
R1,035 million at JIBAR + 0.85%	March 2017	58	–
R786 million at JIBAR + 1.30%	August 2017	39	42
R806 million at JIBAR + 0.90%	June 2017	45	–
R241 million at JIBAR + 1.12%	November 2017	14	–
R80 million at JIBAR + 2.15%	April 2020	5	5
R650 million at JIBAR + 1.30%	June 2021	36	–
		668	673
Less: floating rate notes held by other Group companies		(105)	-
Total floating rate notes		563	673

All floating rate notes are non-qualifying for the purposes of regulatory tiers of capital.

(ii) Fixed rate notes (net of Group holdings)

	Maturity date	At 31 December 2014 £m	At 31 December 2013 £m
Banking – Fixed rate unsecured senior debt			
R450 million at 8.39%	Repaid	–	26
R478 million at 9.68%	April 2015	27	28
R3,244 million at 10.55%	September 2015	186	192
R1,137 million at 9.36%	March 2016	65	67
R151 million at 6.91%	July 2016	9	9
R1,273 million at 11.39%	September 2019	77	80
R1,888 million at 8.92%	November 2020	106	109
R855 million at 9.38%	March 2021	49	–
R500 million at 9.29%	June 2021	28	–
R391 million at 9.73%	March 2024	22	–
R660 million at zero coupon	October 2024	15	14
		584	525
Less: Fixed rate notes held by other Group companies		(8)	(47)
Banking fixed rate unsecured senior debt (net of Group holdings)		576	478
Non-banking			
$2 million secured senior debt at 5.23%	Repaid	–	1
£112 million Eurobond at 7.125%	October 2016	112	112
		112	113
Total fixed rate notes		688	591

All fixed rate notes are non-qualifying for the purpose of regulatory tiers of capital.

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E9: Borrowed funds continued

(iii) Term loans

	Maturity date	At 31 December 2014 £m	At 31 December 2013 £m
Banking – Floating rate loans			
R1,500 million at JIBAR + 2.95%	August 2017	84	–
Banking – Fixed rate loans			
$4 million at 9.50%	Repaid	–	6
$6 million at 8.00%	August 2017	4	–
$19 million at 8.00%	September 2017	12	–
$10 million at 8.00%	May 2020	7	–
$5 million at 11.00%	September 2022	3	3
$10 million at 10.00%	December 2023	6	6
KES720 million at 14.00% to 14.75%	October 2015	5	–
KES175 million at 11.70%	October 2016	1	–
KES225 million at 11.70%	August 2017	2	–
KES200 million at 5.00%	July 2022	1	–
Total term loans and other loans		**125**	15

These term loans are used to fund the lending operations of the Emerging Markets banking businesses.

(b) Revolving credit facilities

	Maturity date	At 31 December 2014 £m	At 31 December 2013 £m
Banking			
R1,000 million drawn of a R1,200 million facility at 3 month JIBAR + 2.95%	August 2017	44	–
R500 million fully drawn at 3 month JIBAR + 3.10%	October 2019	28	–
		72	–
Non-banking			
$177 million drawn of a $350 million facility at USD LIBOR + 1.50%	October 2019	114	–
Total revolving credit facilities		**186**	–

The Group also has access to an £800 million (2013: £800 million) five-year multi-currency revolving credit facility which matures in August 2019, with an optional further one-year extension at both the first and second year anniversary. At 31 December 2014 and 31 December 2013, none of this facility was drawn and there were no irrevocable letters of credit in issue against this facility.

(c) Mortgage-backed securities (net of Group holdings)

	Tier	Maturity date	At 31 December 2014 £m	At 31 December 2013 £m
Banking				
R480 million (class A1) at JIBAR + 1.10%	Tier 2	25 October 2039	2	13
R336 million (class A2) at JIBAR + 1.25%	Tier 2	25 October 2039	19	20
R900 million (class A3) at JIBAR + 1.54%	Tier 2	25 October 2039	51	52
R110 million (class B) at JIBAR + 1.90%	Tier 2	25 October 2039	6	6
			78	91
Less: Mortgage backed securities held by other Group companies			(26)	(26)
Total mortgage-backed securities			**52**	65

(d) Subordinated debt securities (net of Group holdings)

£m

	Tier	Maturity date	At 31 December 2014	At 31 December 2013
Banking				
R1,700 million at 8.90%	Tier 2	Repaid	**–**	101
R1,265 million at JIBAR + 4.75%	Non-core Tier 1	November 2018	**74**	74
R487 million at 15.05%	Non-core Tier 1	November 2018	**32**	32
R1,000 million at 10.54%	Tier 2	September 2020	**58**	62
$100 million at 3 month USD LIBOR	Tier 2 Secondary	March 2022	**64**	60
R2,000 million at JIBAR + 0.47%	Tier 2	July 2022	**113**	116
R1,800 million at JIBAR + 2.75%	Tier 2	July 2023	**102**	105
R1,200 million at JIBAR + 2.55%	Tier 2	November 2023	**67**	69
R450 million at JIBAR plus 10.49%	Tier 2	April 2024	**26**	–
R1,737 million at 3 month JIBAR + 2.55%	Tier 2	April 2024	**98**	–
R300 million at JIBAR + 2.75%	Tier 2	April 2024	**17**	–
			651	619
Less: Banking subordinated debt securities held by other Group companies			**(9)**	(22)
Banking subordinated securities[1]			**642**	597
Non-banking				
R3,000 million at 8.92%	Lower Tier 2	October 2020	**167**	172
£500 million at 8.00%	Lower Tier 2	June 2021	**565**	531
R300 million at 9.255%[2]	Lower Tier 2	November 2024	**17**	–
R700 million at 3 month JIBAR + 2.20%[3]	Lower Tier 2	November 2024	**39**	–
Non-banking subordinated securities			**788**	703
Total subordinated debt securities			**1,430**	1,300

1 The first call date of the R1,265 million and R487 million subordinated debt securities is November 2018. All other subordinated debt securities have a first call date five years before the maturity date.

2 On 27 November 2014, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) issued R300 million Unsecured Subordinated Callable Fixed Rate Notes under its R10 billion Unsecured Callable Notes Programme. Interest is payable in arrears at a fixed rate of 9.255% on 27 May and 27 November each year up to the first call date of 27 November 2019. If not called on the first call date, the rate increases to 3.30% plus the relevant Government of South Africa benchmark rate, until the maturity date of 27 November 2024.

3 On 27 November 2014, OMLAC(SA) also issued R700 million Unsecured Subordinated Callable Floating Rate Notes under its R10 billion Unsecured Callable Notes Programme. Interest is payable at a floating rate of 3 month ZAR-JIBAR + 2.20% on 27 November, 27 February, 27 May and 27 August each year until 27 November 2019. If not called on the first call date, the floating rate increases to 3 month ZAR-JIBAR + 3.30% resettable quarterly, until the maturity date of 27 November 2024.

E10: Amounts owed to bank depositors

£m

At 31 December 2014	**Carrying amount**	**Less than 3 months**	**More than 3 months less than 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Current accounts	**3,621**	**3,621**	**–**	**–**	**–**	**3,621**
Savings deposits	**1,556**	**1,509**	**45**	**2**	**–**	**1,556**
Other deposits and loan accounts	**26,213**	**20,021**	**3,650**	**2,849**	**593**	**27,113**
Negotiable certificates of deposit	**4,150**	**1,023**	**2,062**	**1,425**	**18**	**4,528**
Deposits received under repurchase agreements	**703**	**703**	**–**	**–**	**–**	**703**
Amounts owed to bank depositors	**36,243**	**26,877**	**5,757**	**4,276**	**611**	**37,521**

£m

At 31 December 2013	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	3,376	3,374	–	2	–	3,376
Savings deposits	1,579	1,578	–	1	–	1,579
Other deposits and loan accounts	23,694	17,402	3,388	2,993	304	24,087
Negotiable certificates of deposit	5,018	1,276	2,829	1,279	5	5,389
Deposits received under repurchase agreements	703	704	–	–	–	704
Amounts owed to bank depositors	34,370	24,334	6,217	4,275	309	35,135

For the year ended 31 December 2014

E: Financial assets and liabilities continued

E11: Liquidity

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by Old Mutual plc.

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available cash resources and, if necessary, available credit facilities. The Group's liquid resources are held in large portfolios of highly marketable securities, for example listed bonds, actively traded pooled investments, equities and cash and cash equivalents. Whilst most of the Group's policyholder and banking liabilities are generally repayable on demand, the Group's expectation is that policyholders and banking depositors will only require funds on an ongoing basis. However, cash resources and other liquid assets are maintained in the event of a need for additional liquidity. Information on the nature of the investments and securities held is given in note E4. The Group renewed the existing revolving credit facility of £800 million (2013: £800 million) in August 2014, maturing in August 2019 (2013: April 2016). Details, together with information on the Group's borrowed funds, are given in note E9.

The key information reviewed by the Group's Executive Directors and Executive Committee, together with the Group's Capital Management Committee, is a detailed management report on the Group's and holding company's current and planned capital and liquidity position, together with summary information on the current and planned liquidity positions of the Group's operating segments. Forecasts are updated regularly based on new information received and also as part of the Group's annual business planning cycle. The Group and holding company's liquidity and capital position and forecast are presented to the Old Mutual plc Board of Directors on a regular basis. Additionally the Group conducts regular stress testing around liquidity requirements, as referenced in the Principal risks and uncertainties section (refer to page 32).

Group operating segments are required, both in terms of their local requirements and in accordance with direction from the holding company, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

Further information on liquidity and the holding company cash flows is contained in the financial performance section of the Business Review section.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

The contractual maturities of the Group's financial liabilities are set out in notes E6, E8, E9 and E10.

F: Other statement of financial position notes

F1: Goodwill and other intangible assets

(a) Goodwill and goodwill impairment

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the fair value of the business over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interest is measured at fair value of the stake held on initial recognition of the business combination.

Goodwill is not amortised, but is reviewed for impairment at least once annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The directors annually test for impairment of each CGU or group of CGUs containing goodwill and intangible assets with indefinite useful lives, at a level that is no larger than that of the Group's identified operating segments for the purposes of segment reporting. An impairment loss is recognised whenever the carrying amount of an asset or its CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses relating to goodwill are not reversed.

(b) Present value of acquired in-force for insurance and investment contract business

The present value of acquired in-force for insurance and investment contract business is capitalised in the consolidated statement of financial position as an intangible asset.

The capitalised value is the present value of cash flows anticipated in the future from the relevant book of insurance and investment contract policies acquired at the date of the acquisition. This is calculated by performing a cash flow projection of the associated life assurance fund and book of in-force policies in order to estimate future after tax profits attributable to shareholders. The valuation is based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, together with future costs and investment returns on the assets supporting the fund. These profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. The key assumptions impacting the valuation are discount rate, future investment returns and the rate at which policies discontinue.

The asset is amortised over the expected profit recognition period on a systematic basis over the anticipated lives of the related contracts.

The amortisation charge is stated net of any unwind in the discount rate used to calculate the asset.

The recoverable amount of the asset is re-calculated at each reporting date and any impairment losses recognised accordingly.

(c) Other intangible assets acquired as part of a business combination

Contractual banking and asset management customer relationships, relationships with distribution channels and similar intangible assets, acquired as a part of a business combination, are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition.

Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition such acquired intangible assets are amortised on a straight-line basis over their estimated useful lives as set out below:

- Distribution channels 10 years
- Customer relationships 10 years
- Brand 15 – 20 years

The estimated useful life is re-evaluated on a regular basis.

(d) Internally developed software

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed whereas costs incurred in the development phase are capitalised subject to meeting specific criteria, set out in the relevant accounting guidance. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and 10 years.

F: Other statement of financial position notes continued

F1: Goodwill and other intangible assets continued

(e) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Analysis of goodwill and other intangible assets

£m

	Goodwill		Present value of acquired in-force business development costs		Software development costs		Other intangible assets		Total	
At 31 December	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Cost										
Balance at beginning of the year	**2,641**	2,729	**1,464**	1,453	**630**	684	**538**	565	**5,273**	5,431
Acquisitions through business combinations	**155**	30	**17**	–	**14**	–	**69**	–	**255**	30
Additions	**–**	–	**–**	–	**72**	84	**4**	2	**76**	86
Disposals of interests in subsidiaries	**(86)**	–	**(323)**	–	**(22)**	–	**–**	–	**(431)**	–
Disposals or retirements	**–**	–	**–**	–	**(18)**	(5)	**–**	(35)	**(18)**	(40)
Transfer to non-current assets held for sale	**–**	–	**(14)**	–	**(3)**	–	**–**	–	**(17)**	–
Foreign exchange and other movements	**46**	(118)	**(25)**	11	**(4)**	(133)	**(17)**	6	**–**	(234)
Balance at end of the year	**2,756**	2,641	**1,119**	1,464	**669**	630	**594**	538	**5,138**	5,273
Amortisation and impairment losses										
Balance at beginning of the year	**(598)**	(611)	**(946)**	(866)	**(437)**	(480)	**(457)**	(418)	**(2,438)**	(2,375)
Amortisation charge for the year	**–**	–	**(70)**	(76)	**(46)**	(49)	**(54)**	(48)	**(170)**	(173)
Impairment losses	**(14)**	(8)	**–**	–	**–**	–	**–**	(20)	**(14)**	(28)
Disposals of interests in subsidiaries	**–**	–	**186**	–	**20**	–	**–**	–	**206**	–
Disposals or retirements	**–**	–	**–**	–	**17**	6	**–**	33	**17**	39
Transfer to non-current assets held for sale	**–**	–	**8**	–	**3**	–	**–**	–	**11**	–
Foreign exchange and other movements	**(12)**	21	**18**	(4)	**(6)**	86	**13**	(4)	**13**	99
Accumulated amortisation and impairment losses at end of the year	**(624)**	(598)	**(804)**	(946)	**(449)**	(437)	**(498)**	(457)	**(2,375)**	(2,438)
Carrying amount										
Balance at beginning of the year	**2,043**	2,118	**518**	587	**193**	204	**81**	147	**2,835**	3,056
Balance at end of the year	**2,132**	2,043	**315**	518	**220**	193	**96**	81	**2,763**	2,835

Goodwill acquired through business combinations comprises £96 million in respect of acquisitions made by Emerging Markets and £59 million made by Old Mutual Wealth. Refer to note H8 for further information.

Of the present value of acquired in-force business net carrying amount at the year-end, £301 million (2013: £518 million) relates to the Skandia business acquired during 2006, which is due to be amortised over a further seven to twelve years. £14 million relates to Emerging Markets and arose on acquisition of Old Mutual Finance (Pty) Ltd. Refer to note A2 and H8 for further information.

Of the other intangible assets at the year-end, £25 million (2013: £69 million) relates to distribution channels associated with the Skandia business. The remaining period of amortisation of these intangible assets is one year. The Group recognised mutual fund and asset management relationship intangible assets of £41 million on acquisition of Intrinsic Financial Services Limited. The remaining period of amortisation of these intangible assets is three years.

(g) Allocation of goodwill to cash generating units

The carrying amount of goodwill accords with the operating segmentation shown in note B and primarily relates to the cash generating units (CGUs) of Emerging Markets, Old Mutual Wealth, Nedbank and Institutional Asset Management.

		£m
	At 31 December 2014	At 31 December 2013
Emerging Markets	**194**	101
Old Mutual Wealth	**823**	864
Nedbank	**277**	285
Institutional Asset Management	**838**	793
Goodwill, net of impairment losses	**2,132**	2,043

(h) Annual impairment testing of goodwill

In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value-in-use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

Emerging Markets and Old Mutual Wealth

Emerging Markets and Old Mutual Wealth CGUs generate revenues through their life assurance and asset management businesses.

The value-in-use calculations for the life assurance operations are determined using the reported embedded value methodology plus a discounted cash flow calculation for the value of new business. The value of new business represents the present value of future profits from expected new business. Embedded value represents the shareholders' interest in the life assurance business and is calculated in accordance with MCEV principles.

The cash flows attributable to the value of new business are determined with reference to latest approved three-year business plans. Projections beyond the plan period are extrapolated using an inflation based growth assumption.

The value-in-use calculations for the asset management operations are similarly determined based on discounted cash flow models derived from the latest approved three-year business plans. An additional two years of projections beyond the plan period are extrapolated using inflation based growth rates.

The cash flows are discounted at economic profit rates applicable to each individual CGU. The key assumptions used in the value-in-use calculations for the Emerging Markets, and Old Mutual Wealth CGUs are as follows:

- The growth rate – the rate used is an inflation based growth assumption, which varies by CGU and is based on external market factors particular to that CGU. Emerging Markets applied the growth rate of between 9.0% to 12.0% (2013: 8.7% to 9.7%) to both its life assurance business and asset management business, being the expected growth rate reflected in the business plans of each CGU. Old Mutual Wealth applied a weighted average calculation to determine the growth rate of 14.0% (2013: 14.5%)
- The discount rate – the applied rate used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references. Rates applied were 13.5% (2013: 13.3%) for Emerging Markets and 9.0% (2013: 9.6%) for Old Mutual Wealth.

Old Mutual Wealth is regarded by the directors as a single cash generating unit due to the integrated nature of its operations. On disposals of businesses, goodwill is allocated to them based on the relative size of the net assets of the business. The directors are satisfied that any reasonable change in the assumptions would not cause the recoverable amounts of the Emerging Markets and Old Mutual Wealth CGUs to fall below their carrying amounts.

Nedbank

The impairment test in respect of the Nedbank CGU has been performed by comparing the CGU's net carrying amount to its estimated value-in-use. The value-in-use has been determined using a discounted cash flow methodology. The key assumptions used in the value-in-use calculation are the discount rate and growth rate, which are based on the three year business plan plus the terminal value. A growth rate between 0.0%, international business and 5.8%, South African business (2013: 0.0% and 5.0%) was applied to extrapolate cash flows for an additional two years beyond the three-year business plan period. A terminal value, using the same growth rate, is added for the value of cash flows beyond five years. The discount rate applied was approximately 12.8% (2013: 12.0%). The directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

For the year ended 31 December 2014

F: Other statement of financial position notes continued

F1: Goodwill and other intangible assets continued

Institutional Asset Management

The impairment test in respect of the Institutional Asset Management's CGU has been performed by comparing the CGU's net carrying amount to its value-in-use determined using a discounted cash flow methodology. The key assumptions used in the value-in-use calculations for Institutional Asset Management are as follows:

- The three year business plan plus two further years have growth rate assumptions based on management's expectation of performance over this period. A terminal value, using a long-term growth rate of 4.0% (2013: 4.0%) is added for the value of cash flows beyond five years. The assumed long-term growth rate was determined with reference to nominal historical gross domestic product (GDP) growth, and the outlook for nominal GDP growth for the US
- The risk-adjusted discount rate applied was 12.0% (2013: 12.0%).

The directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

(i) Segmental analysis of goodwill and other intangibles

The following table shows a segmental analysis of the carrying amounts of goodwill and other intangible assets, together with amortisation and impairment charges, by operating segment:

£m

	Goodwill and intangible assets (carrying amount)		Amortisation		Impairment	
At 31 December	**2014**	2013	**2014**	2013	**2014**	2013
Emerging Markets	**275**	134	**16**	9	**–**	8
Old Mutual Wealth	**1,197**	1,461	**117**	125	**14**	20
Nedbank	**452**	446	**37**	39	**–**	–
Institutional Asset Management	**839**	794	**–**	–	**–**	–
	2,763	2,835	**170**	173	**14**	28

The impairment of £14 million in Old Mutual Wealth relates to the pending sale of Skandia Luxembourg and Skandia France. Refer to note A2 for further information.

F2: Fixed assets

F2(a): Property, plant and equipment

For properties reclassified during the year from property, plant and equipment to investment properties, any revaluation gain arising is initially recognised in profit or loss to the extent that impairment losses were previously recognised. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

£m

	Land		Buildings		Plant and equipment		Total	
At 31 December	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Gross carrying amount								
Balance at beginning of the year	**98**	106	**466**	562	**598**	734	**1,162**	1,402
Additions	**22**	7	**12**	10	**120**	96	**154**	113
Additions from business combinations	**6**	–	**5**	–	**9**	1	**20**	1
Increase arising from revaluation	**12**	2	**16**	33	**–**	–	**28**	35
Disposals	**(3)**	–	**(1)**	–	**(87)**	(81)	**(91)**	(81)
Foreign exchange and other movements	**(9)**	(17)	**(47)**	(139)	**(18)**	(152)	**(74)**	(308)
Transfer to non-current assets held for sale	**–**	–	**–**	–	**(1)**	–	**(1)**	–
	126	98	**451**	466	**621**	598	**1,198**	1,162
Accumulated depreciation and impairment losses								
Balance at beginning of the year	**–**	–	**(34)**	(39)	**(406)**	(516)	**(440)**	(555)
Depreciation charge for the year	**–**	–	**(11)**	(12)	**(72)**	(76)	**(83)**	(88)
Disposals	**–**	–	**1**	–	**76**	75	**77**	75
Foreign exchange and other movements	**–**	–	**2**	17	**10**	111	**12**	128
Transfer to non-current assets held for sale	**–**	–	**–**	–	**1**	–	**1**	–
Balance at end of the year	**–**	–	**(42)**	(34)	**(391)**	(406)	**(433)**	(440)
Carrying amount								
Balance at beginning of the year	**98**	106	**432**	523	**192**	218	**722**	847
Balance at end of the year	**126**	98	**409**	432	**230**	192	**765**	722

The carrying value of property, plant and equipment leased to third parties under operating leases included in the above is £8 million (2013: £41 million) and comprises land of £7 million (2013: £6 million) and buildings of £1 million (2013: £35 million).

The value of property, plant and equipment pledged as security is £6 million (2013: £2 million).

The revaluation of land and buildings relates to Emerging Markets and Nedbank. In 2014, Emerging Markets made revaluation gains of £6 million on land (2013: £1 million) and £6 million (2013: £10 million) on buildings. Nedbank made revaluation gains of £6 million on land (2013: £nil) and £10 million on buildings (2013: £23 million).

For Emerging Markets, land and buildings are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. For Nedbank, valuations are performed every three years by external professional valuers. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties. The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be £28 million (2013: £25 million) and £171 million (2013: £179 million) respectively for Emerging Markets, £15 million (2013: £16 million) and £113 million (2013: £112 million) for Nedbank respectively.

F2(b): Investment property

			£m
	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Balance at beginning of the year		**1,811**	1,947
Additions		**48**	47
Additions from business combinations		**–**	10
Disposals		**(115)**	(22)
Net gain from fair value adjustments		**61**	107
Foreign exchange and other movements		**29**	(278)
Transfer to non-current assets held for sale	I2	**(156)**	–
Balance at end of the year		**1,678**	1,811

The additions of £48 million (2013: £47 million) and the net gain from fair value adjustments of £61 million (2013: £107 million) are both related to Emerging Markets.

The fair value of investment property (freehold) leased to third parties under operating leases is as follows:

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Freehold	**1,662**	1,779
Leasehold	**16**	32
	1,678	1,811
Rental income from investment property	**157**	157
Direct operating expense arising from investment property that generated rental income	**(27)**	(24)
	130	133

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer at least every three years, and annually by locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account.

Of the total investment property of £1,678 million (2013: £1,811 million), £1,298 million (2013: £1,455 million) is attributable to Africa and £380 million (2013: £356 million) to the United Kingdom.

For the year ended 31 December 2014

F: Other statement of financial position notes continued

F2: Fixed assets continued

F2(c): Fair value hierarchy of the Group's property

The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy. The table below reconciles the fair value measurements of the investment and owner-occupied property:

		£m
	Year ended 31 December 2014	Year ended 31 December 2013
Balance at beginning of the year	**2,243**	2,470
Additions and acquisitions	**60**	57
Additions from business combinations	**5**	10
Disposals	**(115)**	(22)
Net gain from fair value adjustments	**77**	140
Impairments and depreciation	**(11)**	(12)
Foreign exchange and other movements	**(16)**	(400)
Transfer to non-current assets held for sale	**(156)**	–
Balance at end of the year	**2,087**	2,243

These gains and losses have been included in other income.

The following table shows the valuation techniques used in the determination of the fair values for investment and owner-occupied properties, as well as the unobservable inputs used in the valuation models.

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement
■ Commercial, retail and industrial properties ■ Owner-occupied property	■ Discounted cash flow (market related rentals achievable for the property, discounted at the appropriate discount rate)	■ Rental income per square metre and capitalisation rates ■ Long-term net operating margin and capitalisation rates ■ Vacancies	■ The estimated fair value would increase/(decrease) if: – net rental income increases/(decreases) or – capitalisation rates decrease/(increase) ■ the estimated fair value would increase/(decrease) if: – long term operating margin increase/(decrease); or – capitalisation rates decrease/(increase)
■ Holiday accommodation ■ Residential property	■ Average of market comparable valuations ■ Replacement cost ■ Land value	■ Price per square metre	■ The estimated fair value would increase/(decrease) if price per square metre increase/(decrease).
■ Land	■ According to the existing zoning and town planning scheme at the date of valuation, with exceptions made by the valuer for reasonable potential of a successful re-zoning	■ Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition	■ Recent sales and local government valuation rolls provide an indication of what the property may be sold for
■ Near vacant properties	■ Land value less the estimated cost of demolition	■ Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition	■ Recent sales and local government valuation rolls provide an indication of what the property may be sold for

F3: Deferred acquisition costs

								£m
	Insurance contracts		**Investment contracts**		**Asset management**			**Total**
At 31 December	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Balance at beginning of the year	**48**	54	**1,073**	1,107	**90**	127	**1,211**	1,288
New business	**5**	2	**141**	161	**15**	14	**161**	177
Amortisation	**(3)**	(3)	**(162)**	(186)	**(28)**	(45)	**(193)**	(234)
Disposal of interests in subsidiaries	**–**	–	**(261)**	–	**–**	–	**(261)**	–
Foreign exchange and other movements	**(6)**	(5)	**(33)**	(9)	**–**	(6)	**(39)**	(20)
Transfer to non-current assets held for sale	**–**	–	**(17)**	–	**–**	–	**(17)**	–
Balance at end of the year	**44**	48	**741**	1,073	**77**	90	**862**	1,211

Disposal of investment contracts and transfer to non-current assets held for sale relate to the disposal of Old Mutual Wealth's European businesses, as discussed in note A2.

F4: Trade, other receivables and other assets

	At 31 December 2014 £m	At 31 December 2013 £m
Debtors arising from direct insurance operations		
Amounts owed by policyholders	**84**	95
Amounts owed by intermediaries	**44**	56
Other	**34**	77
	162	228
Debtors arising from reinsurance operations	**38**	30
Outstanding settlements	**361**	475
Reinsurance treaties	**273**	319
Post-employment benefits	**161**	119
Other receivables	**812**	707
Accrued interest and rent	**162**	281
Trading securities and spot positions	**116**	187
Prepayments and accrued income	**110**	75
Other assets	**167**	162
Total trade, other receivables and other assets	**2,362**	2,583

Based on the maturity profile of the above assets, £1,278 million (2013: £1,469 million) is regarded as current and £1,084 million (2013: £1,114 million) as non-current. No significant balances are past due or impaired.

F5: Provisions and accruals

£m

Year ended 31 December 2014	Compensation provisions	Restructuring	Provision for donations	Other	Total
Balance at beginning of the year	**43**	**27**	**69**	**56**	**195**
Unused amounts reversed	**–**	**(4)**	**–**	**–**	**(4)**
Charge to profit or loss	**39**	**–**	**–**	**7**	**46**
Utilised during the year	**(4)**	**(4)**	**–**	**(3)**	**(11)**
Transfer from other liabilities	**18**	**–**	**–**	**18**	**36**
Foreign exchange and other movements	**(2)**	**1**	**6**	**17**	**22**
Balance at end of the year	**94**	**20**	**75**	**95**	**284**

Compensation provisions totalled £94 million (2013: £43 million), with £42 million (2013: £28 million) relating to regulatory uncertainty and multiple causal events. £16 million (2013: £14 million) relates to ongoing resolution of claims as a result of mis-selling guarantee contacts and £19 million has been provisioned for separation costs associated with the sale of US Life in April 2011. In addition, £17 million relates to the provision for claw-back of prescribed claims that has been transferred from other liabilities. This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Of the total compensation provisions, £58 million (2013: £30 million) is estimated to be payable after more than one year.

Provisions and accruals in relation to restructuring were £20 million (2013: £27 million), primarily in respect of ongoing restructuring of the Old Mutual Wealth business. The restructuring provision is expected to be utilised within the next three years.

The provision for donations is held by Emerging Markets in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. £75 million (2013: £69 million) is estimated to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally small in nature.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions recorded above, £168 million (2013: £135 million) is estimated to be payable after one year.

For the year ended 31 December 2014

F: Other statement of financial position notes continued

F6: Deferred revenue

Year ended 31 December	Life and Savings 2014	Life and Savings 2013	Asset Management 2014	Asset Management 2013	Property & Casualty 2014	Property & Casualty 2013	Banking 2014	Banking 2013	Total 2014 (£m)	Total 2013 (£m)
Balance at beginning of the year	**560**	586	**57**	93	**11**	10	**–**	–	**628**	689
Fees and commission income deferred	**26**	31	**–**	–	**–**	3	**–**	–	**26**	34
Amortisation	**(53)**	(61)	**(21)**	(35)	**–**	–	**–**	–	**(74)**	(96)
Acquisition of subsidiaries	**–**	–	**–**	–	**–**	–	**5**	–	**5**	–
Disposal of subsidiaries	**(229)**	–	**–**	–	**–**	–	**–**	–	**(229)**	–
Foreign exchange and other movements	**(8)**	4	**–**	(1)	**–**	(2)	**–**	–	**(8)**	1
Transfer to non-current liabilities held for sale	**(18)**	–	**–**	–	**–**	–	**–**	–	**(18)**	–
Balance at end of the year	**278**	560	**36**	57	**11**	11	**5**	–	**330**	628

Disposal of deferred revenue in life and savings relates to the disposal of Old Mutual Wealth's European businesses, as discussed in note A2.

F7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

(a) Deferred tax assets

The movement on the deferred tax assets account is as follows:

Year ended 31 December 2014	At beginning of the year	Income statement (charge)/credit	Acquisition/disposal of subsidiaries	Foreign exchange and other movements	At end of the year (£m)
Tax losses carried forward	**87**	**(24)**	**(1)**	**2**	**64**
Accelerated capital allowances	**2**	**(1)**	**–**	**1**	**2**
Other temporary differences	**295**	**31**	**–**	**(5)**	**321**
Policyholders tax	**66**	**(7)**	**–**	**(2)**	**57**
Deferred fee income	**134**	**(11)**	**(103)**	**(4)**	**16**
Netted against liabilities	**(281)**	**5**	**110**	**(11)**	**(177)**
	303	**(7)**	**6**	**(19)**	**283**

Year ended 31 December 2013	At beginning of the year	Income statement (charge)/credit	Acquisition/disposal of subsidiaries	Foreign exchange and other movements	At end of the year (£m)
Tax losses carried forward	121	(34)	–	–	87
Accelerated capital allowances	1	1	–	–	2
Other temporary differences	317	1	–	(23)	295
Policyholders tax	68	14	–	(16)	66
Deferred fee income	153	(22)	–	3	134
Netted against liabilities	(315)	17	–	17	(281)
	345	(23)	–	(19)	303

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted. The amounts for which no deferred tax asset has been recognised comprise:

£m	31 December 2014 Gross amount	31 December 2014 Tax	31 December 2013 Gross amount	31 December 2013 Tax
Unrelieved tax losses				
Expiring in less than a year	**31**	**2**	39	4
Expiring in the second to fifth years inclusive	**209**	**29**	172	11
Expiring after five years	**1,869**	**353**	2,127	377
	2,109	**384**	2,338	392
Accelerated capital allowances	**163**	**32**	158	31
Other timing differences	**587**	**122**	489	103
	2,859	**538**	2,985	526

(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

£m

Year ended 31 December 2014	**At beginning of the year**	**Income statement (credit)/ charge**	**Credited to equity**	**Acquisition/ disposal of subsidiaries**	**Foreign exchange and other movements**	**At end of the year**
Accelerated tax depreciation	**49**	**(1)**	**–**	**–**	**1**	**49**
Deferred acquisition costs	**151**	**(14)**	**–**	**(89)**	**(25)**	**23**
Leasing	**1**	**–**	**–**	**–**	**(1)**	**–**
PVIF	**99**	**(9)**	**–**	**(41)**	**(5)**	**44**
Other acquired intangibles	**12**	**(4)**	**–**	**8**	**–**	**16**
Available-for-sale securities	**6**	**–**	**5**	**(9)**	**–**	**2**
Other temporary differences	**152**	**25**	**–**	**(1)**	**68**	**244**
Capital gains tax	**187**	**5**	**–**	**–**	**(34)**	**158**
Fee income receivable	**34**	**(5)**	**–**	**(27)**	**(1)**	**1**
Policyholder tax	**81**	**16**	**–**	**–**	**(3)**	**94**
Netted against assets	**(281)**	**5**	**–**	**110**	**(11)**	**(177)**
	491	**18**	**5**	**(49)**	**(11)**	**454**

£m

Year ended 31 December 2013	At beginning of the year	Income statement (charge)/ credit	Charged to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Accelerated tax depreciation	43	13	–	–	(7)	49
Deferred acquisition costs	158	(12)	–	–	5	151
Leasing	1	–	–	–	–	1
PVIF	118	(21)	–	–	2	99
Other acquired intangibles	20	(9)	–	–	1	12
Available-for-sale securities	7	–	(1)	–	–	6
Other temporary differences	212	(29)	18	–	(49)	152
Capital gains tax	64	114	3	–	6	187
Fee income receivable	44	(11)	–	–	1	34
Policyholder tax	52	46	–	–	(17)	81
Netted against assets	(315)	17	–	–	17	(281)
	404	108	20	–	(41)	491

As the Group is able to control the reversal of temporary differences in respect of investments in subsidiaries and branches and it is probable that these temporary differences will not reverse in the foreseeable future, there is no need to provide for the associated deferred tax liabilities. The aggregate amount of temporary differences on which further tax might be due if these temporary differences reversed is estimated at £3.2 billion (2013: £2.7 billion).

Financials

For the year ended 31 December 2014

F: Other statement of financial position notes continued

F8: Trade, other payables and other liabilities

£m

	At 31 December 2014	At 31 December 2013
Amounts payable on direct insurance business		
Funds held under reinsurance business ceded	**154**	175
Amounts owed to policyholders	**386**	419
Amounts owed to intermediaries	**45**	61
Other direct insurance operation creditors	**6**	11
	591	666
Accounts payable on reinsurance business	**51**	35
Accruals and deferred income	**292**	333
Post-employment benefits	**57**	64
Liability for long-service leave	**42**	41
Share-based payments – cash-settled scheme liabilities	**112**	91
Short trading securities, spot positions and other	**247**	256
Trade creditors	**410**	480
Outstanding settlements	**641**	642
Total securities sold under agreements to repurchase	**283**	204
Obligations in relation to collateral holdings	**438**	558
Other liabilities	**1,112**	930
	4,276	4,300

Included in the amounts shown above are £3,829 million (2013: £3,746 million) that are regarded as current, with the remainder regarded as non-current.

F9: Equity

(a) Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

£m

	At 31 December 2014	At 31 December 2013
Issued ordinary shares of $11\frac{3}{7}$p (2013: $11\frac{3}{7}$p)	**561**	560

(b) Perpetual preferred callable securities

In addition to the Group's senior and subordinated debt, the Group has issued two separate tranches of perpetual preferred callable securities with a total carrying value of £526 million at 31 December 2014 (2013: £526 million). In accordance with IFRS accounting standards these instruments are classified as equity and disclosed within equity shareholders' funds.

£273 million (2013: £273 million) Tier 1 perpetual notes. These are unsecured and subordinated to the claims of senior creditors and the holders of any priority preference shares. For an initial period until 24 March 2020 interest is payable at a fixed rate of 6.4% per annum annually in arrears. From 24 March 2020 interest is reset semi-annually at 2.2% per annum above the sterling inter-bank offer rate for six month sterling deposits and is payable semi-annually in arrears. Coupon payments may be deferred on each interest payment date at the Group's discretion for the duration of the instrument subject to giving appropriate notice. Deferred coupons shall become due on the earliest of the date on which the securities are redeemed, or the date upon which the securities are substituted for alternative qualifying Tier 1 or Upper Tier 2 securities, or the commencement of a winding-up of the issuer. Other than in the case of a winding-up, the deferred coupon may only be settled by means of an Alternative Coupon Satisfaction Mechanism. The perpetual preferred callable securities are redeemable at the discretion of the Group at their principal amount from 24 March 2020. £350 million of these bonds were issued In November 2005 with £2 million repurchased in December 2012 via an open market repurchase and a further £75 million were repurchased in November 2013 via a Modified Dutch Auction tender.

€374 million (£253 million) (2013: €374 million (£253 million)) Upper Tier 2 perpetual notes. These are unsecured and subordinated to the claims of senior creditors. For an initial period to 4 November 2015 the notes pay interest at a fixed rate of 5.0% per annum, annually in arrears. After this date the interest is reset semi-annually at 2.63% per annum above six month EURIBOR and is payable semi-annually in arrears. Coupon payments may be deferred on each interest payment date at the Group's discretion for the duration of the instrument, subject to giving appropriate notice. Deferred coupons shall become due on the earliest date of either; the date on which a resolution for the winding-up of the issuer is passed; or the date set for any redemption or purchase of the notes by or on behalf of the issuer; or at the election of the issuer, providing not less than 14 days' notice is given. The perpetual preferred callable securities are redeemable at the discretion of the Group at their principal amount from 4 November 2015. €500 million of these bonds were issued In November 2005 with €5 million repurchased in December 2012 via an open market repurchase and a further €121 million were repurchased in November 2013 via a Modified Dutch Auction tender.

F10: Non-controlling interests

(a) Profit or loss

(i) Ordinary shares

The non-controlling interests' share of profit for the financial year has been calculated on the basis of the Group's effective ownership of the subsidiaries in which it does not own 100% of the ordinary equity. The principal subsidiaries where a non-controlling interest exists is Nedbank, the Group's banking business in South Africa and OM Asset Management plc, the Group's asset management business. For the year ended 31 December 2014 the non-controlling interests attributable to ordinary shares was £252 million (2013: £259 million).

(ii) Preferred securities

£m	At 31 December 2014	At 31 December 2013
Nedbank		
R3,560 million non-cumulative preference shares	**18**	19

(iii) Non-controlling interests – adjusted operating profit

The following table reconciles non-controlling interests' share of profit for the financial year to non-controlling interests' share of adjusted operating profit:

Reconciliation of non-controlling interests' share of profit for the financial year (£m)	Year ended 31 December 2014	Year ended 31 December 2013
The non-controlling interests share is analysed as follows:		
Non-controlling interests – ordinary shares	**252**	259
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	**24**	20
Attributable to Institutional Asset Management equity plans	**2**	–
Other items	**2**	–
Non-controlling interests share of adjusted operating profit	**280**	279

The Group uses adjusted weighted average effective ownership interests when calculating the non-controllable interest applicable to the adjusted operating profit of its Southern African banking businesses. These reflect the legal ownership of this business following the implementation for Black Economic Empowerment (BEE) schemes in 2005. In accordance with IFRS accounting rules the shares issued for BEE purposes are deemed to be, in substance, options. Therefore the effective ownership interest of the minorities reflected in arriving at profit after tax in the consolidated income statement is lower than that applied in arriving at adjusted operating profit after tax. In 2014 the increase in adjusted operating profit attributable to non-controlling interests as a result of this was £24 million (2013: £20 million).

(b) Statement of financial position

(i) Ordinary shares

Reconciliation of movements in non-controlling interests (£m)	Notes	At 31 December 2014	At 31 December 2013
Balance at beginning of the year		**1,502**	1,684
Non-controlling interests' share of profit		**252**	259
Non-controlling interests' share of dividends paid		**(127)**	(117)
Disposal of non-controlling interests in OM Asset Management plc	A2	**163**	–
Acquisition of businesses	H8	**53**	–
Net disposal of interests		**39**	20
Foreign exchange and other movements		**(15)**	(344)
Balance at end of the year		**1,867**	1,502

For the year ended 31 December 2014

F: Other statement of financial position notes continued

F10: Non-controlling interests continued

(ii) Preferred securities

	£m	
	At 31 December 2014	At 31 December 2013
Nedbank		
R3,560 million non-cumulative preference shares	**272**	265

R3,560 million R10 preference shares issued by Nedbank Limited (Nedbank), the Group's banking subsidiary. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75% of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment or when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

Preferred securities at 31 December 2014 are held at the value of consideration received less unamortised issue costs and are stated net of securities held by Group companies.

G: Interests in subsidiaries, associates, and joint arrangements

G1: Subsidiaries

In the current year, the consideration of the accounting treatment of investments in entities has been a key judgemental area (note A3(d)). Information on structured entities is included in note G3. There have been no additional circumstances or facts that have occurred in the current year that have resulted in a change in the entities that the Group consolidates.

(a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and, except for OM Group (UK) Ltd, are held indirectly by the Company.

Name	Nature of business	Percentage holding	Country of incorporation
Old Mutual Group Holdings (SA) (Pty) Limited	Holding company	100	Republic of South Africa
Acadian Asset Management LLC[1]	Asset management	100	Delaware, USA
AIVA Holding Group S.A.	Holding company	86	Panama
Barrow, Hanley, Mewhinney & Strauss LLC	Asset management	100	Delaware, USA
Faulu Kenya DTM LTD	Lending	66	Kenya
Mutual & Federal Insurance Company Limited	General insurance	100	Republic of South Africa
Nedbank Group Limited[2]	Banking	57	Republic of South Africa
Nedbank Limited[3]	Banking	57	Republic of South Africa
Old Mutual (Africa) Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual (Bermuda) Limited	Life assurance	100	Bermuda
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
OMAM Inc.	Holding company	100	Delaware, USA
Old Mutual Emerging Markets Limited	Holding company	100	Republic of South Africa
Old Mutual Finance (Pty) Ltd	Lending	75	Republic of South Africa
Old Mutual Investment Group (Pty) Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Wealth Management Limited	Holding company	100	England and Wales
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Asset Management plc[4]	Holding company	80	England and Wales
OM Group (UK) Limited	Holding company	100	England and Wales
Rogge Global Partners plc	Asset management	81	England and Wales
OM Latin America Holdco UK Limited	Holding company	100	England and Wales
Old Mutual Wealth Life Assurance Limited	Life assurance	100	England and Wales

1 The Group holds 100% Class A shares and 85.71% Class B shares in Acadian Asset Management. The remaining 14.29% Class B shares are held by the employees as described in note H2(c)
2 Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE (Johannesburg, South Africa)
3 Nedbank is a 100% subsidiary of Nedbank Group Limited
4 OM Asset Management plc is a publicly listed company, with its primary listing on the New York Stock Exchange

A complete list of subsidiaries is filed with the UK Registrar of Companies with the annual return. All the above companies have a year-end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

There are certain funds in which the Group owns more than 50% of the equity but does not consolidate these because of certain management contracts which give other parties the power to control these funds. These management contracts may include that the ability to control is delegated to a third party with no rights of removal on similar types of contractual agreements.

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests:

At 31 December 2014	Emerging Markets	Nedbank	Institutional Asset Management	Total £m
Non-controlling share of statement of financial position				
Total assets	**443**	**21,207**	**302**	**21,952**
Total liabilities	**(336)**	**(19,349)**	**(128)**	**(19,813)**
Net assets	**107**	**1,858**	**174**	**2,139**
Non-controlling interests	**107**	**1,858**	**174**	**2,139**
Non-controlling share of income				
Total revenue	**68**	**1,849**	**75**	**1,992**
Profit before tax	**11**	**348**	**4**	**363**
Income tax expense	**(3)**	**(88)**	**(2)**	**(93)**
Profit after tax for the financial year	**8**	**260**	**2**	**270**
Profit allocated to non-controlling interests	**8**	**260**	**2**	**270**

Further information on total assets and total liabilities of the above business units can be found in note B4.

At 31 December 2013	Emerging Markets	Nedbank	Institutional Asset Management	Total £m
Non-controlling share of statement of financial position				
Total assets	216	19,897	–	20,113
Total liabilities	(166)	(18,180)	–	(18,346)
Net assets	50	1,717	–	1,767
Non-controlling interests	50	1,717	–	1,767
Non-controlling share of income				
Total revenue	64	1,944	–	2,008
Profit before tax	16	358	–	374
Income tax expense	(3)	(91)	–	(94)
Profit after tax for the financial year	12	266	–	278
Profit allocated to non-controlling interests	12	266	–	278

(c) Restrictions on the Group's ability to obtain funds from its subsidiaries

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Services Board in South Africa to comply with statutory capital requirements restrict the amount of funds that can be transferred out of South Africa to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

The non-controlling interests do not have any ability to restrict the cash flows to the Group.

(d) Guarantees provided by the Group to subsidiaries

No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

(e) Loss of control of subsidiaries

There has been no loss of control of any major subsidiaries during the course of the current and previous year.

For the year ended 31 December 2014

G: Interests in subsidiaries, associates, and joint arrangements continued

G2: Investments in associated undertakings and joint ventures

(a) Investments in associated undertakings and joint ventures

The Group's investments in associated undertakings and joint ventures accounted for under the equity and fair value methods and excluding the majority of private equity associates, are as follows:

£m

At 31 December 2014	Type of business	Percentage interest held	Carrying value	Group share of profit/(loss)	Basis of accounting
Masingita Property Investment Holdings (Pty) Ltd (A)[1]	**Property development**	**35%**	**7**	**–**	**Fair value**
S.B.V. Services (Pty) Ltd (A)[1]	**Financial services**	**23%**	**5**	**–**	**Equity method**
South African Bankers Services Company (A)[1]	**Financial services**	**25%**	**8**	**–**	**Equity method**
Aard Minning Equipment (Pty) Ltd	**Manufacturing**	**49%**	**10**	**–**	**Equity method**
Odyssey Developments (Pty) Ltd (A)[1]	**Property development**	**49%**	**3**	**–**	**Fair value**
Curo Fund Services (J)[1]	**Asset management**	**50%**	**3**	**1**	**Equity method**
African Infrastructure Investment Managers (Pty) Ltd (J)[1]	**Asset management**	**50%**	**1**	**–**	**Equity method**
Heitman LLC (J)[2]	**Asset management**	**50%**	**19**	**4**	**Equity method**
Kotak Mahindra Old Mutual Life Insurance Ltd (A)[3]	**Life assurance**	**26%**	**28**	**4**	**Equity method**
Old Mutual-Guodian Life Insurance Company Ltd (J)[4]	**Life assurance**	**50%**	**36**	**(2)**	**Equity method**
Banco Único (J)[5]	**Lending**	**36%**	**16**	**–**	**Equity method**
Ecobank Transnational Incorporated (A)[6]	**Lending**	**21%**	**346**	**8**	**Equity method**
All other associated undertakings and joint ventures[7]			**36**	**11**	
			518	**26**	

£m

At 31 December 2013	Type of business	Percentage interest held	Carrying value	Group share of profit/(loss)	Basis of accounting
Masingita Property Investment Holdings (Pty) Ltd (A)[1]	Property development	35%	5	–	Fair value
S.B.V. Services (Pty) Ltd (A)[1]	Financial services	23%	5	1	Equity method
South African Bankers Services Company (A)[1]	Financial services	25%	7	1	Equity method
Odyssey Developments (Pty) Ltd (A)[1]	Property development	49%	5	–	Fair value
Old Mutual Finance (Pty) Ltd (J)[1]	Lending	50%	21	9	Equity method
Curo Fund Services (J)[1]	Asset management	50%	6	–	Equity method
African Infrastructure Investment Managers (Pty) Ltd (J)[1]	Asset management	50%	2	(4)	Equity method
Heitman LLC (J)[2]	Asset management	50%	17	3	Equity method
Kotak Mahindra Old Mutual Life Insurance Ltd (A)[3]	Life assurance	26%	24	8	Equity method
Old Mutual-Guodian Life Insurance Company Ltd (J)[4]	Life assurance	50%	32	(6)	Equity method
All other associated undertakings and joint ventures			44	9	
			168	21	

Key:
(J): joint venture; (A): associate investment

Country of operation:
1 Republic of South Africa
2 USA
3 India
4 China
5 Mozambique
6 Togo
7 Included in the Group share of profit of £26 million is £7 million relating to Old Mutual Finance (Pty) Ltd (OMF) for the period that it was equity accounted for as a joint venture. From 1 September 2014, following the acquisition of an additional 25% stake, the financial results and position of OMF have been consolidated. Refer to note A2 for further information

Of the total carrying value of associates and joint ventures, £50 million (2013: £49 million) relates to those which are measured at fair value and £468 million (2013: £119 million) relates to those which have been equity accounted.

All of the joint ventures are strategic in the Group's underlying operating model.

The joint ventures are evaluated according to the Groups' contractual rights to jointly control the entity.

(b) Aggregate financial information of material investments in associated undertakings and joint ventures

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

£m

	Ecobank Transnational Incorporated[1]		Banco Único, S.A.	
31 December	**2014**	2013	**2014**	2013
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	**305**	–	**–**	–
Statement of comprehensive income				
Revenue	**986**	–	**19**	–
Profit/(loss) from continuing operations	**194**	–	**–**	–
Post-tax profit/(loss) from discontinued operations	**(1)**	–	**–**	–
Other comprehensive income/(loss)	**(58)**	–	**–**	–
Total comprehensive income	**134**	–	**–**	–
Statement of financial position				
Current assets	**8,294**	–	**139**	–
Non-current assets	**6,401**	–	**101**	–
Current liabilities	**6,821**	–	**116**	–
Non-current liabilities	**6,365**	–	**100**	–

[1] The information provided for Ecobank Transnational Incorporated has been based on the latest available financial information, being the financial results for the nine months ended 30 September 2014

(c) Aggregate financial information of other investments in associated undertakings and joint ventures

The aggregate financial information for all other investments in associated undertakings and joint ventures is as follows:

£m

	Year ended 31 December 2014	Year ended 31 December 2013
Total assets	**3,122**	2,803
Total liabilities	**(2,723)**	(2,412)
Total revenues	**666**	798

(d) Aggregate Group investment in associated undertakings and joint ventures

The aggregate amounts for the Group's investment in associated undertakings and joint ventures are as follows:

£m

	Year ended 31 December 2014	Year ended 31 December 2013
Balance at beginning of the year	**168**	152
Net additions of investment in associated undertakings and joint ventures	**341**	61
Share of profit after tax	**26**	21
Dividends paid	**(5)**	(13)
Foreign exchange and other movements	**(12)**	(53)
Balance at end of the year	**518**	168

The above table includes those investments that are carried at fair value.

The Group has no significant investments in which it owns less than 20% of the ordinary share capital that it accounts for using the equity method.

(e) Restriction on the Group's ability to obtain funds from its associate undertakings and joint arrangements

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Service Board in South Africa to comply with statutory capital requirements restrict the amount of funds that can be transferred out of the country to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

No significant guarantees were provided by the Group during the financial year.

(f) Contingent liabilities and commitments

At 31 December 2014 and 31 December 2013, the Group had no significant contingent liabilities or commitments relating to investments in associated undertakings and joint ventures.

(g) Other Group holdings

The above does not include companies whereby the Group has a holding of more than 20%, but does not have significant influence over these companies by virtue of the Group not having any direct involvement in decision-making or the other owners possessing veto rights.

For the year ended 31 December 2014

G: Interests in subsidiaries, associates, and joint arrangements continued

G3: Structured entities

(a) Group's involvement in structured entities

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
Securitisation vehicles for loans and advances	Finance the Group's own assets through the issue of notes to investors	Generate: – Funding for the Group's lending activities – Margin through sale of assets to investors – Fees for loan servicing	Investment in senior notes issued by the vehicles
Investment funds	Manage client funds through the investment in assets	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund
Securitisation vehicles for third-party receivables	Finance third party receivables and are financed through loans from third party note holders and bank borrowing	Generate fees from arranging the structure. Interest income may be earned on the notes held by the Group	Interest in these vehicles is through notes that are traded in the market
Security vehicles	Hold and realise assets as a result of the default of a client	These entities seek to protect the collateral of the Group from the default of a loan	Ownership interest will be in proportion of the lending. At 31 December 2014, the Group held no value in security vehicles
Clients investment entities	Hold client investment assets	Generates various sources of income for the Group	None
Black Economic Empowerment (BEE) funding	Fund the acquisition of shares by a BEE partner	Generates interest on the funding provided.	None

As at 31 December 2014, the Group held £46 million (2013: £48 million) in unconsolidated investment funds which are included in investment and securities.

(b) Consolidation considerations for structured entities

In structured entities voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders, earn a variable fee and there are no kick out rights that would remove the Group as fund manager.

This is considered to be a critical accounting judgment and is discussed in A3(d). There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

(c) Securitisation vehicles consolidated in the Group's statement of financial position

Nedbank Securitisations

The Group through Nedbank uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. Nedbank currently has four active securitisation transactions:

- Synthesis Funding Limited (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004
- GreenHouse Funding (RF) Ltd, Series 2 (GreenHouse), a residential mortgage-backed securitisation programme
- GreenHouse Funding III (RF) Ltd Series 3 (GreenHouse 3), a residential mortgage-backed securitisation programme and
- Precinct Funding 1 (RF) Ltd (Precinct), a commercial mortgage-backed securitisation programme.

These vehicles are the full extent of the Group's current securitisation exposure.

The following table shows the carrying amount of securitised assets together with the associated liabilities[1]:

£m

At 31 December	Carrying amount of assets 2014	Carrying amount of assets 2013	Associated liabilities 2014	Associated liabilities 2013
Loans and advances to customers				
Residential mortgage loans	**139**	152	**100**	114
Commercial mortgage loans	**88**	128	**112**	146
Other financial assets				
Corporate and bank paper	**111**	–	**161**	–
Other securities	**72**	–	**131**	–
Commercial paper	**–**	183	**–**	292
Total	**410**	463	**504**	552

1 The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure

The table above presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany and cash balances held by the various securitisation vehicles.

For the year ended 31 December 2014

H: Other notes

H1: Post-employment benefits

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

(a) Liability for defined benefit obligations

£m

	Pension plans		Other post-retirement benefit schemes	
Year ended 31 December	**2014**	2013	**2014**	2013
Changes in projected benefit obligation				
Projected benefit obligation at beginning of the year	**490**	567	**189**	221
Benefits earned during the year	**4**	5	**5**	6
Interest cost on benefit obligation	**28**	31	**15**	15
Measurement losses/(gains)	**27**	(13)	**1**	(10)
Benefits paid	**(27)**	(25)	**(6)**	(7)
Foreign exchange and other movements	**(8)**	(75)	**(17)**	(36)
Projected benefit obligation at end of the year	**514**	490	**187**	189
Change in plan assets				
Plan assets at fair value at beginning of the year	**573**	606	**163**	173
Actual return on plan assets	**76**	78	**15**	18
Company contributions	**9**	8	**15**	–
Employee contributions	**1**	1	**–**	–
Benefits paid	**(27)**	(25)	**(6)**	(7)
Foreign exchange and other movements	**(11)**	(95)	**(1)**	(22)
Plan assets at fair value at end of the year	**621**	573	**186**	162
Net asset/(liability) recognised in statement of financial position				
Funded status of plan	**107**	83	**(1)**	(27)
Unrecognised assets	**(1)**	(1)	**–**	–
Other amounts recognised in statement of financial position	**(1)**	–	**–**	–
Net amount recognised in statement of financial position	**105**	82	**(1)**	(27)
Disclosed as follows:				
– Within trade, other receivables and assets	**121**	97	**40**	22
– Within trade, other payables and other liabilities	**(16)**	(15)	**(41)**	(49)
	105	82	**(1)**	(27)

(b) Expense/(income) recognised in the income statement

£m

Year ended 31 December	Pension plans 2014	Pension plans 2013	Other post-retirement benefit schemes 2014	Other post-retirement benefit schemes 2013
Current service costs	**4**	5	**5**	6
Net interest (income)/cost	**(7)**	(4)	**2**	3
Other post retirement plan costs	**–**	–	**1**	1
Total (included in staff costs)	**(3)**	1	**8**	10

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates relevant to the economic countries in which they operate, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of £27 million and decrease of £21 million (2013: increase of £24 million and decrease of £19 million) respectively.

Total contributions expected to be paid to the Group pension plans for the year ending 31 December 2014 are £9 million (subject to any reassessments to be completed in the year).

(c) Plan asset allocation

£m

At 31 December	Pension plans 2014	Pension plans 2013	Other post-retirement benefit schemes 2014	Other post-retirement benefit schemes 2013
Equity securities	**30.8**	30.9	**41.3**	48.8
Debt securities	**40.2**	37.3	**23.5**	19.2
Property	**3.4**	3.1	**4.0**	2.8
Cash	**4.2**	4.0	**21.7**	20.4
Annuities and other	**21.4**	24.7	**9.5**	8.8
	100.0	100.0	**100.0**	100.0

Pension and other retirement benefit plan assets include ordinary shares issued by the Company with a fair value of £nil (2013: £nil).

Financials

For the year ended 31 December 2014

H: Other notes continued

H2: Share-based payments

(a) Reconciliation of movements in options

During the year ended 31 December 2014, the Group had a number of share-based payment arrangements. The movement in the options outstanding under these arrangements during the year is detailed below:

Options over shares in Old Mutual plc (London Stock Exchange)	Year ended 31 December 2014 Number of options	Year ended 31 December 2014 Weighted average exercise price	Year ended 31 December 2013 Number of options	Year ended 31 December 2013 Weighted average exercise price
Outstanding at beginning of the year	**14,365,731**	**£0.79**	18,131,593	£0.72
Granted during the year	**5,184,763**	**£1.63**	1,602,254	£1.63
Forfeited during the year	**(778,444)**	**£1.43**	(757,309)	£1.06
Exercised during the year	**(9,437,844)**	**£0.49**	(4,558,629)	£0.77
Expired during the year	**–**	**–**	(52,178)	£1.08
Outstanding at end of the year	**9,334,206**	**£1.51**	14,365,731	£0.79
Exercisable at 31 December	**162,914**	**£1.13**	1,534,854	£0.71

The options outstanding at 31 December 2014 have an exercise price in the range of £0.35 to £1.63 (2013: £0.35 to £1.63) and a weighted average remaining contractual life of 1.8 years (2013: 0.5 years). The weighted average share price at date of exercise for options exercised during the year was £1.99 (2013: £1.99).

Options over shares in Old Mutual plc (Johannesburg Stock Exchange)	Year ended 31 December 2014 Number of options	Year ended 31 December 2014 Weighted average exercise price	Year ended 31 December 2013 Number of options	Year ended 31 December 2013 Weighted average exercise price
Outstanding at beginning of the year	**19,499,597**	**R14.14**	33,951,884	R13.67
Forfeited during the year	**(299,316)**	**R15.35**	(853,157)	R14.83
Exercised during the year	**(13,592,622)**	**R14.59**	(13,410,557)	R12.88
Expired during the year	**(27,367)**	**R14.81**	(188,573)	R9.57
Outstanding at end of the year	**5,580,292**	**R13.21**	19,499,597	R14.14
Exercisable at 31 December	**5,580,292**	**R13.21**	6,031,192	R11.07

The options outstanding at 31 December 2014 have an exercise price in the range of R7.45 to R15.80 (2013: R7.45 to R15.80) and a weighted average remaining contractual life of 1.5 years (2013: 2.9 years). The weighted average share price at date of exercise for options exercised during the year was R34.60 (2013: R28.54).

Options over shares in Nedbank Group Ltd	Year ended 31 December 2014 Number of options	Year ended 31 December 2014 Weighted average exercise price	Year ended 31 December 2013 Number of options	Year ended 31 December 2013 Weighted average exercise price
Outstanding at beginning of the year	**11,633,340**	**R161.64**	12,842,067	R156.12
Granted during the year	**–**	**–**	125,291	R189.90
Forfeited during the year	**(222,712)**	**R126.23**	(312,208)	R116.32
Exercised during the year	**(1,014,872)**	**R107.07**	(1,018,097)	R106.99
Expired during the year	**(3,432)**	**R82.47**	(3,713)	R110.98
Outstanding at end of the year	**10,392,324**	**R167.55**	11,633,340	R161.64
Exercisable at 31 December	**262,330**	**R107.53**	347,913	R120.30

The options outstanding at 31 December 2014 have an exercise price in the range of R116.75 to R282.58 (2013: R113.93 to R282.58) and a weighted average remaining contractual life of 1.7 years (2013: 2.1 years). The weighted average share price at date of exercise for options exercised during the year was R226.87 (2013: R192.24).

(b) Measurements and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured using a Black-Scholes option pricing model.

Share options are granted under a service and non-market based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

The grant date for the UK and South African plan awards is deemed to be 1 January in the year prior to the date of issue. As such the Group is required to estimate, at the reporting date, the number and fair value of the options that will be granted in the following year. The fair value of awards expected to be granted in 2015 which will have an IFRS 2 grant date of 1 January 2014, is shown separately below. The grant date for all other awards is the award issue date.

(c) Share-based payment arrangements relating to Institutional Asset Management

During the year ended 31 December 2014, OM Asset Management plc had the following share-based payment arrangements:

Initial public offering (IPO) Incentive Plan

During 2011, a share-based compensation plan was implemented for certain key employees of OM Asset Management plc in connection with the stated intention of exploring a potential IPO of the business. The plan was designed to reward participants for achievement of strategic objectives and metrics and value creation over the period of exploring an IPO. The awards consisted of a mix of cash, payable and paid in the first quarter of 2014, and restricted shares in Old Mutual plc, which were granted during the second quarter of 2014, and vest ratably over three years from that date. At grant date, the stock awards under this plan had an aggregate value of $4 million. The total expense recognised during 2014 in relation to this plan was $1 million (2013: $4 million and 2012: $2 million).

OM Asset Management plc Equity Incentive Plan

In connection with the IPO, certain employees who held unvested Old Mutual plc restricted shares were given the opportunity to exchange their Old Mutual plc restricted shares for restricted shares of OM Asset Management plc, with vesting conditions similar to those to which they were currently subject to. These restricted shares were awarded to employees as part of a one-time arrangement. This exchange program was intended to provide employees who elected to participate with restricted share awards of OM Asset Management plc ordinary shares of equivalent value to the Old Mutual plc restricted shares they currently held. The exchange valued OM Asset Management plc ordinary shares at the price sold to investors in the IPO. The exchange valued Old Mutual plc's ordinary shares using the weighted-average sale price over the three consecutive trading days on the London Stock Exchange up to and including the date of the exchange. The exchange occurred following the effectiveness of the OM Asset Management plc registration statement on 8 October 2014. OM Group (UK) Limited transferred 1,212,766 OM Asset Management plc ordinary shares (equivalent to 5,914,981 Old Mutual plc restricted shares) to employees as part of this exchange programme.

In connection with the conversion of these restricted shares, an equity incentive plan was implemented at OM Asset Management plc. The plan is intended to encourage ownership of stock by employees and to provide additional incentive for them to promote the success of OM Asset Management plc's business through the grant of awards of or pertaining to shares of OM Asset Management plc's stock. The grant date fair value per share, calculated based on the closing share price as quoted on the New York Stock Exchange on the measurement date, is used to determine the fair value of restricted shares granted to employees. There is a mechanism at OM Asset Management plc to ensure sufficient shares are available under the plan for grants issued. Restricted shares under the plan generally have a vesting period of three years.

OM Asset Management plc Affiliate Equity Plans

Equity granted during the year to employees of firms participating in the OM Asset Management plc Affiliate Equity Plans vests three to four years from the date of grant, conditional upon continued employment over this period. Equity purchased by employees vested immediately. Grant date fair value and fair value used for reassessment was determined based on a multiple of prior year earnings. Under the terms of the arrangements, participating employees may sell their equity back to OM Asset Management plc (which acts as a buyer of last resort) at a fixed multiple of prior year earnings, subject to certain restrictions. Accordingly, the schemes are accounted for as cash-settled share-based payments, despite the fact the initial purchase and/or grants of equity are settled in equity instruments.

The following summarises the fair value of instruments purchased from and granted by OM Asset Management plc during the year:

Instruments granted and purchased during the year		**Affiliate share purchases**	**Affiliate share grants**	**Affiliate shares forfeited**	**Total non-controlling interest in affiliate**
Percentage of affiliate equity	**2014**	**0.10%**	**2.69%**	**(10.75%)**	**(7.96%)**
	2013	0.03%	1.87%	(0.50%)	1.40%
Fair value of instruments ($m)[1]	**2014**	**–**	**$17m**	**–**	**–**
	2013	–	$11m	–	–

[1] Represents fair value in excess of consideration received for affiliate share purchases

OM Asset Management plc annual bonus awards

The OM Asset Management plc Affiliate Equity Plans are incorporated into annual bonus awards of employees at participating firms, which are to be settled partly in cash and partly in equity. The level of bonus is contingent upon current year financial and individual performance, therefore the vesting period for bonus equity to be granted during 2015 in respect of the 2014 financial year has been determined to commence from 1 January 2014.

It is anticipated that instruments with a fair value of $10 million (2013: $15 million and 2012: $11 million) will be granted during 2015 to firms participating in the OM Asset Management plc Affiliate Equity Plans based on 2014 financial performance.

For the year ended 31 December 2014

H: Other notes continued

H2: Share-based payments continued

Acadian Asset Management (AAM)
Class B equity interests in AAM acquired by employees during 2007 entitled the participating employees to 28.57% of the earnings of AAM in excess of $120 million, and to a liquidation preference proportionate to their shareholding. In consideration for the equity acquired, the participating employees agreed to forego a portion of existing long-term incentive payments owed. The difference between the carrying amount of this consideration and the fair value of the interest acquired was treated as share-based compensation expense in 2007. Fair value was determined based on the discounted projected future cash flows of AAM.

Effective 1 April 2011, certain terms of the plan were modified to provide for greater participation by Class B interest holders in Acadian's profits and cash distributions. In addition, provisions were added to provide greater liquidity and transferability for the holders of Class B interests. The plan has since included a feature whereby participating employees may sell their equity back to OM Asset Management plc based on a multiple of prior 12 month earnings above a Class A equity holders' minimum preference amount, subject to certain restrictions. The surrender-date fair value of the Class B interests prior to these modifications amounted to $7 million, and this amount was reclassified from non-controlling interests to cash-settled share-based payments liabilities as a result of the liquidity features added. The excess of the fair value of the modified award over its pre-modification fair value was $21 million, and was accounted for as incremental cash-settled share-based payments compensation expense and liability. As the implementation of the modifications were subject to a two year vesting period, the incremental cash-settled share-based payments compensation expense and subsequent revaluations of the liability each period to its fair value, along with the reclassification of the $7 million pre-modification fair value of the award from non-controlling interests as a liability, were recognised rateably over that period commencing 1 April 2011. The remaining $35 million of the initial fair value of the equity-settled plan that was surrendered by Class B interest holders was transferred to controlling interest equity at the conclusion of the vesting period.

During 2014, employees sold Class B equity interests of 14.29% back to OM Asset Management plc. Class B equity interests of 14.29% remain outstanding at 31 December 2014.

(d) Forfeitable/Restricted share grants
The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
Shares in Old Mutual plc (London Stock Exchange)	**2014**	**11,047,898**	**£2.02**
	2013	9,933,597	£1.95
Shares in Old Mutual plc (Johannesburg Stock Exchange)	**2014**	**13,350,717**	**R35.35**
	2013	16,585,998	R27.71
Shares in Nedbank Ltd	**2014**	**4,225,723**	**R201.11**
	2013	4,206,027	R185.09

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

(e) Annual bonus awards
The UK and South Africa Plan Awards give rise to annual bonus awards. The level of annual bonus awards is contingent upon the satisfactory completion of individual and company performance targets, measured over the financial year prior to the date the employees receive the award. The accounting grant date for the South African and UK annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grants.

The Group anticipates awards under the South African scheme of 10,022,998 restricted shares (2013: 9,331,684). The restricted shares have been valued using a share price of R34.70 (2013: R32.79).

The Group estimate of the total fair value of the annual bonus expected to be paid in the form of options and forfeitable shares is outlined below. The fair value is determined by making an estimate of the level of bonus to be paid out following the attainment of personal and company performance conditions.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Total fair value £m	**Vesting period**	Total fair value £m	Vesting period
UK Plans	**10**	**4.2 years**	13	4.2 years

(f) Financial impact

	£m	
	Year ended 31 December 2014	Year ended 31 December 2013
Expense arising from equity settled share and share option plans	**54**	59
Expense arising from cash settled share and share option plans	**61**	40
	115	99
Closing balance of liability for cash settled share awards	**112**	91

H3: Related parties

The Group provides certain pension fund, insurance, banking and financial services to related parties. These are conducted on an arm's length basis and are not material to the Group's results.

(a) Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of directors as well as their shareholdings in the Company are disclosed in the Remuneration Report on pages 94 to 117.

(b) Key management personnel remuneration and other compensation

	Year ended 31 December 2014		Year ended 31 December 2013	
	Number of personnel	**Value £'000**	Number of personnel	Value £'000
Directors' fees	**11**	**1,366**	12	1,313
Remuneration		**22,593**		25,301
Cash remuneration	**12**	**4,931**	13	4,944
Short-term employee benefits	**12**	**7,879**	13	9,700
Long-term employee benefits	**12**	**343**	13	373
Share-based payments	**11**	**9,440**	11	10,284
		23,959		26,614

	Year ended 31 December 2014		Year ended 31 December 2013	
Share options	**Number of personnel**	**Number of options/shares '000s**	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year	**5**	**1,103**	6	1,770
Leavers	**–**	**–**	2	(178)
New appointments	**1**	**7**	1	9
Granted during the year		**22**		–
Exercised during the year		**(1,084)**		(498)
Outstanding at end of the year	**5**	**48**	5	1,103

		Year ended 31 December 2014		Year ended 31 December 2013	
Restricted shares	Notes	**Number of personnel**	**Number of options/shares '000s**	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year		**10**	**20,495**	14	22,557
Leavers		**1**	**(4,230)**	5	(2,121)
New appointments		**1**	**112**	1	576
Granted during the year			**6,041**		5,439
Exercised during the year			**(421)**		(1,505)
Vested during the year			**(4,942)**		(4,451)
Effect of share exchange in connection with the OM Asset Management plc IPO	H2(c)		**(3,283)**	–	–
Outstanding at end of the year		**10**	**13,772**	10	20,495

For the year ended 31 December 2014

H: Other notes continued

H3: Related parties continued

(c) Key management personnel transactions
Key management personnel and members of their close family have undertaken transactions with Old Mutual plc and its subsidiaries, joint ventures and associated undertakings in the normal course of business, details of which are given below. For current accounts positive values indicate assets of the individual whilst for credit cards and mortgages positive values indicate liabilities of the individual.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Number of personnel	Value £000s	Number of personnel	Value £000s
Current accounts				
Balance at beginning of the year	4	2,535	4	1,204
Net movement during the year		(100)		1,331
Balance at end of the year	5	2,435	4	2,535
Credit cards				
Balance at beginning of the year	2	24	4	18
Net movement during the year		5		6
Balance at end of the year	4	29	2	24
Mortgages				
Balance at beginning of the year	1	143	2	219
Net movement during the year		322		(76)
Balance at end of the year	5	465	1	143
Property & casualty contracts				
Total premium paid during the year	4	15	3	13
Claims paid during the year	2	7	–	–
Life insurance products				
Total sum assured/value of investment at end of the year	10	25,739	11	24,498
Pensions, termination benefits paid				
Termination benefits paid	–	–	1	608
Value of pension plans as at end of the year	10	4,889	10	4,838

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external clients generally or, where that is not the case, on the same preferential terms as were available to employees of the business generally.

H4: Contingent liabilities

	£m	
	At 31 December 2014	At 31 December 2013
Guarantees and assets pledged as collateral security	1,325	2,052
Irrevocable letters of credit	181	184
Secured lending	455	304
Other contingent liabilities	6	30

The Group, through its South African banking business, has pledged debt securities amounting to £767 million (2013: £703 million) as collateral for deposits received under re-purchase agreements. These amounts represent assets that have been transferred but do not qualify for derecognition under IAS 39. These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

Contingent liabilities – tax
The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa, the United Kingdom and the United States) routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

South Africa

During the course of 2014 discussions have been ongoing with the South African Revenue Services (SARS) in relation to the tax treatment of investments supporting Fixed Bond products sold by OMLAC(SA) between 2004 and 2013. SARS has submitted an assessment for amounts due. OMLAC(SA) has appealed the assessments and discussions regarding the merits of the OMLAC(SA) treatment of these items are continuing with SARS.

Nedbank litigation

There are a number of legal or potential claims against Nedbank Group Ltd and its subsidiary companies, the outcome of which cannot be foreseen at present.

As previously disclosed, the largest of these potential actions are claims in the High Court against Nedbank by certain shareholders in Pinnacle Point Group Ltd, alleging that Nedbank had a legal duty of care to them arising from a share swap transaction. In 2013 two of these claims of R147 million and of R802 million were dismissed by the North Gauteng High Court. The only claim remaining is for R355 million.

Originally these shareholders and others lodged proceedings with the Securities Regulation Panel (SRP) for an order declaring that an affected transaction took place. The SRP ruled that no affected transaction took place. The last remaining claimant brought an application to the South Gauteng High Court for the review of the SRP ruling. This application was dismissed with costs on 15 November 2013. The applicant filed a notice to apply for leave to appeal this judgment, and on 16 July 2014 the Supreme Court of Appeal ruled in Nedbank's favour by refusing the application.

During 2011 further actions were instituted against Nedbank by other stakeholders for R210 million and by Absa Bank Limited for R773 million. In both these actions Nedbank have filed exceptions against the claims. On 25 August 2014, the R210 million claim was withdrawn.

Nedbank and its legal advisers remain of the opinion that the remaining claims are ambitious, and that the remaining claimants will have great difficulty succeeding.

Consumer protection

Old Mutual is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and treating customers fairly is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

H5: Commitments

Capital commitments

The Group's capital commitments are detailed in the table below. The Group's management is confident that future net revenues and funding will be sufficient to cover these commitments.

£m

	At 31 December 2014	At 31 December 2013
Investment property	**76**	85
Property, plant and equipment	**86**	52

Commitments to extend credit to customers

The following table presents the contractual amounts of the Group's financial instruments not included in the statement of financial position that commit it to extend credit to customers.

£m

	At 31 December 2014	At 31 December 2013
Original term to maturity of one year or less	**1,428**	2,139
Original term to maturity of more than one year	**1,891**	1,413
Other commitments, note issuance facilities and revolving underwriting facilities	**2,101**	1,709

Assets are pledged as collateral under repurchase agreements with other financial institutions and for security deposits relating to local futures, options and stock exchange memberships. Mandatory reserve deposits are also held with local Central Banks in accordance with local statutory requirements. These deposits are not available to finance the Group's day-to-day operations.

Commitments under the Group's operating lease arrangements are described in note H6.

For the year ended 31 December 2014

H: Other notes continued

H6: Operating lease arrangements

(a) The Group as lessee

£m

Outstanding commitments under non-cancellable operating leases, fall due as follows:	At 31 December 2014 Banking	Non-banking	Total	At 31 December 2013 Banking	Non-banking	Total
Within one year	**56**	**9**	**65**	58	9	67
In the second to fifth years inclusive	**123**	**20**	**143**	138	28	166
After five years	**144**	**28**	**172**	154	33	187
	323	**57**	**380**	350	70	420

(b) The Group as lessor

£m

Assets subject to operating leases	At 31 December 2014	At 31 December 2013
Land	**7**	6
Buildings	**1**	35
Investment property	**1,678**	1,811
	1,686	1,852

£m

Future undiscounted minimum lease payments of contracts with tenants	At 31 December 2014	At 31 December 2013
Within one year	**64**	55
In the second to fifth years inclusive	**140**	134
After five years	**65**	62
	269	251

H7: Fiduciary activities

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of misadministration or under-performance.

H8: Businesses acquired during the year

(a) Acquisition of subsidiaries during the year

The Group continued to expand operations through the following completed acquisitions:

Acquiree	Country	Nature of business	Consideration £m	Shares acquired	Effective date
Faulu Kenya DTM LTD	Kenya	Banking	20	67%	1 April 2014
Intrinsic Financial Services	United Kingdom	Financial adviser network	98	100%	1 July 2014
Old Mutual Finance (Pty) Ltd	South Africa	Lending	63	75%	1 September 2014

The results from the above acquisitions have been consolidated for the 31 December 2014 financial year.

The table below sets out the consolidated assets and liabilities acquired as a result of these acquisitions:

£m	Acquirees' carrying amount	Fair value
Assets		
Intangible assets	5	100
Property, plant and equipment	20	20
Loans and advances	498	498
Cash and cash equivalents	75	75
Trade, other receivables and other assets	15	15
Total assets	**613**	**708**
Liabilities		
Borrowed funds	(335)	(335)
Amounts owed to bank depositors	(69)	(69)
Deferred tax liabilities	–	(8)
Trade, other payables and other liabilities	(130)	(129)
Total liabilities	**(534)**	**(541)**
Total net assets acquired	**79**	**167**
Total value of the business		322
Consideration		181
Fair value of stake in investment already held		88
Non-controlling interests recognised		53
Goodwill recognised		**155**

£171 million of the £181 million consideration was paid in cash.

Goodwill of £155 million has been recognised on these acquisitions. Goodwill arose on the acquisition of these businesses due to their ability to add to the distribution footprint of the Group. These acquisitions are expected to facilitate the cross selling of Group markets into the client base of the acquirees. A control premium of £19 million was paid on the acquisition of Old Mutual Finance (Pty) Ltd as it allows the full integration of the business into the Group. The goodwill is not expected to be deductible for tax purposes. Refer to note F1 for further analysis of the goodwill recognised.

The carrying value of assets and liabilities in the entities' statement of financial position on acquisition date approximates the fair value of these items determined by the Group, with the exception of loans and advances and intangible assets.

The loans and advances recognised by the Group have been fair valued by £28 million, based on forecasted cash flows and a risk adjusted interest rate curve, taking into account the nature of the loans and advances.

Additional intangible assets of £67 million have been recognised and relate to customer distribution channels (£41 million) and other intangible assets (£26 million). The value of the intangible assets was determined by applying cash flows to standard industry valuation models. An indemnification asset of £9 million has been recognised due to warranties granted by the sellers for future claims based on previous business conducted.

Non-controlling interests of £53 million have been recognised as a result of the acquisition based on the full fair value of all the businesses acquired. The Group has included £13 million in net profit attributable to equity holders of the parent since the effective date of the acquisitions of the subsidiaries.

(b) Disposals of subsidiaries during the year

As discussed in note A2, Old Mutual Wealth disposed of a number of its European businesses during the year. The principal assets and liabilities that were disposed of were goodwill (£86 million), intangible assets (£130 million), investments and securities (£4,469 million) and long-term business policyholder liabilities (£4,438 million). In addition, the businesses disposed held cash of £76 million at the date of disposal.

For the year ended 31 December 2014

H9: Events after the reporting date

Acquisition of UAP Holdings Limited

On 9 January 2015, the Group announced that it acquired a 23.3% stake in UAP Holdings Limited (UAP), an investment, retirement and insurance group that operates in East Africa, for a consideration of KES 9 billion (£64 million). UAP will be treated as an associated undertaking from 9 January 2015.

Subsequently, on 26 January 2015, the Group announced it acquired an additional 37.3% (second tranche) of UAP for a consideration of KES 14 billion (£103 million), subject to regulatory approval. The transaction will increase the Group's total holding to 60.7% and will result in the Group consolidating UAP. The acquisition of the second tranche is expected to be completed in the first half of 2015.

Disposal of Skandia France and Luxembourg

On 2 February 2015, the Group announced that it had completed the disposal of Skandia France and Luxembourg. These businesses have been treated as held for sale for year-end reporting purposes. Refer to note A2 for further information.

Acquisition of Quilter Cheviot

On 25 February 2015, the Group announced that it had completed the acquisition of Quilter Cheviot. The transaction was initially announced on 17 October 2014. There have been no significant changes to the terms initially announced and the Group awaits the transaction completion financial statements of Quilter Cheviot in order to finalise its purchase price accounting.

Maturity of the Nedbank BEE schemes

The various BEE schemes that reached their maturity dates on 1 January 2015 will be rationalised through a specific repurchase of Nedbank Group shares. The repurchased shares will not have a significant impact on the consolidated financial position of the Group and will be delisted, cancelled and reinstated as authorised but unissued shares. Following this, the Community Trust, which matures in 2030, will subscribe for Nedbank Group shares to maintain its shareholding in the Group.

Maturity of the Old Mutual South Africa (including Mutual & Federal) BEE schemes

The various BEE schemes that reached their maturity dates on 1 January 2015 will be concluded through the settlement of the notional loan accounts. Furthermore, certain other schemes will reach their maturity dates on 1 May 2015 and will be concluded in a similar way. The treatment of the shares will not have a significant impact on the consolidated financial position of the Group, however the Group expects to receive cash on the settlement of these loans.

I: Discontinued operations and disposal groups held for sale

I1: Discontinued operations

Amounts disclosed in relation to discontinued operations relate to the sale, in 2012, of the Group's Swedish, Danish and Norwegian life businesses (Nordic) and in 2011 of US Life. The Nordic disposal was completed on 21 March 2012 and the US Life disposal was completed on 7 April 2011. The Group continued to incur costs directly related to the sale of these businesses relating to the transition of IT and other services, legal costs and intellectual property.

Income statement from discontinued operations

£m	**Year ended 31 December 2014**	Year ended 31 December 2013
Loss before tax from discontinued operations – trading activities (expenses)	**(35)**	(26)
(Loss)/profit on disposal	**(19)**	27
(Loss)/profit before tax from discontinued operations	**(54)**	1
Income tax credit	**4**	2
(Loss)/profit after tax from discontinued operations	**(50)**	3

I2: Non-current assets and liabilities

On 2 February 2015, the Group announced that it had completed the sale of Skandia France and Luxembourg, part of the Old Mutual Wealth business. These businesses have been classified as held for sale at reporting date due to the imminence of the disposal. Total assets to the value of £1,319 million (including £1,259 million of investments and securities), and total liabilities to the value of £1,285 million, (including £1,263 million of long-term business policyholder liabilities) have been classified as held for sale.

A further loss of approximately £6 million will be reported on the disposal of the business as the proceeds received will be insufficient to recover the net asset values of the businesses.

On 12 January 2015, the Group agreed to dispose of the remaining portion of the Menlyn Shopping Centre in South Africa for £156 million (R2,800 million). This transaction is subject to Competition Commission approval and transfer by the South African Deeds Office. As part of the transaction the Group agreed to acquire the remaining share of the Cavendish Shopping Centre for £61 million (R1,100 million). These assets form part of the policyholder assets and therefore this transaction has no impact on profit or loss of the Group.

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	At 31 December 2014	Restated At 31 December 2013
Assets			
Investments in Group subsidiaries	2	**5,729**	5,760
Investments and securities	3	**347**	153
Investments in associated undertakings and joint ventures	4	**26**	26
Trade, other receivables and other assets	5	**4,172**	4,263
Derivative financial instruments – assets	6	**71**	62
Cash and cash equivalents		**652**	391
Total assets		**10,997**	10,655
Liabilities			
Borrowed funds	7	**679**	643
Provisions	8	**–**	2
Trade, other payables and other liabilities	9	**4,403**	4,299
Derivative financial instruments – liabilities	6	**1**	–
Total liabilities		**5,083**	4,944
Net assets		**5,914**	5,711
Equity			
Equity attributable to equity holders of the parent		**5,914**	5,711
Total equity		**5,914**	5,711

The Company's financial statements on pages 229 to 237 were approved by the Board of Directors on 28 February 2015.

Julian Roberts
Group Chief Executive

Ingrid Johnson
Group Finance Director

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	**399**	15
Recognition of impairment losses	**108**	–
Fair value movement on derivatives and borrowed funds	**28**	11
Foreign exchange movement on assets and liabilities	**(15)**	(2)
Non-cash movements in profit before tax	**121**	9
Other operating assets and liabilities	**(98)**	274
Changes in working capital	**(98)**	274
Net cash inflow from operating activities	**422**	298
Acquisition of interests in subsidiaries, associates and strategic investments	**(89)**	–
Disposal of interests in subsidiaries, associates and joint ventures	**23**	158
Other investing cash flows	**(193)**	16
Net cash (outflow)/inflow from investing activities	**(259)**	174
External interest received	**38**	38
External interest paid	**(60)**	(65)
Intercompany interest (paid)	**(152)**	(149)
Dividends paid to:		
Ordinary shareholders of the Company	**(184)**	(162)
Equity minority interests and preferred shares	**(33)**	(47)
Net proceeds from issue of ordinary shares	**12**	11
Net purchase of treasury shares	**(17)**	(14)
Other debt repaid	**–**	(156)
Loan financing received from Group companies	**494**	150
Net cash inflow/(outflow) from financing activities	**98**	(394)
Net increase in cash and cash equivalents	**261**	78
Cash and cash equivalents at beginning of the period	**391**	313
Cash and cash equivalents at end of the year	**652**	391

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Year ended 31 December 2014	Millions Number of shares issued and fully paid	£m Share capital	Share premium	Other Reserves	Retained earnings*	Perpetual preferred callable securities	Total
Shareholders' equity of the Company at beginning of the year	4,896	560	845	1,832	1,948	526	5,711
Profit for the year	–	–	–	–	399	33	432
Items that will not be reclassified subsequently to profit and loss							
Actuarial gain on defined benefit plan	–	–	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	–	397	33	430
Dividends for the year	–	–	–	–	(217)	(33)	(250)
Merger reserve realised	–	–	–	(375)	375	–	–
Net purchase of treasury shares	–	–	–	–	(17)	–	(17)
Other movements in share capital and share-based payment reserve	10	–	12	–	12	–	24
Fair value of equity settled share options	–	–	–	16	–	–	16
Shareholders' equity of the Company at end of the year	4,906	560	857	1,473	2,498	526	5,914

*Included within retained earnings of £2,498 million (2013: £1,948 million) are distributable reserves of £2,495 million (2013: £1,928 million)

Year ended 31 December 2013	Millions Number of shares issued and fully paid	£m Share capital	Share premium	Other Reserves	Retained earnings*	Perpetual preferred callable securities	Total
Shareholders' equity of the Company at beginning of the year – restated	4,892	559	835	1,815	2,174	682	6,065
Profit for the year	–	–	–	–	15	47	62
Actuarial loss on defined benefit plan	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	18	47	65
Dividends for the year	–	–	–	–	(209)	(47)	(256)
Preferred securities purchased	–	–	–	–	(35)	(156)	(191)
Other movements in share capital and share-based payment reserve	4	1	10	–	–	–	11
Fair value of equity settled share options	–	–	–	17	–	–	17
Shareholders' equity of the Company at end of the year	4,896	560	845	1,832	1,948	526	5,711

Other reserves	£m At 31 December 2014	At 31 December 2013
Merger reserve	**1,342**	1,717
Share-based payment reserve	**107**	91
Cancellation of treasury shares	**24**	24
Attributable to equity holders of the Company at the end of the year	**1,473**	1,832

For the year ended 31 December 2014

1 Financial assets and liabilities

Company statement of financial position

The Company is principally involved in the management of its investments in subsidiaries, with its risks considered to be consistent with those in the operations themselves. Full details of the financial risks are provided in the Group financial statements, note E1. The most important components of financial risk for the Company itself are interest rate risk, currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

(a) Categories of financial instruments

The financial instruments of the Company consist of derivative assets and liabilities, both of which are treated as held-for-trading, other assets and cash and cash equivalents which are treated as loan and receivables, borrowed funds of which £565 million is designated as fair value through the income statement and £114 million at amortised cost (2013: £531 million and £112 million respectively) and other liabilities which are also measured at amortised cost. For financial assets and liabilities measured at fair value through the income statement, the hierarchy classification (as detailed in the Group financial statements, note E1(p)) of derivative assets and liabilities is level 2 and borrowed funds level 1.

(b) Capital risk management

Old Mutual plc is the holding company of the Group and is responsible for the raising and allocation of capital in line with the Group's capital management policies set out in note E1 to the consolidated financial statements and for ensuring the operational funding and regulatory capital needs of the holding company and its subsidiaries are met at all times.

(c) Currency risk

The Company is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows through the impact that currency movements have on its derivatives. The principal foreign currency risk arises from the fact that the Company's functional currency is Pounds Sterling, whereas the functional currencies of its principal operations are South African rand, US dollar and Euro. The exposure of the Group to currency risk is disclosed in the Group financial statements, note E1(s). The Company hedges some of this currency translation risk through currency swaps, currency borrowings and forward foreign exchange rate contracts. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts and currency swap agreements. A 10% deterioration in the values of the major currencies the Company is exposed to in relation to GBP would result in a decrease in the Company's equity holders' funds of £66 million (2013: increase of £63 million).

(d) Credit risk

The Company is principally exposed to credit risk through its derivative asset positions, investments and securities, holdings of cash and cash equivalents and the ability of its subsidiaries to repay amounts due to the Company, which it holds to back shareholder liabilities. The exposure of the Group to credit risk is disclosed in the consolidated financial statements, note E2. Credit risk is managed by placing limits on exposures to any single counterparty, or groups of counterparties and to geographical and industry segments. Credit risk is monitored with reference to established credit rating agencies with limits placed on exposure to below investment grade holdings or the financial position of companies within the Group. Of the Company's financial assets bearing credit risk, derivative assets, investment and securities, bonds and cash and cash equivalents are rated as investment grade (being AAA to BBB for Standard & Poor's or an equivalent). The other financial assets bearing credit risk are not rated.

(e) Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets, liabilities and capital.

The Company employs currency and interest rate swap transactions to mitigate against the impact of changes in the fair values of its borrowed funds. Details of the arrangements in place are shown in the Group financial statements note E7 (Hedge accounting).

(f) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company has net current assets of £387 million (2013: £429 million), all of which represent liabilities to other Group companies. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows of both the Company and its subsidiaries.

The key information reviewed by the Company's executive directors and Executive Committee, together with the Capital Management Committee, is a detailed management report on the Company's current and planned capital and liquidity position. Forecasts are updated regularly based on when new information is received, and as part of the annual business planning cycle. The Company's liquidity and capital position and forecast is presented to the Company's Board of Directors on a regular basis.

Further information on liquidity and the Company's cash flows is contained in other sections of this Annual Report, for example the business review and Group Finance Director's statement.

2 Principal subsidiaries

	£m	
	At 31 December 2014	At 31 December 2013
Balance at beginning of the year	**5,760**	8,151
Additions	**102**	17
Disposal	**(23)**	(2,370)
Impairments	**(110)**	(39)
Balance at end of the year	**5,729**	5,760

On 14 April 2014, the Company sold 970,384 shares of its investment in Old Mutual Wealth Management Limited to Old Mutual Wealth JSOP Trust No 1, for £15 million.

On 4 April 2014, the Company received a return of capital from Old Mutual Plc Brands AB of £8 million.

On 19 May 2014, the Company purchased an additional 88,900,000 ordinary shares of £1 each in OM Group (UK) Limited for cash.

During 2014, the Company impaired its investments in Skandia UK Limited, Old Mutual Europe GmbH and Old Mutual Plc Brands AB by £5 million, £103 million and £2 million respectively.

Included within additions is the Company's investment in subsidiary undertakings in respect of movements on the share-based payments (£13 million).

The principal subsidiary undertakings of the Company are as follows:

At 31 December 2014	Country of incorporation	Class of shares	% interest held
OM Group (UK) Ltd	England and Wales	Ordinary	100
Old Mutual Wealth Management Ltd	England and Wales	Ordinary	100
Old Mutual Europe GmbH	England and Wales	Ordinary	100
Old Mutual PLC Brands AB	Sweden	Ordinary	100

A complete list of subsidiaries is filed with the UK Registrar of Companies with the annual return. All the above companies have a year end of 31 December.

3 Investments and securities

	£m	
	At 31 December 2014	At 31 December 2013
Government and government-guaranteed securities	**50**	55
Other debt securities, preference shares and debentures	**297**	98
Total investment and securities	**347**	153

The government and government-guaranteed securities above are all rated AAA. The intention is to hold these investments to maturity. Other debt securities, preference shares and debentures are all rated AAA-BBB. The intention is to hold these investments to maturity.

4 Investments in associated undertakings

The Company holds the following interest in associated undertakings:

			£m	
	Country of operation	% interest held	**At 31 December 2014**	At 31 December 2013
Kotak Mahindra Old Mutual Life Insurance Limited	India	26	**26**	26

Financials

For the year ended 31 December 2014

5 Other assets

Year ended 31 December 2014	At 31 December 2014 £m	At 31 December 2013 £m
Other receivables	–	12
Corporation tax receivable	3	3
Accrued interest and rent	3	3
Other prepayments and accrued income	5	3
Amounts owed by Group undertakings		
Amounts falling due within one year	49	231
Amounts falling due after one year	4,112	4,011
Total other assets	**4,172**	4,263

6 Derivative financial instruments

The following tables provide a detailed breakdown of the fair values of the Company's derivative financial instruments outstanding at the year end. These instruments allow the Company to transfer, modify or reduce foreign exchange and interest rate risks.

The Company undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with whom it deals, and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Company.

£m

	At 31 December 2014		At 31 December 2013	
	Fair values		Fair values	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts				
Swaps	3	–	11	–
Forwards	1	1	12	–
Total	4	–	23	–
Interest rate contracts				
Swaps	67	–	39	–
Total	71	1	62	–

The contractual maturities of the derivative liabilities held are as follows:

£m

At 31 December 2014	Balance sheet amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	No contractual maturity date	Total
Derivative financial liabilities	1	1	–	–	–	–	1
At 31 December 2013							
Derivative financial liabilities	–	–	–	–	–	–	–

7 Borrowed funds

	At 31 December 2014 £m	At 31 December 2013 £m
Senior debt securities and term loans	**114**	112
Subordinated debt securities	**565**	531
Total borrowed funds	**679**	643

	At 31 December 2014 £m	At 31 December 2013 £m
Fair valued through income statement	**565**	531
Amortised cost	**114**	112
Total borrowed funds	**679**	643

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year end exchange rates. In addition to the contractual cash flows detailed below, the Company is obligated to make interest payments on borrowed funds, details of which are in the Group financial statements in note E9.

	At 31 December 2014 £m	At 31 December 2013 £m
Greater than 1 year and less than 5 years	**112**	112
Greater than 5 years	**500**	500
Borrowed funds	**612**	612

Additional details of these borrowings and undrawn facilities are included in the Group financial statements in note E9.

8 Provisions

	Notes	At 31 December 2014 £m	At 31 December 2013 £m
Post employment benefits	7	**–**	2
Total provisions		**–**	2

9 Post employment benefits

The Company holds a provision in respect of the Old Mutual Staff Pension Fund Defined Benefit pension scheme, which provides benefits based on final pensionable pay for members within the Group. The assets of the scheme are held in separate trustee administered funds. Pension costs and contributions relating to the scheme are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to the scheme, together with existing assets, are adequate to secure members' benefits over the remaining lives of participating employees. The scheme is reviewed on a triennial basis. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. During the year two employees (2013: two) were directly employed by the Company. The costs for these Directors and ex-Directors are disclosed within the Remuneration Report on pages 94 to 117.

For the year ended 31 December 2014

	£m	
	Pension plans	
Liability for defined benefit obligation	**At 31 December 2014**	At 31 December 2013
Change in projected benefit obligation		
Projected benefit obligation at beginning of the year	**68**	68
Interest cost on benefit obligation	**3**	3
Benefits paid	**(2)**	(1)
Actuarial losses/(gains)	**8**	(2)
Projected benefit obligation at end of the year	**77**	68
Change in plan assets		
Plan assets at fair value at beginning of the year	**66**	60
Actual return on plan assets	**9**	3
Benefits paid	**(2)**	(1)
Company contributions	**4**	4
Plan assets at fair value at end of the year	**77**	66
Net liability recognised in balance sheet		
Funded status of plan	**–**	2
Net amount recognised in balance sheet	**–**	2
Expense recognised in the income statement	**(1)**	(1)

Actuarial assumptions used in calculating the projected benefit obligation are based on relevant mortality estimates, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries. The expected returns on plan assets have been determined on the basis of long-term expectations, the carrying value of the assets and the market conditions at the balance sheet date specific to the relevant locations. The detailed actuarial assumptions can be viewed on the Group's website at www.oldmutual.com.

	%	
	Pension plans	
	At 31 December 2014	At 31 December 2013
Equity securities	**35**	46
Debt securities	**64**	52
Other investments	**1**	2

10 Other liabilities

	£m	
	At 31 December 2014	At 31 December 2013
Accruals and deferred income	**19**	19
Corporation tax	**17**	15
Amounts owed to Group undertakings:		
Amount falling due within one year	**706**	396
Amount falling due after one year	**3,661**	3,869
Total other liabilities	**4,403**	4,299

11 Contingent liabilities

In February 2008, the Company issued a guarantee to a third party over a subsidiary's (Old Mutual Bermuda Limited) obligations under the reinsurance contracts relating to the offshore investment products sold by a third party. The maximum payment under this guarantee is $250 million. This guarantee is accounted for as an insurance contract and payments will only arise should Old Mutual Bermuda be unable to meet its obligations under the relevant reinsurance contracts as they fall due.

12 Related parties

Old Mutual plc enters into transactions with its subsidiaries in the normal course of business. These are principally related to funding of the Group's businesses and head office functions. Details of loans, including balances due from/to the Company accounts are set out below. Disclosures in respect of the key management personnel of the Company are included in the Group accounts related parties disclosures in note G3.

There are no transactions entered into by the Company with associated undertakings.

£m

	At 31 December 2014	At 31 December 2013
Balances due from subsidiaries	**4,161**	4,242
Balances due to subsidiaries	**(4,367)**	(4,264)
Balances due from other related parties – Fairbarn Trust Company Limited	**2**	2

Income statement information

£m

	Year ended 31 December 2014			Year ended 31 December 2013		
At 31 December 2014	**Interest paid**	**Ordinary dividends received**	**Other amounts paid**	Interest paid	Ordinary dividends received	Other amounts paid
Subsidiaries	**23**	**632**	**(31)**	(31)	147	(99)

Financials

SHAREHOLDER INFORMATION

Listings and shares in issue

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Limited (JSE). The primary listing, which is known as a premium listing, is on the London Stock Exchange and the other listings are all secondary listings. The Company's secondary listing on the Stockholm Stock Exchange ended in September 2007, but the Company's shares may still be traded on the Xternal list of the Nordic Exchange in Stockholm.

The ISIN number of the Company's ordinary shares of 11³⁄₇p each is GB00B77J0862 and the SEDOL is B77J086.

The 11³⁄₇p nominal value of the Company's shares reflects the seven-for-eight share consolidation that took place in April 2012. If your shareholding is certificated and you have not yet surrendered your old certificate for shares of 10p each for replacement by a certificate representing your consolidated shareholding, please contact our share registrars, whose details are set out later in this section.

The high and low closing prices of the Company's shares during 2014 and 2013 on the two main markets on which they are listed were as follows:

	2014 High	2014 Low	2013 High	2013 Low
London Stock Exchange	**209.4p**	**169.5p**	221.6p	170.8p
JSE	**R37.10**	**R30.00**	R33.89	R24.49

At 31 December 2014, the Company had approximately 470,000 underlying shareholders. Many of our retail shareholders hold their shares through Company-sponsored nominee arrangements, as described in the footnote to the second table below.

In more detail, the geographical analysis and shareholder profile of the Company's share register at 31 December 2014 were as follows:

Register	Total shares	% of whole	Number of holders
UK	2,062,335,185	42.03	10,367
South Africa	2,772,451,849	56.50	27,831
Zimbabwe	54,734,804	1.12	29,179
Namibia	12,484,143	0.25	515
Malawi	4,614,238	0.10	4,521
Total	**4,906,620,219**	**100**	**72,413**

Source: Equiniti/Link Market Services

Size of holding	Total shares	% of whole	Number of holders
1-1,000	19,530,617	0.40	62,572
1,001-10,000	21,635,333	0.44	8,213
10,001-100,000	31,091,763	0.63	1,031
100,001-250,000	30,555,361	0.62	196
250,001+	4,803,807,145	97.91	401
Total	**4,906,620,219**	**100**	**72,413**

Source: Equiniti/Link Market Services

Note
The registered shareholdings on the South African branch register included PLC Nominees (Pty) Limited, which held a total of 2,752,729,732 shares, including 260,745,806 shares held for the Company's sponsored nominee, Old Mutual (South Africa) Nominees (Pty) Limited, for the benefit of 386,762 underlying beneficial owners. The registered shareholdings on the Zimbabwe branch register included Old Mutual Zimbabwe Nominees (Pvt) Limited, which held a total of 678,313 shares as nominee for 3,466 underlying beneficial owners. The registered shareholdings on the Namibian section of the principal register included Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 5,766,202 shares as nominee for 6,702 underlying beneficial owners. The registered shareholdings on the Malawi branch register included Old Mutual (Blantyre) Nominees Limited, which held a total of 55,179 shares as nominee for 136 underlying beneficial owners.

Registrars

The Company's share register is administered by the Global Share Alliance in conjunction with local representatives in various jurisdictions. The Global Share Alliance replaced the Company's previous share registrars, Computershare Investor Services, with respect to the UK and South African registers, from 1 September 2014. The following are the relevant contact details:

UK

Equiniti Limited
Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA
Tel no: 0871 384 2878 (if calling from the UK)
Tel no: +44 121 415 0833 (from overseas)
Website for shareholder information and queries: www.shareview.co.uk

South Africa

Link Market Services South Africa (Pty) Ltd
13th Floor Rennie House, 19 Ameshoff Street
Braamfontein, Johannesburg 2001
PO Box 10462, Johannesburg, 2000
Tel no: +27 (0)86 140 0110
Email: oldmutualenquiries@linkmarketservices.co.za

Malawi

National Bank of Malawi
Legal Department
Cnr Victoria Avenue & Henderson Street
Blantyre
(PO Box 1438, Blantyre, Malawi)
email: nbminvestment@natbankmw.com
Tel: +265 182 0622/0054

Namibia

Transfer Secretaries (Pty) Limited
4 Robert Mugabe Avenue, Windhoek
(PO Box 2401, Windhoek)
Tel: +264 (0)61 227647
Fax: +264 (0)61 248531
email: ts@nsx.com.na

Zimbabwe

Corpserve Registrars (Pvt) Ltd
2nd Floor, ZB Centre
Cnr 1st Street and K. Nkrumah Avenue
Harare
(PO Box 2208, Harare, Zimbabwe)
Tel: +263 (0)4 751559/61
Fax: +263 (0)4 752629
email: enquiries@corpserve.co.zw

Dealings in the Company's shares on the JSE

All transactions in the Company's shares on the JSE are required to be settled electronically through Strate, and share certificates are no longer good for delivery in respect of such transactions. Shareholders who have any enquiries about the effect of Strate on their holdings in the Company should contact Link Market Services in Johannesburg on +27 (0)86 140 0110.

Dealings in the Company's shares on the Zimbabwe Stock Exchange

With effect from 2 March 2015, all transactions in the Company's shares on the Zimbabwe Stock Exchange will be required to be settled in dematerialised form, and share certificates will no longer be good for delivery in respect of such transactions. The Company will shortly be sending a circular to its registered shareholders on the Zimbabwe branch register explaining the consequences of this and inviting them to demateralise their certificated shareholdings through an Issuer-Sponsored Nominee Programme. Shareholders on the Zimbabwe branch register who have any enquiries about dematerialising their holdings in the Company should refer to this circular (which is also available on the Company's website) or, in case of doubt, contact Corpserve Registrars on +263 (0)4 751559/61.

Electronic communications and electronic proxy appointment

The Company wrote to shareholders on its South African branch register and on the principal and Namibian sections of its UK register in November 2012 to inform them that it was moving to e-comms as the default form of communication, in line with provisions in the UK Companies Act 2006 and the Company's Articles of Association. Shareholders who wished to continue to receive physical copies of shareholder communications, rather than accessing these from the Company's website, were required to notify the Company's registrars of their election to do so by 4 January 2013. A similar process was followed, with different applicable dates, for new shareholders who bought shares between November 2012 and 15 August 2014. Such mailings will now take place for new shareholders annually.

A further exercise to extend these arrangements to shareholders on the Malawi branch register took place during 2014. For the time being, these arrangements have not been extended to apply to shareholders on the Zimbabwe branch register, but the Company plans to keep the possibility of doing so under review.

If you are currently still receiving documents by post, but would like to receive notification of future communications from the Company by email, please log on to our website, www.oldmutual.com, select 'Investor Relations', then 'Shareholder Centre', then click on 'Shareholder investor centre' and follow the instructions to log into the Investor Centre. In order to register, you will need your Shareholder Reference Number, which can be found on the payment advice notice or tax voucher accompanying your last dividend payment or notification. Before you register, you will be asked to agree to the Terms and Conditions for Electronic Communications with Shareholders. It is important that you read these Terms and Conditions carefully, as they set out the basis on which electronic communications will be sent to you. Any election to receive documents electronically will generally remain in force until you contact the Company's Registrars (via the applicable online address set out earlier in this section of the Report or otherwise) to terminate or change such election.

Electronic proxy appointment is available for this year's Annual General Meeting. This enables proxy votes to be submitted electronically, as an alternative to filling out and posting a form of proxy. Further details are set out on the form of proxy, which can be accessed in the AGM section of the Shareholder Information part of our website.

Final dividend for the year ended 31 December 2014 and timetable for payment

The Board is recommending a final dividend (the 'Final Dividend') for the year ended 31 December 2014 of 6.25p per share, which will be paid on 29 May 2015, subject to being approved by shareholders at the Company's 2015 Annual General Meeting. Shareholders on the South African, Zimbabwe and Malawi branch registers and the Namibian section of the principal register will be paid their local currency cash equivalents of the Final Dividend under dividend access trust or similar arrangements established in each country. Shareholders who hold their shares through Euroclear Sweden AB, the Swedish nominee, will be paid the cash equivalent of the Final Dividend in Swedish kronor. Local currency cash equivalents of the Final Dividend for all five territories will be determined by the Company using exchange rates prevailing at the close of business on 9 April 2015 and will be announced by the Company on 10 April 2015.

A scrip dividend alternative is not being made available in relation to the Final Dividend and it will be settled wholly in cash.

SHAREHOLDER INFORMATION continued

The full timetable for the Final Dividend is set out below.

Currency conversion date	Thursday, 9 April 2015
Exchange rates announced	Friday, 10 April 2015
Last day to trade cum dividend for shareholders on the branch registers in South Africa, Malawi and Zimbabwe and on the Namibian section of the principal register	Friday, 17 April 2015
Ex-dividend date for shareholders on the branch registers in South Africa, Malawi and Zimbabwe and on the Namibian section of the principal register	Monday, 20 April 2015
Transfers suspended between registers	opening of business on Monday, 20 April 2015
Last day to trade cum dividend for shareholders on the UK register	Wednesday, 22 April 2015
Ex-dividend date for shareholders on the UK register	Thursday, 23 April 2015
Record date (all locations)	close of business on Friday, 24 April 2015
Transfers between registers recommence	opening of business on Monday, 27 April 2015 or (for South Africa) Tuesday, 28 April 2015
Annual General Meeting	Thursday, 14 May 2015
Final Dividend Payment Date	Friday, 29 May 2015

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between 20 and 24 April 2015, both dates inclusive, and transfers between the registers may not take place during that period.

Financial calendar for the rest of 2015

The Company's financial calendar for the rest of 2015 is as follows:

Annual General Meeting and First Quarter Interim Management Statement	14 May 2015
Interim results	6 August 2015
Interim dividend payment date	30 October 2015
Third Quarter Interim Management Statement	4 November 2015
Final results for 2015	March 2016

Forward-looking statements

This report contains certain forward-looking statements with respect to Old Mutual plc's and its subsidiaries' plans and expectations relating to their financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and general economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in territories where Old Mutual plc or its subsidiaries operate.

As a result, Old Mutual plc's or its subsidiaries' actual future financial condition, performance and results may differ materially from the plans and expectations set forth in such forward-looking statements. Old Mutual plc undertakes no obligation to update any forward-looking statements contained in this Report or any other forward-looking statements that it may make.

Acknowledgements

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Registered Office:
5th Floor
Millennium Bridge House
2 Lambeth Hill
London EC4V 4GG

www.oldmutual.com