NEWS **RELEASE**

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27 February 2015

Old Mutual plc preliminary results for the year ended 31 December 2014

Strong financial performance

- Adjusted operating profit (AOP) of £1.6 billion up 16% in constant currency, flat in reported currency
- AOP earnings per share 17.9p up 13% in constant currency, down 3% in reported currency
- Final dividend of 6.25p up 4%, with a total dividend of 8.7p up 7%
- Net client cash flow of £4.9 billion
- FUM at £319.4 billion up 6% in constant currency, 9% in reported currency
- £653 million net free surplus generated
- Group ROE 13.3%, within target range of 12-15%
- The Group has appropriate and resilient levels of capital, liquidity and leverage

Transforming our future prospects in our chosen markets

- Building an African financial services champion, with £593 million committed to date:
  - Acquisition of UAP gives Old Mutual significant scale and broad product offering in fast-growing East African markets
  - Nedbank acquisition of 20% stake in ETI provides banking access across 36 African countries
  - 1.8 million new customers in Africa; 15.8 million African customers in total
- Building the leading retail investment business in the UK:
  - Quilter Cheviot acquisition completed 25 February 2015: provides high quality discretionary investment management capability
  - Gross proceeds of European disposals and OMAM IPO (£562 million) redeployed into Quilter Cheviot acquisition (£585 million)
  - Good progress in vertical integration: over 30% of NCCF into OMGI from Platform; OMGI now managing 12% of Platform FUM
- Successful IPO of OM Asset Management (OMAM) provides the business with the financial flexibility to grow

Focus on strategic and operational delivery and driving returns from our investments

- Old Mutual Emerging Markets strong growth in South Africa, profits up 25%
- Nedbank profits up 14%
- Old Mutual Wealth NCCF £3.7 billion, up 61%, with open book NCCF of £4.8 billion
- OMAM NCCF £5.8 billion
- Focus on integrating acquisitions to drive growth in our markets

Julian Roberts, Group Chief Executive, commented:

"I am delighted with the way the Group has performed in 2014. We are executing our strategy in a sustainable and profitable way. We have taken significant steps in building an African financial services champion. Old Mutual in South Africa grew profits by 25%, Nedbank grew profits by 14% and collaboration amongst our South African business continues. In the Rest of Africa, we are seeing steady growth which we expect to accelerate following the acquisition of UAP and investment in ETI.

"This has been a watershed year in our efforts to build the UK's leading retail investment business. Old Mutual Wealth has substantially completed its investment in building a modern UK retail investment company with its acquisition of Quilter Cheviot, in addition to Intrinsic earlier in the year. We are already seeing the benefits of our vertically integrated model and we are ready for the introduction of the liberalised pension regime on 6th April. OMAM has had an exceptionally good year with profits up 32% and a successful listing on the New York Stock Exchange.

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

Old Mutual plc preliminary results for the year ended 31 December 2014

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Notes to the financial summary on the front page of this announcement

- All figures refer to core continuing operations. Core continuing operations exclude the results of the Bermuda business, which is classified as non-core.
- Constant currency figures are calculated by translating local currency prior-period figures at the prevailing exchange rates for the period under review.
- 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 the notes in Part 4 of these preliminary results and, as such, it is a non-GAAP measure.

  For core life assurance and property and 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.

Cautionary statement

This announcement contains forward-looking statements relating to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all 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, global, UK and South African, 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, 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 affiliates operate.

As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in its forward-looking statements. Old Mutual plc undertakes no obligation to update any forward-looking statements contained in this announcement or any other forward-looking statements that it may make.

Notes to editors

A webcast of the presentation on the preliminary results and Q&A will be broadcast live at 09:00 am GMT (11:00 am South African time) today on the Company's website www.oldmutual.com. Analysts and investors who wish to participate in the call should dial the following numbers and quote the pass-code 50709853#:

UK/International	+44 20 3139 4830
US	+1 718 873 9077
South Africa	+27 21 672 4008

Playback (available for 30 days from 27 February 2015), using pass-code 653969#:

UK/International	+44 20 3426 2807

Copies of these results, together with high-resolution images and biographical details of the directors of Old Mutual plc, are available in electronic format to download from the Company's website at www.oldmutual.com.

The following documents, containing financial data for 2014 and 2013, are also available from the Company's website.

- Presentation slides
- Appendix slides
- Financial Disclosure Supplement
- MCEV Supplementary information
- Economic Capital Statement of Principles

Sterling exchange rates

		2014	2013	Appreciation / (depreciation) of local currency against sterling
South African Rand	Average Rate	17.87	15.10	(18%)
	Closing Rate	18.00	17.43	(3%)
US Dollar	Average Rate	1.65	1.57	(5%)
	Closing Rate	1.56	1.66	6%

Part 1 – 2014 Annual Review

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Group highlights [1]	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%

[1] The figures in the table are in respect of core continuing operations only, unless otherwise stated

[2] 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

[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 (i.e. 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 (i.e. excluding the perpetual preferred callable securities) divided by the actual shares in issue at the end of the period

Group Review

Overview

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 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 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.

Part 1 – 2014 Annual Review

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 disposals 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 particular 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 insurance 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 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 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 leading 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 customer's 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 and 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 the 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 more money 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.

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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, 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 *MAX* 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 Mass Foundation (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 R4.6 billion against R5.7 billion of net inflows in the prior year.

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 R357m (2013: R173m), 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 the 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 3 year, 5 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.

Part 1 – 2014 Annual Review

Responsible Business

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 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 our investments, built on a strong foundation of ethical values 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.

Black economic empowerment

Old Mutual, through 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 staff 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.

Part 2 - Financial Performance

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Part 2 – Financial Performance

AOP Analysis

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

AOP analysis by line of business (£m)	**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 not withstanding a good underlying performance in Old Mutual Emerging Markets (OMEM).

Asset Management earnings increased by 14% with strong dollar profit growth in Old Mutual Asset Management; 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 OMF, 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 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 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

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 £107m as a result of lower investment returns off a lower asset base and lower seed capital gains despite a reduction in finance costs.

Abridged Group balance sheet (£m)	2014	2013
Assets		
Goodwill and other intangible assets	**2,763**	2,835
Loans and advances	**34,857**	33,583
Investment and securities	**87,547**	88,220
Other assets	**17,349**	15,693
Total Assets	**142,516**	**140,331**
Liabilities		
Long-term business policyholder liabilities (insurance reserves)	**10,519**	12,126
Investment contract liabilities (insurance reserves)	**68,841**	69,015
Property & Casualty liabilities (insurance reserves)	**319**	332
Third party interests in consolidated funds	**5,986**	5,478
Borrowed funds	**3,044**	2,644
Amounts owed to bank depositors	**36,243**	34,370
Other liabilities	**8,019**	7,329
Total equity (including hybrid debt)	**9,545**	9,037
Total Equity and Liabilities	**142,516**	140,331

The Group balance sheet at 31 December 2014 included £3 billion of goodwill and other intangible assets, largely in Europe and the US, £35 billion of loan and advances, of which £34 billion were in Nedbank, and £88 billion of investment and securities, of which £30 billion were in Old Mutual Emerging Markets and £47 billion in Old Mutual Wealth.

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Investment contracts were £69 billion, of which £60 billion were unit-linked and similar contracts and £20 billion of investment contracts were in Old Mutual Emerging Markets and £48 billion were in Old Mutual Wealth. Long-term business policyholder liabilities of £9 billion relate to Old Mutual Emerging Markets.

The Group had £3 billion of borrowed funds, of which £2 billion relates to Nedbank funding.

Return on Equity

Group and local RoE 2014 (£m)	AOP	Shareholder equity excl. intangibles [1]	Return on shareholder equity excl. intangibles [2]	Local RoE
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 31st 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

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.

Local currency	Capital Resources	Capital Requirements	Surplus	2014	2013
Old Mutual Life Assurance Company South Africa (OMLACSA) [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 - 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.

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%

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.

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 PRA 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.

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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 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.

Economic Capital (£bn)	**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

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%.

Sensitivity of Economic Capital to key market movements at 31 December 2014

The economic capital positions are resilient to changes in various economic factors. The table below presents the sensitivity of the economic surplus and cover ratio under certain standard financial stresses, which are defined by reasonably possible individual movements in key market parameters while keeping all other parameters constant with the effects impacting both the available financial resources and economic capital at risk requirement.

Economic Capital position at 31 December 2014	**Group EC Surplus**	**Group EC coverage**
Base Economic Capital Position	**5.2**	**226%**
Equity markets fall by 10%	5.0	225%
Equity markets fall by 25%	4.8	225%
Interest rates fall by 100 basis points	5.2	227%
Interest rates rise by 100 basis points	5.1	223%
Credit spreads increase by 100 basis points*	5.1	225%
ZAR:GBP exchange rate depreciates by 10% (R20:£1)	4.9	230%
ZAR:GBP exchange rate depreciates by 30% (R23:£1)	4.6	235%

* *A 100bps increase in credit spreads is generally assumed 1 notch down grade on BBB to BB- ratings and 2 notches downgrade on lower graded investments*

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 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.

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 NCI (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.

Group cash flows (£m)	**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

Part 2 – Financial Performance

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 their transformation as well as lower remittance 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 Dec 2013: £1,342 million).

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

Borrowed funds (£m)	**Old Mutual Emerging Markets**	**Old Mutual Wealth**	**Institutional Asset Management**	**Nedbank**	**Group**	**Sum of Group businesses**
Floating rate notes	-	-	-	563	-	**563**
Fixed rate notes	-	-	-	576	112	**688**
Term loan and other loans	125	-	-	-	-	**125**
Revolving credit facilities	72	-	114	-	-	**186**
Mortgage-backed securities	-	-	-	52	-	**52**
Subordinated debt securities [1]	223	-	-	642	565	**1,430**
Borrowed funds	**420**	**-**	**114**	**1,833**	**677**	**3,044**
Other instruments treated as equity:						
€374 million perpetual preferred callable securities at 5.00%	-	-	-	-	253	**253**
£273 million perpetual preferred callable securities at 6.40%	-	-	-	-	273	**273**
Book value of other instruments	**-**	**-**	**-**	**-**	**526**	**526**

[1] OMLAC(SA) is included in Old Mutual Emerging Markets

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.

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 BU 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 SAM 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.

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**

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)

FINANCIAL APPENDIX

Supplementary financial information (data tables)

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 (i.e. excluding the perpetual preferred callable securities) divided by the actual shares in issue at the end of the period

Group return on equity (£m) [1]	2014	2013	% change
AOP excluding accrued hybrid dividends	**868**	890	(2%)
Opening shareholders' equity excluding hybrid capital	**6,529**	6,566	(1%)
Half-year shareholders' equity excluding hybrid capital	**6,315**	6,480	(3%)
Closing shareholders' equity excluding hybrid capital	**6,791**	6,529	4%
Average shareholders' equity	**6,545**	6,525	-
Return on average equity	**13.3%**	13.6%	(30bps)

[1] RoE is calculated as AOP (post-tax) divided by average ordinary shareholders' equity (i.e. excluding the perpetual preferred callable securities). It excludes non-core operations

Group debt summary	2014	2013
Senior gearing (gross of holding company cash) - IFRS basis	**2.1%**	1.1%
Total gearing (gross of holding company cash) - IFRS basis	**13.3%**	12.5%
Book value of debt - IFRS basis (£m) [2]	**1,540**	1,342
Total interest cover [1]	**16.8 times**	14.4 times
Hard interest cover [1]	**5.0 times**	4.2 times

[1] Total interest cover and hard interest cover ratios exclude non-core operations

[2] Excludes banking related debt of £2,030 million (2014) and £1,828 million (2013)

Financial Group Directive

Regulatory capital	2014 [1]		2013 [2]	
	£bn	**%**	£bn	%
Ordinary equity	**4.6**	**92%**	4.8	92%
Other Tier 1 equity	**0.4**	**8%**	0.4	8%
Tier 1 Capital	**5.0**	**100%**	5.2	100%
Tier 2 Capital	**1.2**	**23%**	1.2	23%
Deductions from total capital	**(1.0)**	**(23%)**	(1.2)	(23%)
Total capital resources	**5.2**	**100%**	5.2	100%
Total capital resource requirements	**3.2**		3.1	
Group FGD surplus	**2.0**		2.1	
Coverage ratio	**163%**		168%	

[1] Based on the preliminary estimates. Formal filing due to the Prudential Regulatory Authority (PRA) by 30 April 2015

[2] As submitted to the PRA on 30 April 2014

Part 2 – Financial Performance

The Group's FGD surplus is calculated using the 'deduction and aggregation' method, which determines the Group's capital resources less the Group's capital resources requirement. Group capital resources is the sum of all the business units' net capital resources, calculated as each business unit's stand-alone capital resources less the book value of the Group's investment; the Group capital resources requirement is the sum of all the business units' capital requirements. Both the capital resources and the capital requirements fluctuate with changes in exchange rates.

The Group's FGD regulatory capital is calculated in line with the PRA's prudential guidelines.

Financial strength rating	Moody's	Fitch
Republic of South Africa		
Sovereign rating	Baa2	BBB (neg)
Old Mutual plc		
Senior debt rating	Baa3	BBB-
LT2 debt rating	Ba1	BB
UT2 debt rating	Ba1	BB
T1 debt rating	Ba2	BB
Short-term debt rating	P3	F3
OMLAC(SA)		
National insurance financial strength	Not rated	AAA
National long-term senior debt rating	Not rated	AAA
National long-term subordinated debt rating	Not rated	AA
Global insurance financial strength	Baa1	
Old Mutual Wealth Life Assurance Company		
Insurance financial strength	A2 (neg)	A-
Nedbank		
Long-term foreign currency rating	Baa2	BBB (neg)
Mutual & Federal		
National insurance financial strength	Not rated	AAA

Ratings outlook are stable unless stated; neg = negative outlook

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.

Group gross flows and funds under management (£bn)

	FUM 1-Jan-14	**Gross inflows**	**Gross outflows**	**Net flows**	**Market and other movements**	**FUM 31-Dec-14**	**Net flows as % of opening FUM**
Emerging Markets	**48.3**	10.4	(9.2)	**1.2**	0.8	**50.3**	2%
Nedbank	**11.7**	12.7	(12.2)	**0.5**	0.4	**12.6**	4%
Old Mutual Wealth	**78.5**	16.0	(12.3)	**3.7**	0.3	**82.5**	5%
Invest and Grow markets	**63.9**	17.0	(12.2)	**4.8**	4.7	**73.4**	8%
Manage for Value markets	**22.0**	2.1	(2.5)	**(0.4)**	(4.5)	**17.1**	(2%)
Eliminations	**(7.4)**	(3.1)	2.4	**(0.7)**	0.1	**(8.0)**	9%
Institutional Asset Management	**155.3**	21.4	(21.9)	**(0.5)**	19.2	**174.0**	-
OM Asset Management	**120.0**	19.4	(13.6)	**5.8**	15.9	**141.7**	5%
Non-US based affiliate	**35.3**	2.0	(8.3)	**(6.3)**	3.3	**32.3**	(18%)
Core operations	**293.8**	60.5	(55.6)	**4.9**	20.7	**319.4**	2%
	FUM 1-Jan-13	Gross inflows	Gross outflows	Net flows	Market and other movements	FUM 31-Dec-13	Net flows as % of opening FUM
Emerging Markets	52.8	10.9	(9.3)	1.6	(6.1)	48.3	3%
Nedbank	11.8	12.3	(11.1)	1.2	(1.3)	11.7	10%
Old Mutual Wealth	69.2	14.4	(12.1)	2.3	7.0	78.5	3%
Invest and Grow markets	55.0	15.0	(11.5)	3.5	5.4	63.9	6%
Manage for Value markets	20.2	2.0	(2.6)	(0.6)	2.4	22.0	(3%)
Eliminations	(6.0)	(2.6)	2.0	(0.6)	(0.8)	(7.4)	10%
Institutional Asset Management	128.4	25.5	(15.1)	10.4	16.5	155.3	8%
OM Asset Management	97.5	18.8	(12.3)	6.5	16.0	120.0	7%
Non-US based affiliate	30.9	6.7	(2.8)	3.9	0.5	35.3	13%
Core operations	262.2	63.1	(47.6)	15.5	16.1	293.8	6%

Part 3 – Detailed Business Review

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Old Mutual Emerging Markets

Highlights	2014	2013	% change
AOP (pre-tax, Rm) [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%
Pre-tax operating margin [3]	**126bps**	114bps	12bps
IFRS profit after tax attributable to equity holders of the parent (£m)	**395**	339	17%

[1] From 1 January 2014, all Property & Casualty 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

Operating environment

Emerging market economies experienced slower economic growth in 2014 than in 2013 with lower commodity prices and weaker exchange rates.

In South Africa, the macro-economic environment continued to face challenges including protracted industrial action, rising inflation and lower GDP growth (GDP expected to end at 1.4% compared to original target of 2.7%), which all contributed to the sovereign rating downgrade by Standard & Poors. Towards the latter part of the year consumers benefitted from lower oil prices and lower inflation levels. The rand remained volatile and closed the year 3% lower against the sterling and 10% down against the US dollar. The JSE All Share Index rose 8% and the Shareholder Weighted Index was up 11.9% during the year benefitting from higher foreign inflows.

Outside South Africa, economic performance was mixed. Nigeria overtook South Africa as the largest economy on the continent, however political unrest, especially in the North Eastern part of Nigeria, increased. Ghana experienced inflationary challenges and a weakening currency although this has stabilised during the latter part of 2014.

Kenya delivered strong GDP growth of 5.5% for the year. The stronger US dollar positively impacted Zimbabwe and inflation levels remain stable, however Zimbabwean equity markets were down 19.5% in the year following the elections and ongoing weak economic conditions (in contrast to the prior year which was up 39%). Latin American growth was impacted by weaker currency markets against the US dollar and falling oil prices and China GDP growth slowed to 7.3% year-on-year while India's economy increased to 7.5% year-on-year in the last quarter of 2014.

Business developments

Africa expansion

We have continued to expand our operations in Africa through both acquisitions and organic growth by increasing the size of our sales forces and product development efforts. Gross sales in our East and West African businesses continue to show strong growth and now account for 15% of total Rest of Africa sales, contributing an additional 2% from 2013.

In South Africa we invested R1.1bn to increase our holding in Old Mutual Finance (OMF) to 75% in September 2014. OMF provides an effective sales platform for the Mass Foundation Cluster (MFC) as well as providing in branch service for our existing customers. We continue to expand our distribution footprint in the Mass Foundation market. Our average adviser force increased by 6% and we have expanded the number of OMF branches by 15% from the prior year to 259 branches. Sales made through OMF branches now account for 26% of the total MFC life sales demonstrating the effectiveness of this distribution model.

We continue to build bancassurance relationships not only with Ecobank in Ghana and Nigeria, but also through the introduction of other banking partners. In Ghana we have enhanced our retail distribution capability with the recruitment of additional 226 advisers, bringing our total adviser force to 327.

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.

The transaction for the acquisition of Faulu Kenya was completed in April 2014 and the business has been fully integrated into Old Mutual Kenya.

In our combined Rest of Africa businesses, customer numbers have reached 3 million by adding 1.1 million new customers mainly in Nigeria as a result of the winning of a large public sector scheme contract and the inclusion of Kenya Faulu bank customers.

Product and business development

In 2014 Old Mutual Emerging Markets (OMEM) made good progress in the execution of a number of key business and product strategies.

Part 3 – Detailed Business Review

In South Africa, Retail Affluent enhanced its Greenlight offering by adding a new range of severe illness benefits and enhanced competitiveness for disability income. The Wealth proposition in SA has been expanded with the launch of integrated private client stock broking (PCS) which has delivered NCCF of R2.2 billion since inception and fiduciary capabilities in April 2014 to further complement the holistic wealth management model. The new Wealth platform (excluding PCS) has attracted R8.9 billion NCCF in the year. The Wealth platform is also a key support for the Old Mutual International business, gross sales of R5 billion up 56% on prior year were generated, with NCCF of R2.3 billion up 48% relative to prior year.

Retail mass market customers in South Africa responded positively to the launch of the innovative 2-in-ONE savings product. We have also launched a new best in market funeral product range that offers cheaper cover and enhanced value added benefits. Both of these were launched in the second half of the year.

Corporate made good progress with transforming the administration business following the announcement in 2013 that it would cease offering an administration-only service to single employer retirement funds. A new Superfund umbrella as well as a low discretionary with profit annuity product called Old Mutual Performance Pension was launched resulting in better and more efficient customer administration.

We successfully launched Pensions Plus (with-profit annuity) and the Old Mutual Savings Plan (retail savings product) in Zimbabwe. We expanded our retail mass product offering in Nigeria with the launch of risk (Family Plan) and savings products.

We launched a new savings product in Mexico to help expand our retail affluent distribution through our AIVA partnership.

iWYZE launched a Buildings No-claim Reward product which refunds customers their building insurance premiums after six claim free year.

Our digital distribution network has been expanded to include innovative mobile applications - MyPortfolio on the OM mobile application in SA and Namibia and a mobile banking app was launched for CABS in Zimbabwe, the first of its kind in the country. In Swaziland we launched a mobile insurance offering called Likhandlela, an insurance driven loyalty incentive. Old Mutual Namibia launched OMCARD, a Visa approved transactional card. An app to support the Old Mutual Kenya Ask Questions brand campaign and locate Old Mutual Kenya branches was released. In China we offer online accidental cover insurance products covering travel by air, road and rail. iWYZE launched a claims notification app that allows customers to initiate claims through the app.

Supporting economic transformation in SA

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 staff volunteering for various community projects.

Old Mutual and Nedbank jointly pledged $1 million towards the African Union – Private sector Ebola fund.

In 2014 the 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. Linked to the National Development Plan, significant investment has been channeled into education through Old Mutual Foundation, Old Mutual Education Trust, bursaries, and learnership and internship programs. The Education Trust has produced 195 graduates in various disciplines (40 in 2014).

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 (MFI's). The number of direct jobs facilitated to date is 7,426 (1,556 in 2014) and a cumulative 46,000 indirect jobs have been facilitated through partnerships with MFI's.

We are committed to support responsible business initiatives and our Housing Fund, Schools Fund, IDEAS Renewables Energy Fund and the Agri Fund have collectively invested over R1.1 billion in 2014.

Old Mutual South Africa has achieved Level 2 BBBEE status for the fourth consecutive year.

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 ('Brimstone'), Women's Investment Portfolio Holdings Limited ('WIPHOLD') and Izingwe Financial Investments (Proprietary) Limited('Izingwe') have initiated discussions on the nature of their future relationships, including on-going commercial relationships and potential co-investment in BEE operating businesses.

We have committed in principle, to making a financial contribution and commitment of resources to regional empowerment and development objectives through the undertaking of the following initiatives:

- The development of entrepreneurs and job creation in partnership with Brimstone, initially funded by an endowment of R100 million, of which a third would be contributed by Brimstone and the balance by the Nedbank & OMEM consortium.
- The large-scale commercialisation of small-scale agriculture which seeks to address rural unemployment, income generation and food security sustainability in partnership with WIPHOLD, initially funded by an endowment of R100 million of which a third would be contributed by WIPHOLD and the balance by the Nedbank & OMEM consortium.
- The development of township economies, including the economies of mining communities in partnership with Izingwe, initially funded by an endowment of R66million contributed by Izingwe and Nedbank and a further R33million contributed by OMEM towards affordable housing developments.

These initiatives are aligned to the National Development Plan and are aimed at positive sustainable outcomes to be shared by a broad base of communities.

AOP results: Strong growth in SA and Latin America

Pre-tax AOP increased by 28% (23% including LTIR to R11.0 billion) benefitting 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).

In South Africa, Retail Affluent profits grew by 16% supported by higher asset based fees, improved mortality and disability experience. MFC profit growth of 36% benefitted from improved mortality experience and was bolstered further by the increased contribution by OMF following its consolidation from 1 September and stronger sales in the second half of the year. As a result of increased usage of anti-retroviral drugs in South Africa, we have seen a significant improvement in the life expectancy of people living with HIV. We have therefore been able to reduce our MFC funeral cover reserves and will be using a proportion of these releases to increase the level of cover for our existing Mass Foundation customers. Additionally, given the improved mortality experience in South Africa, we will now be able to offer customers new products which are more affordable and provide better value. .

Corporate profits rose by 7% as underwriting profits and asset-based fees improved and new business strain reduced.

OMIG delivered a modest 2% growth in profit mainly due to increased completion fees following several successful investment deployments in the Alternatives Boutiques, offset by lower Old Mutual Specialised Finance (OMSFIN) profits given high once-off credit event profits in 2013 and listed asset management profits were down due to 2013 performance profits not being repeated.

Rest of Africa profits increased by 11% before central costs and LTIR following the inclusion of Faulu, increased asset management profit in Namibia, improved CABS profit in Zimbabwe and a favourable exchange rate. These impacts were partially offset by increased investment in distribution and central governance costs which reduced overall growth to 5% (after LTIR and central costs).

Asia and Latin America profits grew 39% due to higher profits from Colombia, improved results in China and significant growth in the AIVA contribution.

The underwriting result in Property & Casualty (South Africa) improved achieving a profit of R79 million (2013: R469 million loss). The underwriting result has improved as a result of targeted management actions with regards to price and claims initiatives, particularly in the Personal Lines segment which has seen a markedly improved performance. Both the Commercial and Corporate & Niche segments have also seen strong underwriting improvements. After a difficult start to the year, Credit Guarantee Insurance Company (CGIC) has ended the year profitably. The management team has made good progress in the execution of key initiatives and remain focused on the delivery of a sustainable turnaround.

NCCF: Strong net cash flows impacted by large asset management outflows

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.

Asia and Latin America NCCF remained stable compared to the prior year.

Funds under management: Over R900 billion funds under management

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: Good growth in SA and in Rest of Africa

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.

Life APE sales: Strong growth in corporate regular premiums

Life APE sales increased by 15% to R9.7 billion underpinned by strong recurring premium sales growth in Corporate and Retail Affluent single premium sales growth.

Retail Affluent delivered single premium sales growth of 29% supported by the continued success of the XtraMax product. Recurring premium sales declined by 6% with economic pressure on the middle income customers resulting in lower volumes from the broker distribution channel.

Mass Foundation sales grew 11% as the 2-in-ONE savings product and new funeral range product gained traction in the second half of the year.

Recurring premium sales in South Africa increased by 14% with Corporate sales up 105% due to strong Superfund savings and group assurance sales.

On a like-for–like basis Rest of Africa sales (excluding renewals) are 17% higher than the comparable prior year following increased adviser headcount in Kenya and the inclusion of Ghana for the first time in 2014.

Latin American sales increased by 49% with improved productivity in the retail channel supported by increased sales through the AIVA on-shore channel. Sales in Asia are ahead of prior year mainly due to higher sales in non-bank channels in China, improved adviser productivity in India and favourable exchange rate movements.

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Non-covered sales: Strong growth in SA Corporate and Retail Affluent

Non-covered sales rose by 15% supported by strong Corporate and Retail Affluent flows. Retail Affluent non-covered sales grew by 16% due to strong unit trust sales and our new wealth platform continued to attract strong flows. Corporate secured significant Superfund customised flows in the fourth quarter.

Rest of Africa sales grew 16% with strong unit trust flows in Zimbabwe and large corporate flows in Kenya.

Latin America sales rose 6% mainly benefiting from a favourable exchange rate.

Banking: Responsible growth in loan book and improved credit loss experience

OMF grew loan sales by 7% over the prior year to R6.7 billion whilst it also increased its collections ratio to 91.2% and reduced credit losses to 12.4% from 14.0%.

In Rest of Africa, CABS credit loss ratio ended in line with prior year despite economic pressure in Zimbabwe with tighter credit controls and a focus on secured loans. The results of Faulu are included from the second quarter with their credit loss ratio remaining stable at 0.9%.

Value of new business (VNB) and margins: Decline mainly due to mix of new business sales

VNB decreased by 5% to R1.9 billion with PVNBP margin down slightly at 3.4% mainly due to larger volumes of lower margin savings business and higher new business strain.

Embedded value

Operating MCEV earnings (post-tax) increased by 3% to R5.1 billion, largely due to improved mortality experience and assumption changes across Mass Foundation and Retail Affluent which was offset by lower VNB, persistency assumption changes and higher development costs.

Return on Embedded Value (RoEV) decreased from 11.0% to 9.9% mainly due to a significant decrease in operating experience variances (including negative tax experience) and a lower contribution from new business, partly offset by more favourable operating assumption changes.

Total MCEV (covered business) increased by 9% on prior year due to higher operating earnings and debt raised in capital markets, partly offset by lower positive investment returns than in the prior year.

Outlook

Emerging markets continue to operate in a challenging economic and socio-political environment. The energy constraints and likely electricity tariff increases 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 our 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. General elections have been scheduled for March 2015. 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. Lower oil prices and a stronger than expected global economy could be a catalyst for 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%.

Emerging Markets data tables (Rand)

Adjusted operating profit by cluster (pre-tax, Rm)	2014	2013	% change
Retail Affluent	**3,519**	3,028	16%
Mass Foundation	**2,629**	1,937	36%
Corporate	**1,310**	1,224	7%
OMIG	**1,027**	1,003	2%
Property & Casualty [1, 3]	**79**	(469)	117%
LTIR [1]	**1,714**	1,657	3%
Central expenses and administration	**(865)**	(828)	(4%)
South Africa	**9,413**	7,552	25%
Rest of Africa [1]	**834**	749	11%
LTIR	**484**	422	15%
Central expenses and administration	**(244)**	(146)	(67%)
Rest of Africa	**1,074**	1,025	5%
Asia & Latin America	**546**	392	39%
Total Emerging Markets	**11,033**	8,969	23%

Adjusted operating profit by product (pre-tax, Rm)	2014	2013	% change
Life & Savings	**7,423**	6,681	11%
Asset Management	**1,916**	1,447	32%
Banking & Lending [2]	**1,070**	783	37%
Property & Casualty [3]	**624**	58	976%
Total Emerging Markets	**11,033**	8,969	23%

[1] Property & Casualty AOP including LTIR of R472 million, has been allocated according to geographic location. Comparatives have been restated

[2] Comprises Faulu in Kenya, Central African Building Society in Zimbabwe and Old Mutual Finance in South Africa

[3] Comparatives have been restated to include Property & Casualty AOP

Gross sales and funds under management (Rbn) [1]	FUM 1-Jan-14	Gross sales [2]	Gross outflows	Net flows	Market and other movements [3]	FUM 31-Dec-14	Net flows as % of opening FUM
Retail Affluent [4]	**99.8**	57.8	(53.0)	**4.8**	19.2	**123.8**	5%
Mass Foundation [5]	**-**	8.7	(4.0)	**4.7**	(4.7)	**-**	-
Corporate [4]	**51.9**	36.8	(28.2)	**8.6**	10.5	**71.0**	17%
OMIG [5]	**506.9**	31.1	(35.7)	**(4.6)**	16.3	**518.6**	(1%)
Property & Casualty [6]	**2.9**	-	-	**-**	(0.4)	**2.5**	-
Total South Africa	**661.5**	134.4	(120.9)	**13.5**	40.9	**715.9**	2%
Rest of Africa [6]	**53.9**	13.7	(11.8)	**1.9**	6.4	**62.2**	4%
Asia & Latin America	**125.4**	36.8	(30.9)	**5.9**	(4.5)	**126.8**	5%
Total Emerging Markets [7]	**840.8**	185.0	(163.7)	**21.3**	42.8	**904.9**	3%

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	FUM 1-Jan-13	Gross [2] sales	Gross outflows	Net flows	Market and other movements [3]	FUM 31-Dec-13	Net flows as % of opening FUM
Retail Affluent [4]	76.6	52.5	(45.6)	6.9	16.3	99.8	9%
Mass Foundation [5]	-	7.8	(3.5)	4.3	(4.3)	-	-
Corporate [4]	45.9	25.2	(27.2)	(2.0)	8.0	51.9	(4%)
OMIG [5]	463.3	32.5	(26.8)	5.7	37.9	506.9	1%
Property & Casualty [6]	2.8	-	-	-	0.1	2.9	-
Total South Africa	588.6	118.0	(103.1)	14.9	58.0	661.5	3%
Rest of Africa	38.4	12.2	(8.5)	3.7	11.8	53.9	10%
Asia & Latin America	100.4	34.8	(28.7)	6.1	18.9	125.4	6%
Total Emerging Markets [7]	727.4	165.0	(140.3)	24.7	88.7	840.8	3%

[1] FUM shown on an end manager basis

[2] Gross sales are cash inflows for the period and thus include prior period recurring premium flows

[3] Includes the foreign exchange impact of translating FUM managed outside of South Africa

[4] From 1 January 2014, Acsis and Symmetry institutional businesses are reported within Corporate, whereas previously these had been reported in the Retail Affluent cluster. Comparatives have been restated (FY 2013: R7.4 billion Gross sales, R1.1 billion NCCF and R50.4 billion FUM)

[5] Mass Foundation gross sales are recorded by segment but all FUM is managed by OMIG

[6] From 1 January 2014, Property & Casualty FUM has been allocated by geographic location (R0.7 billion reclassification of P&C Africa FUM included in 'Market and other movements'). Comparatives have not been restated.

[7] Opening FUM at 1 January 2014 restated to include Property & Casualty FUM of R2.9 billion (1 January 2013: R2.8 billion)

Covered sales - APE (Rm)

	Single premium APE			Regular premium APE			Total APE		
By cluster:	**2014**	2013	% change	**2014**	2013	% change	**2014**	2013	% change
Retail Affluent [1]	**1,370**	1,066	29%	**1,403**	1,485	(6%)	**2,773**	2,551	9%
Mass Foundation [2]	**3**	2	50%	**3,080**	2,769	11%	**3,083**	2,771	11%
Corporate [1]	**1,004**	963	4%	**871**	424	105%	**1,875**	1,387	35%
Total South Africa	**2,377**	2,031	17%	**5,354**	4,678	14%	**7,731**	6,709	15%
Rest of Africa [3]	**145**	192	(24%)	**628**	526	19%	**773**	718	8%
Asia & Latin America [4]	**377**	366	3%	**825**	649	27%	**1,202**	1,015	18%
Total Emerging Markets	**2,899**	2,589	12%	**6,807**	5,853	16%	**9,706**	8,442	15%
	Single premium APE			**Regular premium APE**			**Total APE**		
By product:	**2014**	2013	% change	**2014**	2013	% change	**2014**	2013	% change
Savings	**2,552**	1,948	31%	**3,568**	2,974	20%	**6,120**	4,922	24%
Protection [2]	**-**	-	-	**3,239**	2,879	13%	**3,239**	2,879	13%
Annuity	**347**	641	(46%)	**-**	-	-	**347**	641	(46%)
Total Emerging Markets	**2,899**	2,589	12%	**6,807**	5,853	16%	**9,706**	8,442	15%

[1] From H1 2014, Symmetry institutional business is reported within Corporate, whereas previously these had been reported in the Retail Affluent cluster. Comparatives have been restated (FY 2013: R160 million single premium APE)

[2] OMF credit life sales are included within Mass Foundation protection sales (R263 million in FY 2014 and R211 million in FY 2013)

[3] For FY 2013, Rest of Africa life APE sales are reported net of minority interest whereas previously these were reported gross of minority interest with the full impact for FY 2013 being booked in Q4 2013. From 1 January 2014 Rest of Africa excludes renewal sales (FY 2013: R55 million). Comparatives have not been restated. Rest of Africa life APE sales restated for FY 2013 (excluding renewals) would have been R663 million

[4] Asia & Latin America represents Mexico and a proportional share of India and China.

Non-covered sales	Unit trust sales			Other non-covered sales			Total non-covered sales		
	2014	2013	% change	**2014**	2013	% change	**2014**	2013	% change
South Africa [1, 2]	**35,033**	30,357	15%	**59,416**	48,963	21%	**94,449**	79,320	19%
Africa (ex. SA)	**5,801**	5,423	7%	**2,955**	2,135	38%	**8,756**	7,558	16%
Asia & Latin America [3, 4]	**31,249**	29,563	6%	**-**	-	-	**31,249**	29,563	6%
Total Emerging Markets	**72,083**	65,343	10%	**62,371**	51,098	22%	**134,454**	116,441	15%

[1] Within South African Retail Affluent, Old Mutual Investment Services recognises Linked Investment Service Provider (LISP) sales on which it earns fees irrespective of where the underlying funds are managed. Where these funds are managed by Old Mutual Unit Trusts (OMUT), OMUT also recognises a sale. These intra-segment sales for FY 2014 amount to R15,365 million (FY 2013: R10,550 million)

[2] Old Mutual International life sales amounting to R5 billion are 56% above prior year and are not included in the OMEM non-life sales as these sales are reported in Old Mutual Wealth (UK)

[3] AIVA sales amounting to R2.8 billion are 23% below prior year and are not included in the OMEM non-life sales as these sales are reported in Old Mutual Wealth (UK)

[4] Represents Colombia and Mexico

Value of new business	**2014**	2013	% change
Retail Affluent [1]	**426**	429	(1%)
Mass Foundation	**1,035**	1,129	(8%)
Corporate [1]	**241**	188	28%
Total South Africa	**1,702**	1,746	(3%)
Africa (ex. SA) [2]	**246**	320	(23%)
Asia & Latin America [1, 2]	**(10)**	(23)	(57%)
Total Emerging Markets	**1,938**	2,043	(5%)

[1] From 1 January 2014, Symmetry institutional business is recorded within Corporate, previously this were recorded within Retail Affluent. Comparatives have been restated (FY 2013: R13 million)

[2] No VNB is calculated in respect of Life APE sales in India and China. Latin America is Mexico only

Old Mutual Finance	**2014**	2013	% change
Gross lending book (Rm)	**9,928**	8,258	20%
Sales: loans advanced (Rm)	**6,706**	6,250	7%
NPAT/average lending book [1]	**5.4%**	3.9%	150bps
Loan approval rate	**37.0%**	31.0%	600bps
Credit loss ratio (credit losses: average lending book) [2]	**12.4%**	14.0%	(160bps)
Return on equity	**41.8%**	32.1%	970bps
Branches	**259**	225	15%
Staff	**2,463**	2,055	20%

[1] Net profit after tax (NPAT)/average lending book is stated after capital charges

[2] The current year benefits from the prior year impact of an impairment methodology change. On a comparable basis FY 2014 would be 12.9%, an improvement of 60bps (FY 2013: 13.5%). The calculation of the credit loss ratio reflected in the table above is consistent with those of the direct peer group

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Property & Casualty (Rm) [1]	2014	2013	% change
Gross written premiums	**12,189**	11,315	8%
South Africa	**10,774**	10,527	2%
Rest of Africa	**1,415**	788	80%
Net earned premiums	**9,457**	8,856	7%
South Africa	**8,607**	8,365	3%
Rest of Africa	**850**	491	73%
Underwriting result	**138**	(437)	(132%)
South Africa	**81**	(469)	(117%)
Rest of Africa	**57**	32	78%
Underwriting margin (%)	**1.4%**	(4.9%)	
South Africa	**0.9%**	(5.6%)	
Rest of Africa	**6.7%**	6.5%	
Claims ratio (%) [2]	**68.7%**	75.6%	
Combined ratio (%)	**98.6%**	104.9%	
International solvency ratio (%)	**51.5%**	54.1%	

[1] The results of Nigeria and Zimbabwe are included for the first time in H1 2014

[2] Includes claims admin costs transferred from management expenses

Nedbank

Highlights (Rm)	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%	
Cost to income ratio	**56.5%**	55.2%	
Return on Equity	**15.8%**	15.6%	
Return on Equity (excluding goodwill)	**17.2%**	17.2%	
Common equity Tier 1 ratio	**11.6%**	12.5%	
IFRS profit after tax attributable to equity holders of the parent (£m)	**315**	327	(4%)

The full text of Nedbank's results for the year ended 31 December 2014, released on 23 February 2015, can be accessed on our website http://www.oldmutual.com/media/news/viewNews.jsp?newsId=25893. The following is an edited extract:

Banking and economic environment

The operating environment in 2014 remained challenging for consumers, with global markets reflecting a mixed performance, and the local economy remained under pressure from strike action and electricity supply constraints. SA's gross domestic product (GDP) is forecast to grow at 1.4% for 2014, but in the absence of strike action, economic growth would have been 1% higher according to the South African Reserve Bank (SARB).

Weak economic conditions, the twin deficits and SA's resultant dependency on foreign capital inflows translated into rand depreciation and heightened inflationary pressures in the early part of the year, prompting an increase of 75 basis points in interest rates. These domestic factors contributed to Standard & Poor's reaffirming SA's sovereign risk rating at BBB negative with the outlook remaining stable (placing SA one notch above investment grade), Fitch Ratings revising its outlook on its BBB rating to negative and Moody's downgrading SA's debt rating to Baa2 with a stable outlook.

The SA banking industry was also tested by the collapse of African Bank Limited ('Abil'), the country's largest unsecured lender. The combined strength of the system ensured that Abil's resolution was successfully managed and that the bank was placed under curatorship with no significant consequences for the rest of the SA financial system.

Overall the credit environment remained muted, with wholesale credit demand continuing to outpace retail demand as poor employment prospects, high levels of indebtedness, increased interest rates and weak confidence levels weighed against consumers. Wholesale credit demand was supported by renewable-energy projects, corporate action and increased deal-flow from the rest of Africa. Wholesale activity is expected to moderate as corporates remain hesitant to make long-term investments and increase production capacity given the weak economic outlook.

Review of results

Nedbank produced strong headline earnings growth of 14.0% to R9,880 million (2013: R8,670 million) for the year ended 31 December 2014. Growth was driven by an increase in net interest income (NII), improvements in impairments and growth in non-interest revenue (NIR), particularly in the second half. Headline earnings included associate income from our shareholding in Ecobank Transnational Incorporated (ETI) effective for the last quarter of the year.

Diluted headline earnings per share (DHEPS) increased 13.0% to 2,066 cents (2013: 1,829 cents) and diluted earnings per share increased 12.5% to 2,049 cents (2013: 1,822 cents). Excluding associate income from ETI and the related funding costs, Nedbank's organic DHEPS increased 12.3%.

Economic profit (EP) of R2,112 million (2013: R2,114 million) was achieved against a higher cost of equity of 13.5% (2013: 13.0%). 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 (ROA) of 1.27% (2013: 1.23%).

Nedbank's balance sheet is well positioned. Our Basel III common-equity tier 1 (CET1) 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 remained sound, with statutory liquid assets and cash reserves increasing 18.5% to R82.6 billion (2013: R69.7 billion). Nedbank met the 60% minimum liquidity coverage ratio (LCR) requirement on 1 January 2015. The LCR will be increased 10% annually to reach 100% on 1 January 2019.

Net asset value per share continued to increase, growing 9.5% to 14,395 cents (2013: 13,143 cents).

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Cluster performance

Our business 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 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 our regional subsidiaries.

Headline earnings at the Centre includes net endowment on surplus capital and fair-value gains in the hedged portfolios, offset by additional portfolio impairment provisions for ongoing economic uncertainties, with the central portfolio provision increased by R150 million to R350 million.

Detailed segmental information is available in the results booklet and on Nedbank's website at nedbankgroup.co.za under the 'Financial information' section.

Financial performance

Net interest income (NII)

NII grew 8.2% to R22,961 million (2013: R21,220 million), benefiting from 9.7% growth in average interest-earning banking assets.

The net interest margin (NIM) narrowed to 3.52% (2013: 3.57%). The endowment income benefit from higher interest rates was offset by asset and liability margin compression. Asset margins were impacted by the change in asset mix as lower-yielding wholesale advances grew faster than higher-yielding retail advances, including the reduction in our personal-loans book, and by holding higher levels of lower-yielding high-quality liquid assets for Basel III LCR requirements. Liability margin compression arose from higher levels of competition for Basel III-friendly deposits.

Impairments

Impairments decreased 19.0% to R4,506 million (2013: R5,565 million) and the credit loss ratio (CLR) declined to 0.79% (2013: 1.06%), despite increased coverage levels and the strengthening of central provisions to R350 million (2013: R200 million) in line with Nedbank's view of a protracted weak economic environment.

CLRs decreased across all clusters as a result of ongoing improvements in asset quality, prudent credit granting and strong collections. Higher levels of post write-off recoveries of R941 million (2013: R888 million) were recorded, including personal-loan recoveries of R343 million (2013: R276 million).

Total Nedbank defaulted advances decreased by 11.2% to R15,846 million (2013: R17,848 million), driven by continued improvements in the residential-mortgage and personal-loans books. Total defaulted advances now constitutes 2.5% of the book (2013: 3.0%).

Coverage ratios for total and specific impairments strengthened to 70.0% (2013: 64.2%) and 43.1% (2013: 42.3%) respectively. Portfolio coverage improved to 0.70% (2013: 0.68%).

Non-interest revenue (NIR)

During the year a number of strategic actions were implemented to position Nedbank for growth into the future. These actions included the slowdown in growth of personal loans, reducing the pricing of our credit life product (but with increased benefits), maintaining transactional fees at 2013 levels, and implementing selected fee reductions in Retail Relationship Banking and Business Banking.

As a result NIR increased by 4.9% to R20,312 million (2013: R19,361 million), with strong growth of 10.2% in the second half of the year.

The underlying drivers of NIR growth included:

- Commission and fee income increasing 3.9% to R14,570 million (2013: R14,023 million), driven by good transactional-banking volume growth and ongoing client acquisition, notwithstanding the effect of no fee increases and fee reductions amounting to R355 million.
- Insurance income growing 3.1% to R1,986 million (2013: R1,927 million), which was achieved mainly in the second half of the year, through a better claims experience and continued momentum in non-traditional insurance, offset by retail volumes.
- Trading income growing 3.3% to R2,648 million (2013: R2,564 million) off a high 2013 base.
- Private-equity income increasing 88.0% to R423 million (2013: R225 million) following higher profits realised on listed investments of R434 million (2013: R192 million).
- Fair-value gains of R35 million (2013: R40 million), which were recognised primarily as a result of basis risk on centrally hedged banking book positions and accounting mismatches in the hedged fixed-rate advances portfolios.

Expenses

Expense growth of 9.4% to R24,534 million (2013: R22,419 million) is reflective of continued investment in Nedbank's franchises.

The main contributors were:

- staff-related costs increasing 9.6%, comprising growth in remuneration of 8.8% and an increase in variable incentives;
- computer processing costs growing 13.9% to R3,097 million, including amortisation costs of R654 million, up 12.0%.
- fees and insurance costs increasing 10.7% in line with higher volumes of revenue-generating activities such as cash handling, card issuing and acquiring, and client acquisition costs in Nedbank Wealth.

Associate income

Associate income increased to R161 million (2013: R27 million), largely driven by the estimated income from our shareholding of approximately 20% in ETI, effective from 1 October 2014. Nedbank’s results includes our own conservative estimate of ETI's earnings, as the publication dates of ETI results are not aligned to Nedbank.

Statement of financial position

Capital

Nedbank remains well capitalised, with all capital adequacy ratios well above the Basel III minimum regulatory capital requirements and within our Basel III internal target ranges.

Our CET1 ratio of 11.6% (2013: 12.5%) is above the mid-point of our Basel III 2019 internal target range. The decrease in the ratio since June 2014 is largely as a result of the expected 0.9% capital impact from our investments in ETI and Banco Único.

The tier 1 and total capital ratios reflect the progressive grandfathering of old-style instruments in accordance with Basel III transitional arrangements. Because of this only 80% of Nedbank's preference shares and hybrid debt qualified as tier 1 capital in 2014. In addition, NED 8, a R1.7 billion old-style tier 2 subordinated-debt instrument, was called in February 2014 and replaced with R2.5 billion of new-style Basel III-complaint tier 2 instruments.

Further details on risk and capital management will be available in the 'Risk and Balance Sheet Management review' section of Nedbank's analyst booklet and the Pillar 3 Report to be published on the website at nedbankgroup.co.za in March 2015.

Funding and liquidity

Nedbank's balance sheet remains well funded, with deposits increasing 8.4% to R653.5 billion (2013: R603.0 billion) and the loan-to-deposit ratio strengthening to 93.8% (2013: 96.1%).

Our strategy of growing retail and commercial deposits and maintaining a conservative term funding profile continues to be reflected in Nedbank's average long-term funding ratio for the fourth quarter of 25.4% (average fourth quarter 2013: 26.2%), which has tended to be above the industry average.

Nedbank maintained a sound liquidity position, with contingent liquidity well in excess of prudential liquidity requirements. The statutory liquid assets and cash reserves, combined with the surplus liquid-asset portfolio of R37.0 billion (2013: R28.0 billion), increased 18.5% to R82.6 billion (2013: R69.7 billion).

Liquidity coverage ratio

SARB adopted the Basel Committee's LCR phase-in arrangements where, from 1 January 2015, SA banks must meet the minimum regulatory requirement of 60%, which increases by 10% annually to reach 100% on 1 January 2019.

Nedbank has met the minimum LCR requirement of 60%, and implemented an appropriately conservative buffer. We are well positioned to meet the ongoing LCR requirements throughout the transitional period.

Loans and advances

Loans and advances grew 5.8% to R613.0 billion (2013: R579.4 billion). Excluding low-yielding trading advances, banking advances growth was 8.1%, underpinned by gross new payouts of R166.8 billion (2013: R158.9 billion).

Banking advances growth was primarily driven by strong growth from Nedbank Capital and Nedbank Corporate, which together contribute 47.5% of total banking advances and 49.7% of the year-on-year growth.

Nedbank Retail's slower advances growth reflects the 16.3% decrease in personal loans, which largely offset stronger growth in Card and MFC (vehicle finance) of 17.1% and 12.1% respectively.

Advances growth decreasing in the Rest of Africa Division resulted from growth in the regional subsidiaries of 17.2% more than offset by the repayment of the ETI loan of US$285 million.

Total assets administered by Nedbank has surpassed the R1.0 trillion level for the first time, having increased 8.7% for the year (2013: R939.9 billion). Assets under management increased 11.4% to R212.0 billion (2013: R190.3 billion) following good market performance.

Value created through broad-based black economic empowerment

Nedbank's South African broad-based black economic empowerment ('BBBEE') transaction introduced in 2005 included over 500 000 direct and indirect beneficiaries. The BBBEE transaction was aligned and implemented in collaboration with Old Mutual Group's BBBEE transaction. The BBBEE transaction facilitated broad-based black ownership equating to 11.5% of the then value of Nedbank's SA businesses. The objective was to create sustainable value for a broad base of diverse beneficiaries, including strategic black business partners, employees, non-executive directors, clients and community interest groups affiliated with the company.

The group's strong financial performance over the ensuing nine-year period has benefitted its BBBEE stakeholders by an estimated R8.2bn, based on current market prices. Valuing this benefit at the time that shares became unrestricted, during the lifetime of the BBBEE schemes, the aggregate value created for the BBBEE stakeholders would be R5.5bn.

Further information on the specific repurchase and issue relating to the BBBEE transaction is available on the Nedbank's website at nedbankgroup.co.za.

Economic outlook

The SA 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.

Growth in GDP 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.

Prospects

Our guidance on financial performance for the full 2015 year is as follows:

- Advances to grow at mid-single digits.
- NIM to be below the 2014 level of 3.52%.
- CLR to be at the lower end of the through-the-cycle target range of 80 to 120 basis points.
- NIR (excluding fair-value adjustments) to grow above mid-single digits.
- Expenses to increase above mid-single digits.

Although forecast risk remains high, for the year ahead we once again expect organic growth in DHEPS to be above nominal GDP growth

Nedbank data tables (Rand)

Cluster performance	Economic Profit (Rm)			Headline earnings (Rm)			RoE (%)	
	2014	2013	% change	**2014**	2013	% change	**2014**	2013
Nedbank Capital	**1,198**	963	24%	**2,128**	1,726	23%	**30.9%**	29.4%
Nedbank Corporate	**1,167**	1,138	3%	**2,599**	2,245	16%	**24.5%**	26.4%
Nedbank Business Banking	**358**	308	16%	**1,094**	929	18%	**20.1%**	19.4%
Nedbank Retail	**(48)**	(308)	(84%)	**2,937**	2,539	16%	**13.3%**	11.6%
Nedbank Wealth	**660**	577	14%	**1,042**	900	16%	**36.8%**	36.2%
Rest of Africa	**(122)**	(87)	40%	**357**	173	106%	**10.1%**	8.7%
Business clusters	**3,213**	2,591	24%	**10,157**	8,512	19%	**19.7%**	18.7%
Centre	**(1,101)**	(477)	131%	**(277)**	158	(275%)		
Total	**2,112**	2,114	-	**9,880**	8,670	14%	**15.8%**	15.6%

Credit loss ratio analysis (%)	**2014**	2013
Specific impairments	**0.72%**	0.97%
Portfolio impairments	**0.07%**	0.09%
Total credit loss ratio	**0.79%**	1.06%

Credit loss ratio by cluster (%)	% banking advances	**2014**	2013	Through-the-cycle target ranges
Nedbank Capital	12.8%	**0.14%**	0.51%	0.10% - 0.55%
Nedbank Corporate	33.1%	**0.21%**	0.23%	0.20% - 0.35%
Nedbank Business Banking	11.4%	**0.42%**	0.65%	0.55% - 0.75%
Nedbank Retail	36.0%	**1.70%**	2.16%	1.90% - 2.60%
Nedbank Wealth	4.2%	**0.17%**	0.28%	0.20% - 0.40%
Rest of Africa	2.6%	**0.23%**	0.37%	
Total credit loss ratio		**0.79%**	1.06%	0.80% - 1.20%

Capital (Basel III)	**2014**	2013	Internal target range	Regulatory minimum [1]
Common equity Tier 1 ratio	**11.6%**	12.5%	10.5% - 12.5%	5.5%
Tier 1 ratio	**12.5%**	13.6%	11.5% - 13.0%	7.0%
Total capital ratio	**14.6%**	15.7%	14.0% - 15.0%	10.0%

(Ratios calculated include unappropriated profits)

[1] The Basel III regulatory requirements (excluding unappropriated profits) are being phased in between 2013 and 2019 and exclude the Pillar 2b add-on.

Part 3 – Detailed Business Review

Loans and advances by cluster (Rm)	2014	2013	% change
Banking activity	**78,596**	72,066	9%
Trading activity	**27,005**	37,483	(28%)
Nedbank Capital	**105,601**	109,549	(4%)
Nedbank Corporate	**199,557**	175,274	14%
Nedbank Business Banking	**65,819**	62,785	5%
Nedbank Retail	**203,063**	195,435	4%
Nedbank Wealth	**24,819**	22,082	12%
Rest of Africa	**14,073**	14,700	(4%)
Centre	**89**	(453)	(120%)
Total	**613,021**	579,372	6%

Metric	2014 performance	Medium-to-long-term targets	2015 full-year outlook
RoE (excluding goodwill)	17.2%	5% above cost of ordinary shareholders' equity	Below target
Growth in diluted headline earnings per share	13.0%	≥ consumer price index + GDP growth + 5%	> consumer price index + GDP growth
Growth in organic diluted headline earnings per share	12.3%		
Credit loss ratio	0.79%	Between 0.8% and 1.2% of average banking advances	At lower end of target range
NIR-to-expense ratio	82.8%	> 85%	Below target
Efficiency ratio [1]	56.5%	50.0% to 53.0% [2]	Above target
Common equity tier 1 capital adequacy ratio (Basel III)	11.6%	10.5% to 12.5%	Within target range
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	2.07 times	1.75 to 2.25 times	1.75 to 2.25 times

[1] Includes associate income in line with industry accounting practices
[2] Target will be reviewed for the impact of inclusion of associate income

Shareholders are advised that these forecasts are based on organic earnings and our latest macro-economic outlook and have not been reviewed or reported on by Nedbank's independent auditors.

Old Mutual Wealth

Highlights	2014	2013	% change
AOP (pre-tax, £m)	**227**	217	5%
Gross sales (£m)	**15,992**	14,434	11%
NCCF (£bn)	**3.7**	2.3	61%
FUM (£bn)	**82.5**	78.5	5%
Pre-tax operating margin [1]	**36%**	36%	0%
IFRS profit/(loss) after tax attributable to equity holders of the parent (£m)	**(37)**	38	(197%)

[1] Pre-tax revenue operating margin is calculated as pre-tax AOP divided by net revenue

Excluding divested businesses	2014	2013	% change
AOP (pre-tax, £m)	**199**	180	11%
NCCF (£bn)	**3.6**	2.2	64%
FUM (£bn)	**82.5**	73.9	12%

Operating environment

Investment markets in the UK and Europe have been volatile during 2014 and uncertainty remains around the global economic recovery. We have seen increased popularity of risk-adjusted absolute return asset classes as investors look for alternative investment options to attain positive returns. Equity asset classes remain more attractive than bond markets in an ongoing low interest rate environment. Within the equity asset classes, we have experienced strong flows as well as strong returns from our non-UK funds.

The regulatory environment in the UK continues to favour our business model and we are well positioned to take advantage of the new pension changes that were 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 both the industry and our own business.

In our International business and European operations fund values and revenues in sterling terms were reduced by the strength of sterling against the US dollar in the first half and against the euro over the year.

Business developments

2014 has been a pivotal year during which we have made significant progress in transforming our business and in becoming a vertically-integrated wealth and asset management business. We also successfully rebranded from Skandia to Old Mutual Wealth. Our integrated customer proposition encompasses advice, asset management, and platform and protection products.

We completed the acquisition of discretionary investment manager Quilter Cheviot for a consideration of up to £585 million on 25 February 2015, which gives us all the components we need to become a fully vertically-integrated wealth management business. Quilter Cheviot performed in line with expectations. Funds under management at the end of 2014 were at £16.7 billion, 10% higher than prior year. NCCF was £1.1 billion (2013: £1.1 billion). In line with our 12%-15% RoE target, Quilter Cheviot will enhance the long-term return profile of the Group, arising from the core profitability of the business together with the expense, revenue and other synergies.

Following the acquisition of Intrinsic in July 2014, the business is now integrated into Old Mutual Wealth and we are well placed to capitalise on the RDR-driven trend towards restricted adviser and financial planners. Our UK Platform, personal protection products and elements of the OMGI fund range have been added to Intrinsic’s product panel for its 930 restricted advisers (2013: 699). Intrinsic’s total adviser count was 3,050 at 2014 year end.

In December 2014, we also acquired the remaining 50% stake in Intrinsic Cirilium Investment Company Limited (ICICL) from Henderson Global Investors. Full ownership of ICICL provides a customer proposition that integrates advice, asset management, platform and wealth solutions and is an excellent addition to the products we manage on behalf of our customers.

During the year, we made significant progress in simplifying our operations to focus on a select number of core growth markets and we reduced our operational and regulatory risk exposure in the process. We completed the sale of Skandia Poland to Vienna Insurance Group, the sale of Skandia Liechtenstein to Aspecta Assurance International AG and the sale of the German and Austrian businesses to Heidelberger Leben Group for an aggregated consideration of €290 million (£230 million). The sale of our businesses in France and Luxembourg to APICIL completed on 2 February 2015.

Within OMGI, the addition of new teams and fund managers covering European and Asian equities, and Fixed Income Absolute Return has further broadened our product range and asset management capability. We are also developing our stewardship capability as part of our Responsible Investment practice. OMGI is now available on all major distribution platforms in the UK and its success over the past year was recognised at the 2014 Investment Week Fund Manager of the Year Awards, where it was awarded Global Group of the Year.

WealthSelect was launched successfully in the UK. The majority of *WealthSelect* customers are investing in our Managed Portfolio Service (MPS) offering and 74% are choosing an active investment portfolio. We continue to review the funds available to enhance the proposition and offer financial advisers and customers access to the very best fund managers at a highly competitive price.

In H2 2014 we launched our Silk Life Plan product in our Asian markets focussing on high net worth customers. The on-boarding process takes time given the complexity of the target customer base, but we see a strong pipeline of business to complete during the first half of 2015.

In the UK we are continuing to progress our IT transformation via our outsourcing contract with IFDS, which is expected to boost product capability and lower our cost base from 2017 onwards. During 2014, the project spend was £59 million (2013: £20 million). The project is now in the build phase and we expect the spend in 2015 to be higher than 2014.

AOP results

Old Mutual Wealth AOP increased by 5% to £227 million (2013: £217 million) through strong growth in our asset management and UK Platform businesses offset by the reduction in AOP following the divestments of some of our European businesses. On a like-for-like basis, AOP increased by 11%. Profits from our invest & grow business, increased by 18% to £98 million over the year. Profits excluding the divested businesses over the second half of 2014 were similar to those of the first half.

OMGI delivered £33 million (including £2 million from Cirilium) of profit in 2014, more than double the prior period (2013: £15 million) with the operating margin improving from 15% to 25% as FUM rose. We have seen strong net inflows into our higher margin Alternatives and Equities desks with some outflows from lower margin sub-advised funds and from the Global Strategic Bond Fund.

UK Platform had strong profit growth to £19 million (2013: £13 million) reflecting higher FUM over 2014.

Profits from our International business reduced by 24% to £37 million (2013: £49 million) with exchange movements reducing fund-based income, whilst the cost base is largely in sterling. The cost of implementing 'Wealth Interactive' combined with the cost of recapturing our financial reinsurance and other one-off costs has also reduced profit compared with 2013. These costs are not expected to recur in future years.

Europe Open book increased profits to £26 million, 18% higher than prior period (2013: £22 million), on the back of strong net flows in Italy.

Excluding our divested European business from both periods, our Heritage business maintained its profitability in line with prior year (2013: £78 million) despite the reduction in FUM as the book runs off.

Overall, the combined operating margin for Old Mutual Wealth remained stable over the year at 36% (2013: 36%).

Net client cash flow (NCCF)

NCCF of £3.7 billion in 2014 was 61% higher than prior period (2013: £2.3 billion) with strong sales in OMGI, UK Platform and Italy. Our open book businesses produced NCCF of £4.8 billion in 2014, 37% higher than 2013.

OMGI NCCF of £2.5 billion was significantly higher than prior year (2013: £0.7 billion) with a strong performance across most funds. The Global Equity Absolute Return fund was the top selling fund this year with £1.4 billion of net flows, demonstrating its popularity with investors as equity markets remain volatile. The UK Alpha fund was the next most popular investment choice in 2014 with net flows of over £0.8 billion. Cirilium generated net flows of £179 million in H2 2014 reflecting our 50% stake between 1 July 2014 and 30 November 2014 and our 100% stake in December 2014 (total net inflows in H2 2014 were £302 million). Over £0.8 billion of NCCF in 2014 into Old Mutual Global Investors was via our UK Platform (2013: £0.3 billion). *WealthSelect* NCCF has been encouraging, delivering above expectations with £0.7 billion NCCF since its launch in February 2014.

UK Platform delivered NCCF of £2.0 billion, 17% lower than prior year (2013: £2.4 billion). Sales are 9% higher than prior year at £5.1 billion but we have experienced increased outflows during 2014 as a consequence of increased re-registration activity in the market.

International NCCF of £0.3 billion was 40% lower than prior year (2013: £0.5 billion). NCCF in all regions, except the UK remained positive, despite challenging regulatory environments.

Within our Europe Open business, NCCF of £0.7 billion was 40% above prior year (2013: £0.5 billion) following an exceptional second half in Italy. Sales in Italy were 33% higher than prior year as we continue to expand our network of strategic distribution partners.

NCCF in our Heritage businesses had a net outflow of £1.1 billion, flat on prior year, reflecting the continued success of the retention strategies in place throughout the business. Excluding the divested business, Heritage NCCF was 15% better than prior year as surrender rates reduced to 10% (2013: 12%), following our continued strategic focus on asset retention.

The inter-company elimination of NCCF, which measures how much of OMGI's flows are sourced through other Old Mutual Wealth businesses, is £0.7 billion, up from £0.6 billion in 2013 and demonstrates our growing vertical integration.

Funds under management (FUM)

Funds under management rose by 5% to £82.5 billion at the end of 2014 due to good fund performance and strong NCCF, despite volatile market conditions. Excluding divested operations FUM grew by 12%. UK Platform assets were £30.8 billion, up 13% since the start of the year (December 2013: £27.3 billion). OMGI FUM, including Cirilium, was £21.0 billion, up 31% on the start of the year (December 2013: £16.0 billion). OMGI FUM now represents 25% of total Old Mutual Wealth FUM. Investment performance remains good, with 70% of OMGI core funds in the first quartile over a three year period and a total of 84% of funds above the median.

Gross sales

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

OMGI gross sales of £9.2 billion were 22% higher than prior year (2013: £7.6 billion), reflecting strong sales performance through UK and international third parties and improving sales penetration from UK Platform. We saw strong flows into our Alternative investment desk with sales over three times higher than last year and in particular our Global Equity Absolute Return fund has generated sales of £1.7 billion over 2014. Sales in the UK equity asset classes were significantly higher than prior year driven by strong sales of £1.1 billion into our UK Alpha fund. Our multi-asset *Spectrum* fund range delivered £0.6 billion of sales in the year and sales into *WealthSelect* were £0.8 billion in 2014.

UK Platform sales of £5.1 billion were 9% above prior year (2013: £4.7 billion). ISA sales were particularly impressive, benefiting from the increased ISA allowances and were 21% up on prior year. Our personal pension sales were 14% higher than prior year and are well-positioned to benefit from the Budget changes coming into effect in 2015. New sales and transfers through the UK Platform into OMGI were £1.8 billion (2013: £0.8 billion). Protection sales of enhanced critical illness products measured on an APE basis improved by 11%.

International cross-border sales of £1.8 billion were 4% lower than prior year (2013: £1.9 billion). Sales in the UK and South Africa were higher than prior year. The Far East saw lower sales, but improved during the second half of 2014 as sales recovered following improvement in regional equity markets and strengthening investor confidence at the midpoint of the year.

Within our Europe Open business, sales in Italy of £1.2 billion were 33% ahead of prior year (2013: £0.9 billion). In France, sales of £0.3 billion were 5% above prior year.

Heritage top-ups on existing business, excluding the divested European businesses, were down 10% from prior year to £0.3 billion, as closed books of business ran off and new flows moved to our core offerings.

Outlook

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

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

We have already seen good growth in 2014 following the addition of our UK Platform products to the Intrinsic restricted advice panel and we anticipate this will continue into 2015. We expect sales of our protection products through Intrinsic to gain traction and further grow our business. We launched our Practice Buy-Out initiative in early 2015 which will encourage retention, as well as grow our adviser network. Opportunities to further scale our model will be assessed as they arise.

Within OMGI, the recent addition of new teams and fund managers reflects our continued desire to broaden our product range. We expect continued development of our asset management capabilities, in particular through a focus on our offshore distribution strategy and the inclusion of Cirilium.

WealthSelect is demonstrating popularity and performance as an investment solution and we anticipate that momentum will 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 are able to deliver flexible and user-friendly products on an efficient platform, whilst adapting to the challenging regulatory environments in which we operate. We expect our *Silk Life Plan* to boost sales volumes within our Asian markets. We launched the *Wealth Management Plan* on 1 January 2015 in Hong Kong, to comply with the new regulation in the region. We obtained an offshore insurance exemption in Florida in 2014 which we expect to generate sales in Florida to non-resident nationals (typically Latin American clients).

Our earnings 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.

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Old Mutual Wealth data tables

Adjusted operating profit (£m)	2014	2013	% change
Invest & Grow markets			
UK Platform	**19**	13	46%
UK Other [1]	**9**	6	50%
International	**37**	49	(24%)
Old Mutual Global Investors [2]	**33**	15	120%
Total Invest & Grow	**98**	83	18%
Manage for Value markets			
Europe – open book [3]	**26**	22	18%
Heritage business [4]	**103**	112	(8%)
Total Manage for Value	**129**	134	(4%)
Total Old Mutual Wealth	**227**	217	5%

[1] Includes Protection, Series 6 pensions, UK Institutional business and Intrinsic profits

[2] Old Mutual Global Investors includes £2 million Cirilium profit in 2014

[3] Includes business written in France, Italy and Poland

[4] Includes UK Heritage and Europe Heritage book (Germany, Austria, Switzerland and Liechtenstein)

Gross sales and funds under management (£bn)

	FUM 1-Jan-14	Gross sales	Gross outflows	Net flows	Market and other movements	FUM 31-Dec-14	Net flows as % of opening FUM
Invest & Grow markets							
UK Platform [1]	**27.3**	5.1	(3.1)	**2.0**	1.5	**30.8**	7%
UK Other [2]	**5.6**	0.8	(0.8)	**-**	0.4	**6.0**	-
International	**15.0**	1.9	(1.6)	**0.3**	0.3	**15.6**	2%
Old Mutual Global Investors [3 4 5]	**16.0**	9.2	(6.7)	**2.5**	2.5	**21.0**	16%
Total Invest & Grow	**63.9**	17.0	(12.2)	**4.8**	4.7	**73.4**	8%
Manage for Value markets							
Europe - open book [6]	**6.6**	1.5	(0.8)	**0.7**	(0.6)	**6.7**	11%
Heritage business [7]	**15.4**	0.6	(1.7)	**(1.1)**	(3.9)	**10.4**	(7%)
Total Manage for Value [8]	**22.0**	2.1	(2.5)	**(0.4)**	(4.5)	**17.1**	(2%)
Elimination of intra-Group assets [4 9]	(7.4)	(3.1)	2.4	(0.7)	0.1	(8.0)	9%
Total Old Mutual Wealth	**78.5**	16.0	(12.3)	**3.7**	0.3	**82.5**	5%
	FUM 1-Jan-13	Gross sales	Gross outflows	Net flows	Market and other movements	FUM 31-Dec-13	Net flows as % of opening FUM
Invest & Grow markets							
UK Platform [1]	**22.6**	4.7	(2.3)	**2.4**	2.3	**27.3**	11%
UK Other [2]	**4.7**	0.8	(0.9)	**(0.1)**	1.0	**5.6**	(2%)
International	**13.9**	1.9	(1.4)	**0.5**	0.6	**15.0**	4%
Old Mutual Global Investors [3 4 5]	**13.8**	7.6	(6.9)	**0.7**	1.5	**16.0**	5%
Total Invest & Grow	**55.0**	15.0	(11.5)	**3.5**	5.4	**63.9**	6%
Manage for Value markets							
Europe - open book [6]	**5.9**	1.3	(0.8)	**0.5**	0.2	**6.6**	8%
Heritage business [7]	**14.3**	0.7	(1.8)	**(1.1)**	2.2	**15.4**	(8%)
Total Manage for Value	**20.2**	2.0	(2.6)	**(0.6)**	2.4	**22.0**	(3%)
Elimination of intra-Group assets [4 9]	(6.0)	(2.6)	2.0	(0.6)	(0.8)	(7.4)	10%
Total Old Mutual Wealth	**69.2**	14.4	(12.1)	**2.3**	7.0	**78.5**	3%

[1] UK Platform FUM excludes intra-Group assets from our International business of £1.5 billion in 2014 (2013: £1.5 billion)

[2] Includes Protection, Series 6 pensions and UK Institutional business

[3] OMGI includes net flows of £0.2 billion and FUM of £2.0 billion from the Cirilium fund in 2014. OMGI flows also include Nordic sale-related net outflows of £0.2 billion in 2014 (2013: £1.0 billion)

[4] OMGI and intra-Group eliminations include gross inflows from Heritage business of £0.5 billion in 2014 (2013: £1.2 billion)

[5] OMGI FUM includes £0.1 billion of shareholder assets in 2014 (2013: £0.1 billion)

[6] Includes business written in France, Italy and Poland

[7] Includes UK Heritage and Europe closed book (Germany, Austria, Switzerland and Liechtenstein)

[8] FUM in 2014 has been reduced by the disposal of the Polish, Austrian and German businesses

[9] Assets and flows managed by OMGI on behalf of other Old Mutual Wealth businesses

Part 3 – Detailed Business Review

Institutional Asset Management

Institutional Asset Management consists of OM Asset Management plc (OMAM), listed on the New York Stock Exchange, and a Non-US affiliate. Further information is included in the Financial Disclosure Supplement.

Highlights: Old Mutual Asset Management[1]	2014	2013	% change
AOP (pre-tax, $m)	**211**	160	32%
Operating margin, before affiliate key employee distributions	**40%**	35%	
Operating margin, after affiliate key employee distributions	**33%**	30%	
Net client cash flows ($bn)	**9.5**	10.1	(6%)
Funds under management ($bn)	**221**	199	11%
IFRS profit after tax attributable to equity holders of the parent (£m)	**77**	54	43%

[1] 2013 comparatives include Echo Point which was discontinued in Q4 2013

Overview

OMAM generated strong 2014 results in volatile equity markets, including increased profits and FUM growth. U.S. equity markets performed better than other markets.

Continued low interest rates have supported further growth in asset allocation towards alternatives and equity income for active parts of institutional portfolios.

The full text of OMAM's 2014 earnings announcement, released at 8.00EST on 27 February 2015, can be accessed via the OMAM corporate website – http://ir.omam.com/investor-relations/news/

Business developments

On 8 October 2014, the Group announced the pricing of its minority initial public offering ("IPO") of 22,000,000 ordinary shares of OM Asset Management plc (OMAM), the holding company for the Group's U.S. based institutional asset management business. Shares began trading on the New York Stock Exchange on 9 October 2014, under ticker symbol "OMAM". An additional 2,231,375 ordinary shares were sold under the underwriters' greenshoe option. The offering closed on 15 October 2014. As a result, the Group continues to own approximately 78.8% of OMAM.

In October 2014, OMAM completed a $60 million purchase of additional ownership interests in an Affiliate.

AOP results and operating margin[1]

OMAM continued to deliver strong profits in 2014. AOP increased by 32% to $211 million (2013: $160 million) largely due to increases in management fees and performance fees. Revenues of $635 million for the period were 19% higher than 2013 ($534 million), resulting primarily from growth in average FUM for the year of 18% and higher performance fees than the comparative period. Performance fees in the period of $34 million were up 90% over 2013 ($18 million). Approximately one-third of performance fees were driven by exceptional performance in a high-water mark based alternative strategy, with the remainder diversified across a range of products and Affiliates.

AOP margin before affiliate key employee distributions increased by 5% to 40% as a result of higher management fees and performance fees driving margin increases at the Affiliates and scale benefits at the holding company. On a post affiliate key employee distributions basis, reported operating margin increased 3% to 33%.

Investment performance

OMAM's aggregate investment performance is reported as weighted by the revenue generated by its products. As of 31 December 2014, assets representing 63%, 66%, and 78% of revenue outperformed benchmarks over the one-, three- and five-year periods (31 December 2013: 71%, 91%, and 82%, 30 September 2014: 66%, 70%, and 81%,). On an asset-weighted basis, over the one-, three- and five-year periods ended 31 December 2014, 48%, 52% and 64% of assets outperformed benchmarks, compared to 57%, 91% and 85% at 31 December 2013 and 53%, 57%, and 68% at 30 September 2014.

The decline in performance from 31 December 2013 is primarily driven by certain relatively low fee value equity strategies underperforming their respective benchmarks.

Continued strong investment performance and enhanced distribution capabilities remain key to generating future positive cash flows. We are pleased with our progress in enhancing distribution capacity through our Global Distribution platform.

[1] 2013 comparatives include Echo Point which was discontinued in Q4 2013

Funds under management and net client cash flows

Funds under management and net client cash flows ($bn)[1]	2014	2013
Opening FUM	**198.8**	158.4
Gross inflows	**32.0**	29.4
Gross outflows	**(20.8)**	(18.3)
Total client driven net flows	**11.2**	11.1
Hard asset disposals	**(1.7)**	(1.0)
Net client cash flows	**9.5**	10.1
Disposals	**(0.4)**	(1.6)
Market and other	**12.9**	31.9
Closing FUM	**220.8**	198.8

[1] 2013 Reported results include Echo Point which was discontinued in Q4 2013

OMAM's FUM grew 11% to $220.8 billion (31 December 2013: $198.8 billion) due to $12.9 billion of market appreciation (contributing 6.5% growth) and $9.5 billion of positive net client cash flows (contributing 4.8% growth). Positive net client cash flows were particularly strong in the fourth quarter ($3.8 billion), contributing a $20.0 million positive impact to annualised revenue.

OMAM's FUM consists of long-term investment products diversified across U.S. equities (39.6%), global & non-U.S. equities (38.0%), fixed income (6.9%) and alternative, real estate & timber investments (15.5%).

Gross inflows totaled $32.0 billion (2013: $29.4 billion), with flows driven by global equities, emerging markets equities, international equities, U.S. dividend focus equities, U.S. mid cap value equities, and real estate assets. Gross inflows of $13.1 billion were from new client accounts.

Gross outflows totaled $22.5 billion (2013: $19.3 billion), driven by U.S. large cap value and international equities. Gross outflows of $1.7 billion relate to investment-driven hard asset disposals by Heitman, OMAM's real estate manager.

The OMAM Global Distribution initiative raised $5.5 billion in total assets funded in OMAM affiliates in 2014 as we continued to work with our Affiliates to expand their non-U.S. client base in key markets and jurisdictions around the world. Non-U.S. clients currently account for approximately 20% of FUM (31 December 2013: 19%).

Outlook

Our business remains focused on pursuing growth initiatives, including developing capabilities in multi-asset class, LDI and global/non-U.S. equities and further penetration of non-US markets through our Global Distribution initiative, as well as growth opportunities through 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% pay out on 2014 Economic Net Income (ENI) of $1.26 per share.

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 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 3 year, 5 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.

NON-CORE BUSINESS – BERMUDA

Business Strategy and development

Bermuda has maintained its strategic focus on risk reduction while managing for value. Investment returns, policyholder surrenders and the success of hedging strategies have contributed to a significant reduction in capital requirements and approval from the Bermuda regulator to release $218 million of capital in 2014 (following a release of $550 million in 2013). Hedging strategies are focused on managing the risk associated with policies with Guaranteed Minimum Accumulation Benefits (GMABs), primarily Universal Guarantee Options (UGOs).

Policyholder surrender experience

There was a decrease in surrender experience in 2014 compared to 2013. This was expected, and reflected the resumption of more normal levels of surrenders following the completion of policyholder top-ups in relation to UGOs that reached their fifth year anniversary. Fifth year anniversaries commenced in 2012 and ended in the first half of 2013. The value of surrenders in 2014 was $316 million (2013: $1,210 million). Analysis below illustrates how the UGO policy surrender experience around the fifth anniversary period significantly reduced the size of the UGO book and related risk exposure:

OM Bermuda policy count	2014	2013	2012	2011
Policies with UGO	**8,668**	9,940	17,207	27,820
Other policies	**2,024**	2,895	4,768	7,008
Total	**10,692**	12,835	21,975	34,828
Decrease (versus prior year)	**(17%)**	(42%)	(37%)	(14%)

Bermuda Guarantees

All policies with UGOs provide policyholders with a Capital Return Guarantee of 120% of their original investment value at the 10 year anniversary date. In addition, there is a Highest Anniversary Value (HAV) feature whereby certain policyholders are guaranteed the highest policy value at any preceding anniversary date. The UGO features, including the HAV features, mature on the 10 year anniversaries of these policies in 2017 and 2018. Other policies under administration have less onerous guarantees which do not give rise to significant volatility and risk.

120% Capital Return Guarantee

On an account value basis, at 31 December 2014, 78% of the policies with UGOs had a value below the 120% Capital Return Guarantee (31 December 2013: 91%). In May 2014, the business implemented a dynamic tail hedging strategy in respect of the UGO policies with the 120% Capital Return Guarantee. This approach replaced the previous 50% dynamic hedging strategy in protecting the company from significant market losses by hedging the risk of equity and foreign exchange exposures.

The dynamic tail hedging strategy systematically adjusts the hedge coverage in response to market movements by progressively increasing (or decreasing) hedge coverage as markets fall (or rise) compared with the constant coverage ratio that the 50% dynamic hedging strategy previously employed.

Tail hedging provides improved protection against equity and foreign exchange exposures and eases the liquidity strains required to support a hedging program under normal market conditions. Economic capital requirements are comparable under the two approaches. An increased volatility of earnings may be experienced under the dynamic tail hedging approach.

Dynamic tail hedging coverage was 16% of exposures as at 31 December 2014, at which time the median account value to invested premium ratio was in the region of 106%. The tail hedging approach would increase coverage toward 100% if policy values fell below 72% of invested premiums.

Highest Anniversary Value feature

On an account value basis, at 31 December 2014, 85% of UGO policies have the HAV feature (31 December 2013: 86%).

In order to hedge the equity and currency risks associated with the HAV, structured “look-back” options (HAV Options) were acquired in Q2 2013 for the 10-year risk associated with the HAV feature of the Hong Kong policies. The HAV Options protect against markets rising above the 120% guarantee and subsequently falling. It was not considered economical to purchase a hedge for the non-Hong Kong UGO GMAB HAV exposure as this exposure represented less than 10% of the UGO GMAB book. The HAV Options are performing as expected with an HAV coverage ratio of 102% on the whole book as at 31 December 2014.

Hedging strategies are under constant review and the approach to manage the 120% Capital Return Guarantees may be expected to evolve as the 10 year anniversary period approaches in 2017 and 2018.

Abridged statement of IFRS financial position

The statement of financial position illustrates the excess assets backing the liabilities of the Bermuda business.

$m	2014	2013	% change
Assets			
Cash and hedge collateral	**58**	103	(44%)
Treasuries	**-**	62	(100%)
Group Seed investments	**260**	260	-
Inter-company loan notes	**297**	466	(36%)
Other assets	**15**	32	(53%)
Total Assets [1]	**630**	923	(32%)
Liabilities			
GMAB reserves	**82**	84	(2%)
Other liabilities	**149**	222	(33%)
Total Liabilities [1]	**231**	306	(25%)
Total Equity	**399**	617	(35%)

[1] Total assets and liabilities excludes separate account assets and liabilities of $975 million (2013: $1,234 million)

Funding requirements can be met by drawing down the inter-company loan notes which are structured in tranches, allowing capital and treasury management flexibility. Cash funding is typically required to fund operating costs, "Other policies" surrenders, and hedging activity.

The Treasury portfolio was liquidated in December 2014 to fund the capital repatriation of $58 million approved by the Bermuda regulator.

At 31 December 2014, liabilities relating to the 120% Capital Guarantee and HAV of $78 million (2013: $79 million) are included in the GMAB reserves with $66 million (2013: $66 million) attributable to the 120% Capital Guarantees and $12 million (2013: $13 million) attributable to the HAV guarantees. Other liabilities primarily relate to less onerous products with market related guarantees.

Capital position and outlook

The table illustrates the reduced capital and capital requirements of the business:

OM Bermuda statutory capital surplus ($m)	**2014**	**2013**
Capital	**387**	604
Capital requirements	**295**	418
Surplus	**92**	186
Cover (times requirements)	**1.3**	1.4

Statutory capital of $387 million compares to IFRS equity of $399 million, adjusted for certain inadmissible assets. Statutory capital reduced to $387 million as at 31 December 2014 (31 December 2013: $604 million) following Bermuda Monetary Authority (BMA) approval to the release of $218 million of capital in H2 2014. Of the amount released, $58 million was in the form of cash and $160 million by the cancellation of inter-company loan notes. At 31 December 2014 the BMA statutory capital requirement was $295 million (2013: $418 million).

The reduction in statutory capital cover to 1.3 times at 31 December 2014 (31 December 2013:1.4 times) reflects the release of capital and reduction in capital requirements as the risk profile of the business has improved.

The 2014 release of capital followed similar BMA approval in 2013 for the release of a total $550 million of capital. The reduced level of capital and capital requirements is consistent with the reducing size of the remaining liabilities and the effectiveness of the de-risking actions undertaken.

Part 3 – Detailed Business Review

In view of the slower run off of the book after the fifth year policy anniversaries completed in 2013 and lower overall business levels, we do not anticipate further sizeable capital releases in the run-up to the 10 year policy anniversaries in 2017 and 2018, when further guarantee top-ups are required. The Company's economic capital is calculated to withstand a 1-in-200 stress event.

IFRS results of Old Mutual Bermuda

Old Mutual Bermuda was closed to new business in March 2009, subsequently it has been reported as a non-core business and as such its results continue to be excluded from the Group's IFRS AOP. However, interest paid by OM plc in relation to the inter-company loan from Bermuda is charged in determining the Group's AOP.

IFRS post-tax profit for the period was $1 million (2013: $51 million profit). The higher profit for 2013 was mainly due to a favourable guarantee performance, attributable to improved interest rates, reduced equity volatility, and favourable surrender experience, and non-recurring substantial net realized gains on the liquidation of the bond portfolio.

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For the year ended 31 December 2014

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Statement of directors' responsibilities

in respect of the preliminary announcement of the Annual Report and the financial statements

The directors confirm that to the best of their knowledge:

- The results in this preliminary announcement have been taken from the Group's 2014 Annual Report and Accounts, which will be available on the Company's website on 31 March 2015
- 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 Group and the undertakings included in the consolidation taken as a whole, and
- The Annual 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.

Julian Roberts	Ingrid Johnson
Group Chief Executive	Group Finance Director

27 February 2015

Consolidated income statement

For the year ended 31 December 2014

	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
			£m
Revenue			
Gross earned premiums	B2	**3,209**	3,701
Outward reinsurance		**(308)**	(317)
Net earned premiums		**2,901**	3,384
Investment return (non-banking)		**6,304**	9,986
Banking interest and similar income		**3,057**	3,050
Banking trading, investment and similar income		**197**	195
Fee and commission income, and income from service activities		**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		**(54)**	(81)
Banking interest payable and similar expenses		**(1,672)**	(1,616)
Fee and commission expenses, and other acquisition costs		**(863)**	(976)
Change in third-party interest in consolidated funds		**(322)**	(564)
Other operating and administrative expenses		**(3,548)**	(3,653)
Total expenses		**(14,138)**	(18,295)
Share of associated undertakings' and joint ventures' profit after tax		**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	H1	**(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	F1(a)(i)	**252**	259
Preferred securities	F1(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

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
			£m
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)

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	H1	**(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	F1(a)(iii)	**(280)**	(279)
Non-controlling interests – preferred securities	F1(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.

Consolidated statement of financial position

At 31 December 2014

	Notes	At 31 December 2014	At 31 December 2013
			£m
Assets			
Goodwill and other intangible assets		**2,763**	2,835
Mandatory reserve deposits with central banks		**829**	759
Property, plant and equipment		**765**	722
Investment property		**1,678**	1,811
Deferred tax assets		**283**	303
Investments in associated undertakings and joint ventures		**518**	168
Deferred acquisition costs		**862**	1,211
Reinsurers' share of policyholder liabilities		**2,314**	1,875
Loans and advances		**34,857**	33,583
Investments and securities		**87,547**	88,220
Current tax receivable		**92**	128
Trade, other receivables and other assets		**2,362**	2,583
Derivative financial instruments		**1,227**	1,259
Cash and cash equivalents		**4,944**	4,869
Non-current assets held for sale	H2	**1,475**	5
Total assets		**142,516**	140,331
Liabilities			
Long-term business insurance policyholder liabilities		**10,519**	12,126
Investment contract liabilities		**68,841**	69,015
Property & casualty liabilities		**319**	332
Third-party interests in consolidated funds		**5,986**	5,478
Borrowed funds	E1	**3,044**	2,644
Provisions and accruals		**284**	195
Deferred revenue		**330**	628
Deferred tax liabilities		**454**	491
Current tax payable		**189**	237
Trade, other payables and other liabilities		**4,276**	4,300
Amounts owed to bank depositors		**36,243**	34,370
Derivative financial instruments		**1,201**	1,478
Non-current liabilities held for sale	H2	**1,285**	-
Total liabilities		**132,971**	131,294
Net assets		**9,545**	9,037
Shareholders' equity			
Equity attributable to equity holders of the parent		**7,406**	7,270
Non-controlling interests			
Ordinary shares	F1(b)(i)	**1,867**	1,502
Preferred securities	F1(b)(ii)	**272**	265
Total non-controlling interests		**2,139**	1,767
Total equity		**9,545**	9,037

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 period	**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.

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 period		**4,897**	**560**	**845**	**1,717**	**52**
Profit after tax for the financial period		**-**	**-**	**-**	**-**	**-**
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 period		**-**	**-**	**-**	**-**	**(4)**
Dividends for the period	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 period		**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.

£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

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).

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

Notes to the consolidated financial statements

For the year ended 31 December 2014

A: Significant accounting policies

A1: Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The accounting policies adopted by the Group, unless otherwise stated, have been applied consistently with those applied in the preparation of the Group's 2014 Annual Report and Accounts.

The Group 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 Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

The financial statements contained herein do not constitute the Company's statutory accounts for the financial years ended 31 December 2014 and 31 December 2013 within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the financial year ended 31 December 2013 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The statutory accounts for the financial year ended 31 December 2014 will be delivered in due course. The report of the auditor for the financial year ended 31 December 2013 was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 were reset to zero.

	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

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 Unico

On 12 June 2014, the Group announced that it had completed the acquisition of a 36.4% stake in Banco Unico for $24 million. Banco Unico 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 advisors group of companies for total consideration of £98m.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 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, £39m 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.

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 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.

Notes to the consolidated financial statements

For the year ended 31 December 2014

A: Significant accounting policies continued

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.

(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 in the Annual Report and Accounts.

(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 program.

Further disclosure of the policyholder sensitivity to interest rates is provided in note E8(g) of the Annual Report and Accounts.

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, 10 year anniversaries 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 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 mostly 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) in the Annual Report and Accounts 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.

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 and 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 adjusted operating profit.

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 H1.

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

Notes to the consolidated financial statements

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)		3,422	-
Banking interest and similar income		116	2,941
Banking trading, investment and similar income		7	190
Fee and commission income, and income from service activities		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)		-	-
Banking interest payable and similar expenses		(42)	(1,628)
Fee and commission expenses, and other acquisition costs		(318)	(8)
Change in third-party interest in consolidated funds		-	-
Other operating and administrative expenses		(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		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	H1	-	-
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 H1.

Of the total revenues, £2,997 million was generated in the UK (2013: £4,947), £1,029 million in the rest of Europe (2013: £864 million), £10,977 million in Southern 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

Notes to the consolidated financial statements

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)		5,184	-
Banking interest and similar income		-	3,050
Banking trading, investment and similar income		-	195
Fee and commission income, and income from service activities		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)		-	-
Banking interest payable and similar expenses		-	(1,616)
Fee and commission expenses, and other acquisition costs		(341)	(12)
Change in third-party interest in consolidated funds		-	-
Other operating and administrative expenses		(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		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	H1	-	-
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 H1.

£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
	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

Notes to the consolidated financial statements

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		**275**	**452**
Mandatory reserve deposits with central banks		**-**	**829**
Property, plant and equipment		**304**	**432**
Investment property		**1,290**	**7**
Deferred tax assets		**87**	**17**
Investments in associated undertakings and joint ventures		**61**	**426**
Deferred acquisition costs		**100**	**-**
Reinsurers' share of policyholder liabilities		**132**	**7**
Loans and advances		**909**	**33,773**
Investments and securities		**29,584**	**6,359**
Current tax receivable		**11**	**16**
Trade, other receivables and other assets		**622**	**585**
Derivative financial instruments		**239**	**849**
Cash and cash equivalents		**1,024**	**741**
Non-current assets held for sale	H2	**155**	**1**
Inter-segment assets		**644**	**305**
Total assets		**35,437**	**44,799**
Liabilities			
Long-term business insurance policyholder liabilities		**9,276**	**232**
Investment contract liabilities		**19,956**	**653**
Property & casualty liabilities		**319**	**-**
Third-party interests in consolidated funds		**-**	**-**
Borrowed funds	E1	**420**	**1,833**
Provisions and accruals		**198**	**1**
Deferred revenue		**22**	**-**
Deferred tax liabilities		**203**	**42**
Current tax payable		**107**	**7**
Trade, other payables and other liabilities		**1,845**	**790**
Amounts owed to bank depositors		**385**	**35,858**
Derivative financial instruments		**286**	**843**
Non-current liabilities held for sale	H2	**-**	**-**
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	F1(b)(i)	**107**	**1,586**
Preferred securities	F1(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

Notes to the consolidated financial statements

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		134	446
Mandatory reserve deposits with central banks		-	759
Property, plant and equipment		303	391
Investment property		1,443	11
Deferred tax assets		104	11
Investments in associated undertakings and joint ventures		76	63
Deferred acquisition costs		107	-
Reinsurers' share of policyholder liabilities		174	11
Loans and advances		255	33,145
Investments and securities		28,592	5,387
Current tax receivable		12	32
Trade, other receivables and other assets		713	585
Derivative financial instruments		349	791
Cash and cash equivalents		702	1,196
Non-current assets held for sale	H2	-	-
Inter-segment assets		635	77
Total assets		33,599	42,905
Liabilities			
Long-term business insurance policyholder liabilities		9,467	191
Investment contract liabilities		18,576	661
Property & casualty liabilities		332	-
Third-party interests in consolidated funds		-	-
Borrowed funds	E1	187	1,813
Provisions and accruals		133	(1)
Deferred revenue		18	-
Deferred tax liabilities		182	34
Current tax payable		125	17
Trade, other payables and other liabilities		1,932	873
Amounts owed to bank depositors		280	34,083
Derivative financial instruments		466	974
Non-current liabilities held for sale	H2	-	-
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	F1(b)(i)	50	1,452
Preferred securities	F1(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

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.

	Notes	**Year ended 31 December 2014** £m	Year ended 31 December 2013 £m
(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, the amortisation and impairment of acquired other intangibles and acquired PVIF as well as the 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:

Year ended 31 December 2014	**Emerging Markets**	**Old Mutual Wealth**	**Total** £m
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)**
	(10)	**(118)**	**(128)**

Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Total £m
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)
	(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 in 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 Skandia Liechtenstein. A loss on disposal of £6 million has been recognised in profit of 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

Notes to the consolidated financial statements

For the year ended 31 December 2014

C: Other key performance information continued

C1: Operating profit adjusting items continued

(d) Short-term fluctuations in investment return continued

Analysis of short-term fluctuations in investment return

				£m
Year ended 31 December 2014	**Emerging Markets**	**Old Mutual Wealth**	**Other**	**Total**
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)**

				£m
Year ended 31 December 2013	Emerging Markets	Old Mutual Wealth	Other	Total
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:

	Source of guidance	Notes	**Year ended 31 December 2014** (Pence)	Year ended 31 December 2013 (Pence)
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 period 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:

	Year ended 31 December 2014 (£m)	Year ended 31 December 2013 (£m)
Profit for the financial period attributable to equity holders of the parent from continuing operations	**632**	702
(Loss)/profit for the financial period attributable to equity holders of the parent from discontinued operations	**(50)**	3
Profit for the financial period 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:

	Notes	**Year ended 31 December 2014** (Millions)	Year ended 31 December 2013 (Millions)
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

C: Other key performance information continued

C2: 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 period.

The tables below reconcile 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 period 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	H1	**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:

					£m
		Year ended 31 December 2014		Year ended 31 December 2013	
	Notes	**Gross**	**Net**	Gross	Net
Profit for the financial period 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 3/7p share	**-**	238
2013 Interim dividend paid – 2.10p per 11 3/7p share	**-**	98
2013 Final dividend paid – 6.00p per 11 3/7p share	**279**	-
2014 Interim dividend paid – 2.45p per 11 3/7p share	**115**	-
Dividends to ordinary equity holders	**394**	336
Dividends paid to holders of perpetual preferred callable securities	**32**	47
Dividend payments for the period	**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).

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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 2014
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	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

E: Financial assets and liabilities

E1: Borrowed funds

	Notes	**Non-banking**	**Banking**	**At 31 December 2014**	Non-banking	Banking	At 31 December 2013
							£m
Senior debt securities and term loans		**112**	**1,264**	**1,376**	113	1,166	1,279
Floating rate notes	E1(a)(i)	**-**	**563**	**563**	-	673	673
Fixed rate notes	E1(a)(ii)	**112**	**576**	**688**	113	478	591
Term loans	E1(a)(iii)	**-**	**125**	**125**	-	15	15
Revolving credit facilities	E1(b)	**114**	**72**	**186**	-	-	-
Mortgage-backed securities	E1(c)	**-**	**52**	**52**	-	65	65
Subordinated debt securities	E1(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%		**253**			253		
£273 million perpetual preferred callable securities as 6.40%		**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.

	Non-banking	**Banking**	**At 31 December 2014**	Non-banking	Banking	At 31 December 2013
						£m
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

E1: Borrowed funds continued

(a) Senior debt securities and term loans

(i) Floating rate notes (net of group holdings)

	Maturity date	£m At 31 December 2014	At 31 December 2013
Banking - Floating rate unsecured senior debt			
R2,563 million at JIBAR + between 0.94% to 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 + 0.8%	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 + 0.9%	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 + 1.3%	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	£m At 31 December 2014	At 31 December 2013
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.

(iii) Term loans

	Maturity date	At 31 December 2014	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 9.5%	Repaid	**-**	6
$6 million at 8%	August 2017	**4**	-
$19 million at 8%	September 2017	**12**	-
$10 million at 8%	May 2020	**7**	-
$5 million at 11%	September 2022	**3**	3
$10 million at 10%	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	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 + 3.1%	October 2019	**28**	-
		72	-
Non-banking			
$177 million drawn of a $350 million facility at USD LIBOR + 1.5%	October 2019	**114**	-
Total revolving credit facilities		**186**	-

The Group also has access to a £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	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

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E1: Borrowed funds continued

(d) Subordinated debt securities (net of Group holdings)

	Tier	Maturity date	At 31 December 2014	£m 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 9.26%[2]	Lower Tier 2	November 2024	**17**	-
R700 million at 3 month JIBAR + 2.2%[3]	Lower Tier 2	November 2024	**39**	-
			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 per cent 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 3.3 per cent 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 + 2.2 per cent 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 + 3.3 per cent resettable quarterly, until the maturity date of 27 November 2024.

F: Other statement of financial position notes

F1: 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

	At 31 December 2014 £m	At 31 December 2013 £m
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	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
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 an 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	Notes	At 31 December 2014 £m	At 31 December 2013 £m
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	G2	**53**	-
Net disposal of interests		**39**	20
Foreign exchange and other movements		**(15)**	(344)
Balance at end of the year		**1,867**	1,502

(ii) Preferred securities

	At 31 December 2014 £m	At 31 December 2013 £m
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.

Notes to the consolidated financial statements

For the year ended 31 December 2014

G: Other notes

G1: Contingent liabilities

	At 31 December 2014 £m	At 31 December 2013 £m
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.

G2: Businesses acquired during the year

The Group continued to expand operations in Africa and the United Kingdom 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 in the Annual Report and Accounts 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 business 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.

G: Other notes continued

G3: 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 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.

H: Discontinued operations and disposal groups held for sale

H1: 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

H2: 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.