

Annual Report & Accounts

2015



Our four strong business units

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Institutional Asset Management



Find out more about Old Mutual

Corporate website

www.oldmutual.com

Annual Report

www.oldmutual.com/reportingcentre

Positive Futures Plan

www.oldmutual.com/reportingcentre

OUR STORY

Old Mutual began in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times. Today, 171 years on, the Group is made up of four strong businesses operating successfully in their respective markets and enabling positive futures for their stakeholders.

Strategic report

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We are changing Our strategy

To execute a managed separation of the Group into four strong standalone entities.

A managed separation of the Group will free the constituent parts into four independent businesses, each having a capital structure and dividend policy suitable for its own strategy that will allow it to access its natural shareholder base.

Following the managed separation, the lead regulator for each business will then be the same as the local regulator.

We will manage the separation of the Group in a manner that aims to enhance value to shareholders over time.

Our strategic priorities

- Working with our businesses in delivering enhanced performance relative to their peer groups.
- Stewardship of the managed separation process, balancing value, cost, time and risk.
- Fulfilling the Group's ongoing regulatory obligations; and managing the Group's debt obligations, central cost reductions and distributions to shareholders.

Our values

We are committed to being a responsible business with a view to the long-term and will focus on areas where our businesses can make a material impact and create meaningful change. Our businesses will continue to be guided by our strong values: respect, integrity, accountability and pushing beyond boundaries.

GROUP AT A GLANCE

Our Group operates in
over 30 countries

GROUP ADJUSTED OPERATING PROFIT (AOP) BY GEOGRAPHY

(Post-tax and NCI)

South Africa

AOP £662m (+5%¹)

Share of Group 62%

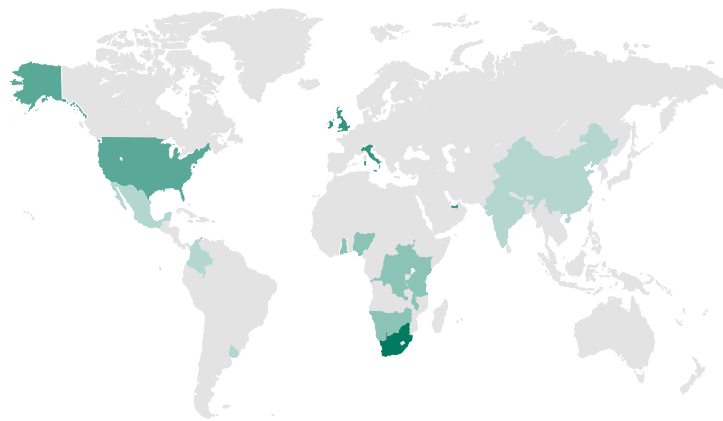
Old Mutual Emerging Markets and
Nedbank's South African market

Rest of Africa

AOP £49m (+2%¹)

Share of Group 5%

Old Mutual Emerging Markets
and Nedbank's markets in Africa
(excluding South Africa)



UK & Rest of the World

AOP £258m (+32%¹)

Share of Group 24%

Old Mutual Wealth UK-based businesses

United States

AOP £87m (-7%¹)

Share of Group 8%

Institutional Asset Management
US-based businesses

Asia & Latin America

AOP £14m (-33%¹)

Share of Group 1%

Old Mutual Emerging Markets, other
markets including: China, India,
Colombia, Mexico, Uruguay

AOP (pre-tax and NCI) of £1.7 billion
up 11% in constant currency, up 4% in reported currency

NCCF of £6.6 billion (excluding Rogge)

Group ROE 14.2%

Solvency II ratio 135%

Old Mutual Emerging Markets

We provide

Financial solutions to retail and corporate customers across a number of market segments and geographies.

Highlights and position

Completed the acquisition of a 60.7% stake in UAP.

2015 Presidential Game Changer Award for driving transformation in financial services in South Africa.

Adjusted operating profit

£615m (+9%²)

Funds under management

£43.4bn (+9%²)

www.oldmutual.co.za

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Nedbank

We provide

A wide range of wholesale and retail banking services and a growing insurance, asset management and wealth offering to individuals and businesses.

Highlights and position

Headline earnings up 9.6% to R10,831 million.

2015 South African and African Bank of the Year.

Adjusted operating profit

£754m (+7%²)

Funds under management

£11.9bn (+20%²)

www.nedbank.co.za

[p32](#)

Old Mutual Wealth

We provide

Advice-driven wealth solutions to customers in the UK and a number of cross-border markets.

Highlights and position

41% of FUM now managed internally.

Best Investment Fund – Old Mutual Global Investors
2015 Moneyfacts Investment, Life & Pension Awards.

Adjusted operating profit

£307m (+35%¹)

Funds under management

£104.4bn (+27%¹)

www.oldmutualwealth.com

[p42](#)

Institutional Asset Management

We provide

A diverse range of investment strategies and products, delivered via a multi-boutique model to institutional investors.

Highlights and position

Achieve solid margins relative to peers and a strong level of revenue growth from net new money flows across core affiliates.

Leading institutional asset manager.

Adjusted operating profit

£149m (+6%²)

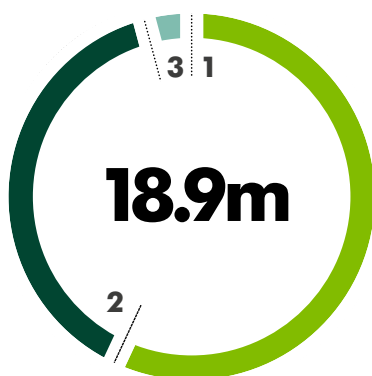
Funds under management

£168.2bn (-9%²)

www.omam.com

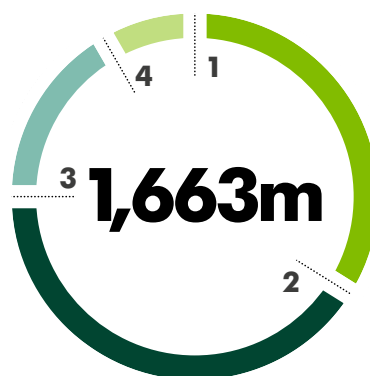
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GROUP CUSTOMERS



1. Old Mutual Emerging Markets **57%**
2. Nedbank **39%**
3. Old Mutual Wealth **4%**
4. Institutional Asset Management³

GROUP ADJUSTED OPERATING PROFIT BY BUSINESS UNIT (Pre-tax and NCI)



1. Old Mutual Emerging Markets **37%**
2. Nedbank **45%**
3. Old Mutual Wealth **18%**
4. Institutional Asset Management **9%**
5. Central activities **(9%)**

GROUP EMPLOYEES BY BUSINESS UNIT



1. Old Mutual Emerging Markets **43%**
2. Nedbank **49%**
3. Old Mutual Wealth **5%**
4. Institutional Asset Management **2%**
5. Other **1%**

1 Reported currency movement against prior year

2 Local currency movement against prior year

3 Institutional clients

18.9m

Customers in
over 30 countries

CHAIRMAN'S MESSAGE TO SHAREHOLDERS



Patrick O'Sullivan
Chairman

“
2015 was a year
of change and
momentum for
the Group.
We delivered
a strong result
in spite of a
number of
headwinds
”

HIGHLIGHTS OF THE YEAR

**Adjusted operating earnings per share of 19.3p,
up 15% in constant currency**

**Bruce Hemphill joined the Company
as our new Group Chief Executive**

**Our new strategy offers an appropriate way
of preserving and creating value for the future**



The Group has evolved to reach a point today where we have four leading businesses

Overview of the year

2015 was a year of change and momentum for the Group. We delivered a strong result in spite of a number of headwinds, in particular volatility in the equity markets during the second half of the year and the marked depreciation of the rand – a key emerging markets currency.

Our adjusted operating earnings per share were 19.3 pence, 15% higher than in 2014 on a constant currency basis.

Our net IFRS profit after tax was 5% up on the prior year – a satisfactory result, given the level of our investment in new businesses and systems.

Alongside this year's results, we have announced the Group's capital position under the Solvency II regime, which came into effect from 1 January 2016. Our Solvency II ratio at the end of 2015, at 135%, while satisfactory, does not include £0.8 billion of surplus at Old Mutual Emerging Markets and Nedbank. The solvency capital position of each of our underlying businesses remains robust.

Board developments

Towards the end of 2015, we welcomed Bruce Hemphill as our new Group Chief Executive. He assumed his position at the beginning of November.

We were also pleased to welcome Trevor Manuel, the former South African Finance Minister, who joined the Board as a non-executive director from January 2016.

After 15 years on the Board, firstly as Group Finance Director and from 2007 as Group Chief Executive, Julian Roberts transitioned out of his position during the year. My colleagues and I wish to thank Julian sincerely for his successful turnaround of the Group during one of the most difficult financial market environments of recent decades. We wish him every success in the years ahead.

Paul Hanratty, our Chief Operating Officer, will step down from the Board on 12 March 2016, but he will remain available to the Group, providing advice to the Group Chief Executive and, until a successor is appointed, as Chairman of Old Mutual Emerging Markets.

Strategic review

Old Mutual is an iconic South African institution with a heritage of which it remains justifiably proud. From its roots as the premier financial services group in South Africa, it has evolved through the listing in London to reach a point today where we have four leading businesses.

After much careful thought, we have taken the important decision that the best interests of shareholders will be served by enabling these businesses to chart independent courses over the medium term. We owe a

considerable debt to the loyal employees whose efforts have shaped the evolution of the Group. I am sure that they, customers and shareholders alike will recognise the logic behind our decision and can look forward to the opportunity to create long-term shareholder value in the next phase in the evolution of Old Mutual. More details about this new strategic direction are included in the later sections of this Report.

As part of our transition through the implementation phase for this new strategy, we anticipate that the Group's Operating Model will evolve from its current strategic controller model to an active portfolio manager model. We will also be addressing during the months ahead the implications of this new strategy for the respective roles of the holding company and subsidiary boards.

Conclusion

The volatile market conditions experienced since the start of this year, together with reduced international flows into emerging markets, have clouded the outlook for 2016. Given the challenges ahead, we believe our new strategy offers an appropriate way of preserving and creating value for the future. I look forward to keeping shareholders and other stakeholders informed as we make progress with the implementation of our plans.

Finally, I would like to express, on behalf of the Board, our heartfelt appreciation for the contribution of the Group's employees during a continuing period of change. Without their efforts, we would not now have the opportunities we believe are vital to the future of our four businesses.

Patrick O'Sullivan
Chairman

£931m

AOP (post-tax and NCI)

CHIEF EXECUTIVE'S REVIEW



Bruce Hemphill
Group Chief Executive

My initial focus on joining Old Mutual on 1 November 2015 was to get to know the individual businesses, their management and the key markets in which we operate. I spent time talking to our customers, investors, and other key stakeholders to better understand their views of the Group. Since then I have overseen a comprehensive review of our strategy and structure to assess the strategic options that could drive enhanced shareholder value and enable our businesses to deliver great outcomes for our customers.

It is evident that our existing strategy has provided a more focused Group that has successfully led to re-shaping, simplification and reduced risk. As a result, today we have four strong businesses in Old Mutual Emerging Markets (OMEM), Nedbank, Old Mutual Wealth (OMW) and Old Mutual Asset Management (OMAM). Each one of these businesses has excellent prospects for growth.

It is also clear how proud Old Mutual is to be involved in the communities we serve, and how this ethos is a cornerstone in each of our businesses. In particular we have a very special relationship with South Africa and the African continent. We remain committed to being proactive in our contribution to society, including the growth of jobs, housing and income.

“
We have four strong businesses in Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth and Old Mutual Asset Management – each with excellent growth prospects
”

Strategic review

The strategic review has been a rigorous process designed to help us gain a fresh perspective on the Group's current business model and strategy within the context of potential future developments in our operating and regulatory environments.

We engaged internal experts and external advisers to undertake a thorough analysis of the Group and each one of our businesses. We assessed the performance and competitive positioning of each business within their respective markets and their path to achieving leadership economics in the medium-term. During the review we developed an extensive range of strategic options for the Group – including maintaining the status quo. Each of these alternatives was systematically evaluated in terms of shareholder value creation, strategic logic, potential for synergies, leadership economics, individual business growth ambitions; and sustainably resolving Group structural cost, efficiency and risk issues. The review also considered the ability to execute the various strategic options, given the associated risks and potentially enhanced returns.

After extensive analysis and consultation with stakeholders, the review concluded that there is no compelling strategic logic to keep the four businesses within a combined group structure:

- The four underlying businesses – OMEM, Nedbank, OMW and OMAM – have benefited from significant investment and each has strong growth prospects in sizeable markets, with excellent competitive positions, strong balance sheets and rigorous governance. There are, however, limited tangible synergies between the businesses.
- The evolving regulatory environment in Europe and South Africa is adding a degree of additional cost, complexity and constraints.
- The current Group structure also inhibits the efficient funding of future growth plans for the individual businesses, restricting them from realising their full potential.

The Group has served its purpose well, but the current configuration is unlikely to deliver the desired strategic outcomes and is preventing shareholders from benefiting from the full value of the underlying businesses.



Desired end-state

In light of the conclusions from the strategic review we have decided that the long-term interest of the Group's shareholders and other stakeholders will be best served by Old Mutual separating the four businesses – OMEM, Nedbank, OMW and OMAM, from each other.

Our desired end-state is four separate, strong but independent businesses which are well capitalised, able to build on their competitive positions and to take advantage of the growth opportunities in their respective markets. In this end-state the businesses will be delivering enhanced performance and they will be closer and more directly accountable to their respective shareholders. There will be better alignment with shareholders, with improved access to capital and a more appropriate regulatory structure. It will allow the businesses to be better rated as they will be owned by those investors who are best able to understand, invest in, and value them. Some of the central activities currently undertaken by the

Group will be assumed by the independent businesses. Following the completion of the managed separation and at an appropriate point in the future, the Group, in its current structure, will no longer exist.

The separation of these businesses will have positive benefits for their employees, customers, and other stakeholders, as well as for the economies and capital markets of the countries in which they operate.

Strategic path

Our strategy to get to the desired end-state will be a managed separation of the Group that will be effected in a manner that aims to enhance value to shareholders over time.

In light of the conclusions of the strategic review, we will be adopting a capital management policy which provides appropriate flexibility for the period of the managed separation, to cover the costs of the process and to continue the significant investment required in each of the business units. This results in an ordinary dividend that is appropriate in the context of the macro risks that we currently face. We also intend to reduce the Group holding company's current debt materially, mainly through asset disposals over time.

Subsequently and to the extent that excess capital is generated, the Board will consider further returns of capital to shareholders.

Our executive team has worked effectively together to formulate the Group's new strategy and will leverage each other's skills and those of the wider Old Mutual Group in accomplishing it. We have also recently appointed Rex Tomlinson (Group Chief of Staff) and Rob Leith (Director of Managed Separation) to the Group Executive Committee.

The separation process will involve significant ongoing regulatory and stakeholder engagement. The Group has a range of options available to it and the feasibility, sequencing, cost and timing of each element will be affected by a mixture of market, regulatory and other factors. We intend to update shareholders later in 2016 on the strategies of the underlying businesses and give greater clarity on our preferred route. We expect that the managed separation will be materially completed by the end of 2018 and will update the market periodically on our progress.

**The separation of our businesses
will have positive benefits
for their employees,
customers and other stakeholders**

OUR STRATEGY, PRIORITIES AND VALUES

Old Mutual Group

The Group has undergone substantial change in recent years, completing a successful programme of simplifying the business, focusing on customers and core competencies, operational improvement and reducing risk through lowering of debt, and investment in governance and controls.

We have also strengthened our four underlying businesses – Old Mutual Emerging Markets (OMEM), Nedbank, Old Mutual Wealth (OMW) and Old Mutual Asset Management (OMAM) – having invested in technology and acquisitions to bolster capabilities and reach.

Despite tough operating conditions, each of our businesses has exciting growth prospects in sizeable markets, with excellent competitive positions, strong balance sheets and appropriate governance.

However, there are limited tangible synergies between the businesses. The evolving regulatory environment in Europe and South Africa is adding a degree of cost and complexity to the current Group structure. This constrains their growth and value potential.

Our strategy

To execute a managed separation of the Group into four strong standalone entities.

A managed separation of the Group will create four independent businesses, each having a capital structure and dividend policy suitable for its own strategy that will allow them to access their natural shareholder base.

Following the managed separation, the lead regulator for each business will then be the same as the local regulator.

We will manage the separation of the Group in a manner that aims to enhance value to shareholders over time.

Our strategic priorities

- Working with our businesses in delivering enhanced performance relative to their peer groups.
- Stewardship of the managed separation process, balancing value, cost, time and risk.
- Fulfilling the Group's ongoing regulatory obligations; and managing the Group's debt obligations, central cost reductions and distributions to shareholders.

Our values

We are committed to being a responsible business with a view to the long-term and will focus on areas where our businesses can make a material impact and create meaningful change. Our businesses will continue to be guided by our strong values:

- Respect
- Integrity
- Accountability
- Pushing beyond boundaries



We will manage the separation of the Group in a manner that aims to enhance value to shareholders over time



Bruce Hemphill
Group Chief Executive

Our business unit strategies

Our business unit strategic priorities

Old Mutual Emerging Markets

An African financial services champion with strong, differentiated franchises in select emerging markets

- Continue to strengthen leadership positions in South Africa
- Build East Africa financial services and accelerate growth in West Africa
- Simplify and improve the customer experience
- Deliver a leading Property & Casualty capability
- Optimise and selectively invest in our businesses in Latin America and Asia
- Drive OMEM and Group collaboration
- Develop and strengthen our people to deliver on our growth ambitions

Nedbank

Africa's most admired bank by staff, clients, shareholders, regulators and communities

- Client-centred innovation
- Grow our transactional banking franchise
- Optimise and invest
- Strategic portfolio tilt
- Build a pan-African banking network

Old Mutual Wealth

The leading UK and cross-border retail investment business

- Continue to become one business to better serve our customers
- Continue our IT and business transformation to develop market-leading, flexible and scalable investment platforms
- Build an outstanding investment and asset management business
- Enhance multi-channel advised distribution
- Expand offering of investment and protection products

Old Mutual Asset Management

A leading multi-boutique institutional asset management business

- Generate core Affiliate growth through strong investment performance and positive net client cash flows
- Invest in collaborative organic growth with existing Affiliates
- Increase global distribution opportunities for Affiliates
- Execute new Affiliate partnerships
- Efficiently manage our balance sheet

BUILDING:

An African financial services champion

Africa's most admired bank

The leading UK and cross-border retail investment business

A leading multi-boutique institutional asset management business

OUR BUSINESS MODEL TRANSITION

Actively manage the separation of our four strong businesses to realise their full potential as standalone entities, in a manner consistent with our responsible business values

Current-state



Four strong underlying businesses have benefited from significant investment. Each has excellent growth prospects in sizeable markets, competitively positioned, with strong balance sheets, and appropriate governance

**OUR THREE
TRANSITION ANCHORS**

1

Working with our businesses in delivering enhanced performance relative to their peer groups.



2

Stewardship of the managed separation process, balancing value, cost, time and risk.

3

Fulfilling the Group's ongoing regulatory obligations; and managing the Group's debt, central cost reductions and distributions to shareholders.

Managed separation



End-state



Four strong, independent businesses, each having a capital structure and dividend policy appropriate for its own strategy

Each business delivering strong performance relative to its peer group

A phased reduction of Group central costs

OUR BUSINESS MODEL TRANSITION CONTINUED

Our four strong businesses deploy resources that create value for our stakeholders

Our future success depends on us managing our resources in a way which sustainably delivers value to stakeholders over time.

Financial capital

In 2015, Old Mutual generated £1,663 million adjusted operating profit (pre-tax and non-controlling interest) and funds under management were £327.9 billion as at 31 December 2015. We will work with each of our businesses to deliver enhanced performance relative to their peer groups.

Human capital

Our business units recognise that investing in their people is key to partnering successfully with their customers to do great things. We have 64,043 employees across the Group and are proud to have a diverse workplace with 58% of employees being female.

Manufactured capital

Our businesses partner with their customers by delivering a range of products through face-to-face support, branch advisers and virtually through digital platforms.

Our businesses will continue to enhance their capabilities and develop innovative solutions to meet their customers' needs.

Intellectual capital

We have four strong brands, each recognised at the local level: Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth and Old Mutual Asset Management.

Each of the businesses works with its customers to enable their goals. We recognise that partnerships are key to delivering value and we have identified a number of key partnerships to help deliver value at an operational and strategic level. These include Cambridge Institute for Sustainability Leadership, GlobeScan, Opportunity International and many more.

“
**Our role is to add
value to all of our
stakeholders. Helping
our customers thrive
whilst creating a
positive future for
society**
”

Gail Klintworth
Group Customer Director

Social and relationship capital

Old Mutual's four business units have a role to play in creating a thriving society and have identified the stakeholders with whom they must work to deliver value through the business. The business units' focus on financial wellbeing and responsible investment will ensure that they are doing their part to support their customers, their families, communities and the wider society.

The four business units have invested a total of £16.7 million in community programmes focusing on financial education and financial literacy. They are the biggest investors in renewables in South Africa at £2.7 billion and have invested £2.5 billion in infrastructure.

Natural capital

A clear position on climate change is central to the commitment of our businesses to enabling positive futures and their main objective is to play a significant role in the transition to a sustainable-energy future. Our four businesses track and monitor their direct footprint and are deepening their understanding of the carbon intensity of their investment portfolios.

The combined activities of our four businesses enable them to create value for our stakeholders

	£m 2015
Returns to shareholders ¹	426
Returns to bondholders ²	83
Taxes to governments ³	1,872

1 Ordinary cash dividend

2 Interest paid on debt

3 Total taxes paid and collected.

“
**We have the resources to manage the
separation from a position of strength**
”

Bruce Hemphill
Group Chief Executive

STAKEHOLDER RELATIONSHIPS

Old Mutual's stakeholders are any individuals, groups or organisations that are, or could be, affected by what we do as an organisation.

Why we engage with our stakeholders

Our relationships with our stakeholders can have both direct and indirect impacts on our business. So it is vital that we engage with these key audiences proactively. We see our primary stakeholders as our customers, the communities in which we operate, our employees, our regulators and our suppliers. Engagement with these groups can help us to run our business more effectively and mitigate against potential risks. The way we engage with stakeholders, and how often, depends on the individual stakeholder and their issues or concerns.

Why our stakeholders engage with us

Our stakeholders engage with us for a variety of reasons, but generally because our business has a direct or indirect impact on their lives or their work. For example, our regulators engage with us to ensure we meet their requirements, our customers engage with us because they trust us to look after their financial lives, and communities may engage with us because they believe we can partner with them on common social or environmental issues.

OUR CUSTOMERS

Who they are

We have 18.9 million customers across the Group. They range from individuals to large pension funds who trust us to invest their clients' money on their behalf.

Our individual customers cover the full spectrum from high-net worth investors to people engaging with a financial services company for the first time. We provide them with a range of services, including life insurance, property and casualty insurance, banking services and investments.

How we engage with our customers

Our customers are at the heart of everything we do. We can only be successful with their continued support and trust. It is crucial that we treat them fairly and provide them with the products, returns and service they expect from an institution to which they entrust their savings. That is why we invest significant resources in making customers the focus of our company.

We engage with them in a variety of ways: face-to-face, through financial advisers, online, on social media and through advertising campaigns.

How we delivered value in 2015

Old Mutual Emerging Markets launched a number of new products, including South Africa's first Tax-Free Savings Account. Acknowledging South Africa's success in significantly improving the life expectancy of people living with HIV, we increased the level of insurance cover for our mass foundation customers by releasing some of the reserves previously set aside due to mortality rates. We also ramped up our financial education programme – reaching 20,000 new customers through our Moneyversity online financial education tool, and over 100,000

18.9 million customers across the Group

STAKEHOLDER RELATIONSHIPS CONTINUED

“
Our customers
are at the
heart of
everything
we do
”

Gail Klintworth
Group Customer Director

customers through our On The Money financial education workshops. Our South African Property & Casualty business improved its app giving customers emergency assistance, incident guides, weather alerts and feedback channels for complaints or compliments.

Numerous improvements to our UK customer offering included a new protection product, clearer half-yearly statements, heightened customer service levels, and immediate compliance with the significant changes to the UK pensions regime coupled with enhancements to our existing product, including our flexible drawdown offering.

Our priorities for 2016

We continue to put the customer first in everything we do. In our South African and other African businesses we have a number of specific targets: improving the customer experience in our branch models by reducing queuing times and ensuring consistent standards, being more accessible to customers, and offering more products online through channels such as our app and digital shop.

In the UK we are undertaking a significant IT project which will transform our customer experience. We will continue to improve customer service and our offering for financial advisers.

Left: Almon Mhlanga
Right: Vuminkhosi Masuku



 **Johannesburg, South Africa**

Learning together

Swaziland head teacher Almon Mhlanga is a strong advocate of Old Mutual's On The Money education programme, and applies its principles to his own finances.

The Old Mutual investment plan he opened in the 1990s matured in 2011. It's paid for his daughter's university education and his son's secondary schooling. He's built a new house and still has enough to fulfil his son's dream of studying in Europe. It's an example he's encouraging his younger staff to follow – and he's opened another Old Mutual investment plan of his own...

“Old Mutual has helped me achieve so much!” – Almon Mhlanga

**20,000 new customers reached
through our Moneyversity online
financial education tool**

**Over 100,000 customers reached
through our On The Money online
financial education workshops**

OUR COMMUNITIES

Who they are

Old Mutual has significant operations in over 30 countries. We interact with local communities to create long-term sustainable partnerships, using our corporate knowledge and experience to enable positive futures.

How we engage with our communities

We seek to take into account the concerns of the wider community, including both national and local interests. We engage with communities through employee volunteering, cash donations to local charitable projects and groups, partnerships, sponsorships, and a variety of communication channels: face-to-face, online and advertising.

How we delivered value in 2015

We continued to serve the communities in which we operate by providing our services efficiently and profitably and by providing fair and equitable employment opportunities and conditions. In addition, we made donations to charities and projects and looked to support communities by developing profitable and sustainable financial products that benefit some of the poorest in society. For example, Old Mutual became a founding member of Blue Marble, a micro-insurance venture incubator whose first project involves insuring Zimbabwean smallholder farmers.

Our priorities for 2016

Our priorities for 2016 will reflect our aspiration to grow sustainable and thriving societies. We believe we can do this best by focusing on education and skills development – particularly financial education. Recognising that each country in which we operate faces specific local



Invested in charitable organisations in 2015

challenges, we also support projects that best promote local sustainable growth – for example, food security and our venture with small farmers in Zimbabwe.

OUR EMPLOYEES

Who they are

We employ 64,043 people across the Group. They come from a wide variety of nations and cultures and speak many different languages. To remain an employer of choice we must constantly seek employee feedback that helps us understand and respond to their needs and concerns. Maintaining wellbeing is crucial for us to ensure our employees can be as productive as possible.

How we engage with our employees

Our employee relationships are based on respect for each individual. We manage and interact with one another in accordance with the Group's core values. The channels we use for engaging with employees include email, focus groups, forums, workshops, special events and an annual culture survey of all employees. We constantly strive to introduce new and effective methods of engaging with our employees. Where necessary, we use appropriate dispute resolution processes and make all reasonable efforts to resolve issues locally.

How we delivered value in 2015

Old Mutual was voted South Africa's number one employer in financial services and insurance for the fifth year in a row. We were ranked number two out of all companies in South Africa and number one in Africa by the Top Employers Institute.

During 2015 we invested in digital platforms to give our employees across the Group up-to-date, tailored information on Group

South Africa's Number 1 employer in financial services and insurance

Africa's Number 1 employer across all companies

STAKEHOLDER RELATIONSHIPS CONTINUED

Our commitment to human rights

Our commitment to respect human rights and to comply with the Universal Declaration of Human Rights is embedded in our Code of Conduct and employment practices.

We continue to build on our responsible investment approach by remaining sensitive to the risk of breaching human rights resulting from our investments. We risk-assess the impact of new investments for the protection and respect of human rights and for potential human rights abuses.

We value our engagement and collaboration with a range of stakeholders including those in our supply and investment chains.

As part of our activity in this area, we have started to establish where the salient human rights risks are across our business

operations and are developing ways to address them. Whilst respecting human rights throughout our business, we are identifying priority areas to mitigate risk and taking steps to ensure we do not cause or contribute to negative human rights impacts.

Over the next five years, we will continue to build on this work. In particular, integrating our approach to human rights with our existing risk management and responsible business governance structures so that issues are identified and managed at a Group and business unit level. In parallel, we will continue with our approach to responsible investments as part of our Positive Futures Plan, which commits us to transparency in our investment approach and to driving positive societal value.

“
**Our approach to business
is to establish and maintain
long-term relationships,
so we must be accountable
in several years’ time for what
we do and say today**

”
Gail Klintworth
Group Customer Director

strategy, performance and key achievements. Our research showed continuing increases in engagement and interest from employees across all levels and all business units in the Group’s purpose, strategy and performance. We successfully used one of the Group’s key sponsorship events, the Old Mutual Two Oceans Marathon, to further enhance employee engagement.

Our priorities for 2016

We will continue striving to be the employer of choice in all the markets where we operate, so that we attract the best talent to work for the Group.

OUR SUPPLIERS

Who they are

Across the Group we engage with numerous suppliers. They include IT providers, consultants, energy suppliers, companies providing physical assets such as stationery or office furniture.

How we engage with our suppliers

The way we engage with our suppliers depends on the nature of the relationship, whether we see the supplier as strategic or tactical, and the degree of contractual complexity involved. We have processes for tendering and engaging multiple suppliers to ensure that appropriate due diligence is undertaken and that all suppliers participate on a fair and equal basis. All key suppliers are subject to regular review meetings: the frequency will reflect the level of spend and the degree of risk involved. Our approach to business is to establish and maintain long-term relationships, so we must be accountable in several years’ time for what we do and say today.

“
**We will continue striving to be the employer of
choice in all the markets where we operate**

”
Don Schneider
Group HR Director

“
We will continue to focus on ethical working practices, establishing rules of engagement between ourselves and our suppliers
 ”

Ingrid Johnson
 Group Finance Director

How we delivered value in 2015

As with all aspects of the way we do business, integrity in our dealings with suppliers is a prerequisite for our success. In 2015 we maintained a high standard of integrity, acting in the best interests of the Group and complying with our code of conduct. We continued to help suppliers with their development in areas such as environmental management, quality management and process improvement.

Our priorities for 2016

We will continue to focus on ethical working practices, establishing rules of engagement between ourselves and our suppliers, and adhering to due diligence and background check requirements. We will continue to develop long-term, healthy and transparent working relationships, ensuring that service delivery meets expectations and is consistently and accurately monitored through the contract lifecycle. And we will continue to promote sustainability in procurement.

OUR REGULATORS

Who they are

As a financial firm that provides insurance, banking and investment services to both retail and institutional customers, we are regulated in each of the countries where we operate. Financial regulation governs what financial institutions can and cannot do. The rules are generally devised and enforced to protect investors and depositors, maintain orderly markets and promote financial stability. The range of regulatory activity can include setting minimum standards for capital and conduct, making regular inspections, and investigating and prosecuting misconduct.

How we engage with our regulators

We strive to meet the compliance obligations established by our regulators across the Group in an open and honest manner. We embrace regulatory objectives as these are good for our customers and our regulators.

We engage with them constructively to support the continuing development of financial services regulation. Examples include our engagement with the Financial Advice Market Review in the UK and our ongoing interactions with South African regulators in developing the requirements for the Twin Peaks model and Conglomerate Supervision.

We have procedures in place to address any regulatory concerns, taking corrective action where necessary and reporting progress to our regulators promptly.

“
We engage with them constructively to support the continuing development of financial services regulation
 ”

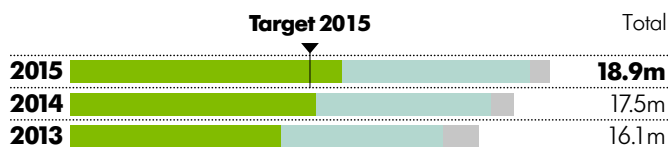
Sue Kean
 Group Chief Risk Officer

NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

Non-financial KPIs that we use to monitor the performance of our business

OUR CUSTOMERS

Customer numbers



■ OMEM
■ Nedbank
■ Other

Description

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

Net promoter score (NPS)*	2014	2015
OMEM	52%	50%
Nedbank	75%	75%
Old Mutual Wealth	33%	44%

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

RESPONSIBLE INVESTMENT

Investment capabilities applying our RI standard



Description

This figure shows the percentage of business units that have reported full compliance with the Group Responsible Investment (RI) Standard through our biannual Letter of Representation. Our RI Standard drives the integration of environmental social and governance (ESG) factors into our business.

Target

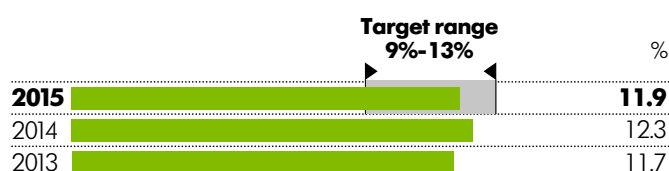
Our target is 100% integration of ESG factors into our investment decisions by 2017.

79%

of proxy votes cast in listed equity investments (2014: 70%)

OUR EMPLOYEES

Cultural entropy

**Description**

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

Target

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

ENVIRONMENTAL MANAGEMENTCarbon emissions (tonnes of CO₂e)

	Base	Target
	2010	2015 2020
Per employee in our employee-occupied properties	4.17	3.59 3.336
Per m ² in our property portfolio	0.21	0.20 0.168

Description

Our carbon emissions cover our Scope 1 and 2 emissions in our employee-occupied locations and Old Mutual investment property. Scope 1 are direct emissions from sources that are owned or controlled by the Group. Scope 2 emissions are indirect emissions resulting from the use of power (such as electricity) purchased by the Group. Our Group carbon footprint (Scope 1 and 2 emissions) is 502,728 tonnes CO₂e (2014: 548,153 tonnes CO₂e).

Target

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

Our Group carbon intensity for 2015 was 1.5 tonnes CO₂e/£m FUM (2014: 1.7).

* For Scope 2 we use Defra stipulated country-specific emission factors.

OUR COMMUNITIES

Community investment (% of pre-tax AOP)

**Description**

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

Target

Our target is to donate 1% of our pre-tax adjusted operating profit to charitable organisations.

GOVERNANCE

Inclusion in indices related to operating as a responsible business

	Base	Target
	2012 2013 2014	2015 2020
FTSE4Good	Yes Yes Yes	Yes Yes
FTSE/JSE Responsible Investment Index	Yes Yes Yes	Yes Yes

Description

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

Target

Our target is to maintain our listing on the FTSE4Good and FTSE/JSE Responsible Investment Index.

72.4%

of our employees
recommend Old Mutual
as a place to work

1.5

carbon intensity, measured in
tonnes CO₂e/£m FUM

FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

Group performance measures

Financial KPIs that we currently use to monitor the performance of our business. We expect to change and adapt these measures to reflect our managed separation strategy.

ADJUSTED OPERATING EARNINGS PER SHARE (p)

	Actual	Growth
2015	19.3p	+8%
2014	17.9p	-3%
2013	18.4p	+5%
2012	17.5p	+11%
2011	15.7p	+10%

 [p62](#)

RETURN ON EQUITY (%)

2015	14.2%
2014	13.3%
2013	13.6%
2012	13.0%
2011	14.6%

 [p65](#)

NET CLIENT CASH FLOW/OPENING FUNDS UNDER MANAGEMENT (%)

2015*	-0.5%	
2014	+1.7%	
2013	+5.9%	
2012	+1.9%	
2011	-3.9%	

 [p75](#)

* Excluding Rogge, net client cash flow/opening funds under management was +2.3%.

CAPITAL STRENGTH* (£bn)

	Surplus	FGD Ratio
2015**	1.7bn	160%
2014	2.1bn	164%
2013	2.1bn	168%
2012	2.1bn	159%
2011	2.0bn	154%

 [p71](#)

* Capital strength measured under the EU Financial Groups Directive. On 1 January 2016, our Solvency II surplus capital position was £1.6bn (135%) and excludes £0.8bn of restricted surplus

** Represents 31 December 2015 FGD surplus based on preliminary estimate.

19.3p

Adjusted operating earnings per share

Business unit performance measures

Financial KPIs that we currently use to monitor the performance of our business units. We expect to change and adapt these measures to reflect our managed separation strategy.

OLD MUTUAL EMERGING MARKETS

AOP (pre-tax) (Rm)	ROE
2015 12,001	23%
2014 11,033	23%
2013 8,969	22%
2012 8,430	25%
2011 7,680	24%

  p26

NEDBANK

AOP (pre-tax) (Rm)	ROE
2015 14,729	17%
2014 13,757	17%
2013 12,026	17%
2012 10,738	16%
2011 8,791	15%

  p35

OLD MUTUAL WEALTH

AOP (pre-tax) (£m)	ROE
2015 307	17%
2014 227	17%
2013 217	16%
2012 195	13%
2011 223	16%

  p46

INSTITUTIONAL ASSET MANAGEMENT

AOP (pre-tax) (\$m)	ROE
2015 228	14%
2014 215	17%
2013 174	15%
2012 144	13%
2011 107	*

  p55

* Not reported.

“
**Strong underlying financial performance,
 with continued operational delivery and further
 investment for growth in our business units**
 ”

Bruce Hemphill
 Group Chief Executive

OLD MUTUAL EMERGING MARKETS BUSINESS REVIEW



Ralph Mupita Chief Executive Officer
Old Mutual Emerging Markets

“
OMEM delivered a strong set of results, despite challenging macro-economic conditions across many of our markets
”

What we do

We provide financial solutions to retail and corporate customers across a number of market segments and geographies in South Africa, the Rest of Africa and other select emerging markets. These solutions include life insurance, property and casualty insurance, investments, asset management and credit solutions.

Our offering is based on our brand promise of providing solutions to customers most certain to deliver on their promises, being the most accessible to our customers (face-to-face and direct), being the most supportive of the communities we serve, and providing the best financial education and advice available.

The outcome of our businesses is the delivery of high top-line growth, strong cash generation and good returns for shareholders off a strong South African capital base.

Where we operate

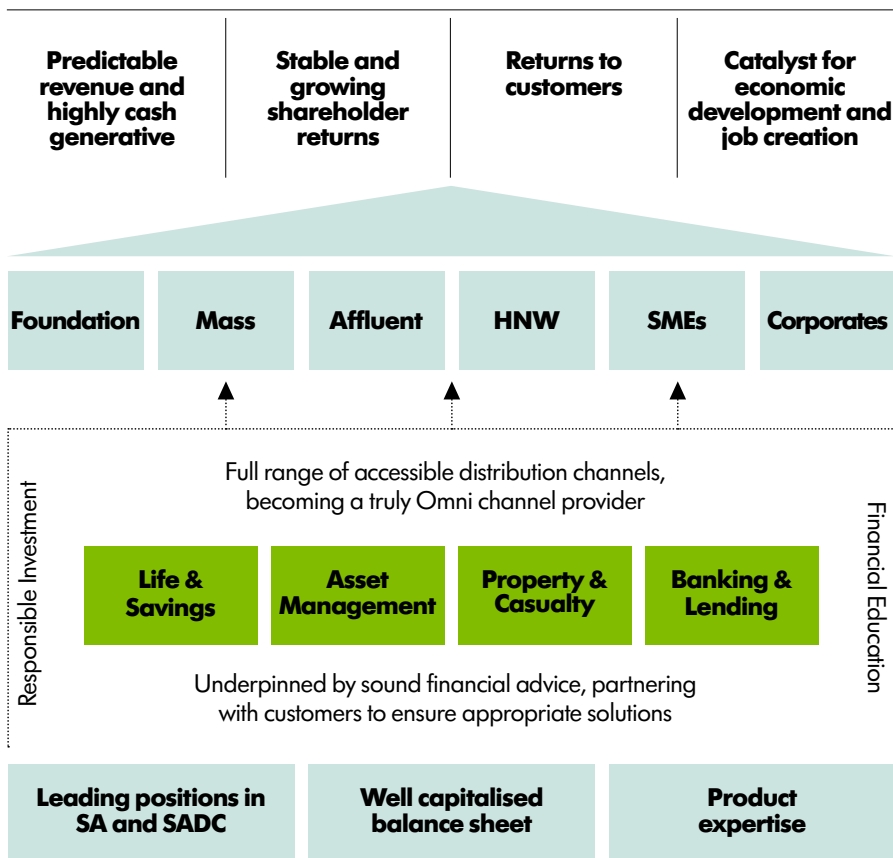
We operate in 19 countries across Africa, Latin America and Asia.

South Africa

In South Africa, we have leading market share positions in life, property and casualty insurance, asset management and credit solutions.

Completed the acquisition of a 60.7% stake in UAP
Completed the acquisition of a further 33.6% interest in Credit Guarantee Insurance Corporation
Innovative new product offerings including our Tax-Free Savings Account and Old Mutual Money Account
Number 1 in Life sales in South Africa

OMEM integrated financial services model



“
We provide a full suite of leading financial solutions to retail and corporate customers
 ”

We look to provide a full suite of leading financial solutions to retail and corporate customers. We continue to build leading businesses with attractive economics through growing distribution scale, product innovation, developing strong partnerships, brand strength, ability to cross-sell and realising the retailisation opportunity in the corporate customer base.

Rest of Africa

We aim to expand our operations through both acquisitions and organic growth. We have significantly increased our sales force, continued building strategic partnerships and alliances across our emerging markets businesses and have, over the course of the year, developed several new innovative product offerings.

We have leading market share positions in the Southern African Development Community ('SADC') markets, where we offer leading financial solutions to our retail and corporate customers.

In East and West Africa, we are expanding our operations through our strategic alliances and leveraging product capabilities into our key markets. Through our acquisition of UAP, we now have a leading position in Kenya.

Latin America

In Colombia, Mexico and Uruguay, we look to provide leading life insurance, investments and asset management solutions to retail and corporate customers. We are focused on driving growth through high-quality distribution relationships by leveraging our product and distribution capabilities in South Africa. AIVA continues to deliver results through its third-party agency channel in the affluent segment in Mexico.

Asia

In China and India, we look to provide leading life insurance and investment solutions to retail customers through a partnership model, leveraging product and distribution capabilities in South Africa, and competing on a differentiated basis.

+9%

AOP (pre-tax)

OLD MUTUAL EMERGING MARKETS CONTINUED



Participated in OMEM's financial education programmes in 2015

Responsible business

We strive to make a positive impact on the people, communities and other stakeholders that we serve, ensuring that our decisions take full account of the bigger picture. Across OMEM, we have made a decision to lead in responsible business by focusing on financial wellbeing and responsible investment.

In order to lead in financial wellbeing, we recognise that there is a need to scale our involvement in financial education and build on the current programmes in light of the high levels of indebtedness, low levels of savings and financial constraints that our customers face. We build their financial wellbeing and prosperity, while investing their funds in ways that will boost socioeconomic development in-country,

enabling positive and sustainable futures for them, their families and their communities.

Old Mutual is also involved in various educational funding initiatives through our Old Mutual Education Flagship Project, an investment initiative set up to significantly improve maths and science in underperforming South African public high schools. It will run over seven years with a total budget of R350 million to support the National Development Plan's aim of improving the South African education system. This initiative aims to reach 250 schools with the intention of positively influencing the lives of 250,000 learners.

From an investment perspective Old Mutual has committed to incorporating environmental, social and governance (ESG) issues into our investment and ownership decision-making in a manner that drives long-term sustainable growth. We have committed investment of R14.5 billion in approved renewable energy projects, including investment in 15 of the 22 Government-proposed wind farms, half of the solar power projects and one of the two hydro projects that have been in rounds one to three of the renewable energy initiative.

Competitive environment*

In South Africa, we are the life insurance market leader among local peers, with more than 28% of total life annual premium equivalent (APE) sales. We are the dominant player in the mass segment with 58% market share and we hold a strong position in the affluent segment with 20% market share. Mutual & Federal (M&F) South Africa remains the industry's second-largest non-life player, with 10.8% of total gross premiums written.

We continue to hold dominant market positions in the SADC region, with leading market positions in Malawi, Namibia and Zimbabwe. In our key growth markets of East and West Africa, we are developing rapidly from a relatively small base, and our UAP acquisition has given us a solid platform from which to become East Africa's leading financial services provider. Our primary competitors in sub-Saharan

Africa are our large South African insurance peers and local firms, rather than the large international insurers.

In Mexico, we have a strong corporate business with 4% of the corporate pension market. In Colombia, we hold second position, with 29% of the voluntary unit trust market. In India, Kotak Life Insurance is growing rapidly and now ranks 8th out of 23 life companies. In China, our joint venture with Guodian ranks 15th out of 21.

* All data as at 30 June 2015.

“
We continue to hold dominant market positions in the SADC region and our UAP acquisition has given us a solid platform from which to become East Africa's leading financial services provider
”

R989.9bn

Funds under management

Market dynamics

There were challenging macro-economic conditions across many of the markets in which we operate. GDP growth across emerging markets fell to 4.0% from initial estimates of 4.7% for 2015 as a result of the impact of lower commodity prices triggered by a slowing Chinese economy. The much anticipated hike in US interest rates by the Federal Reserve Bank contributed to higher net outflows from emerging markets into developed markets.

South Africa

In South Africa, economic growth slowed during 2015 as a result of electricity supply constraints, the challenging socio-political environment, lower commodity prices, increased market volatility and weak business and consumer confidence.

Despite the fall in crude oil prices, the rand continued to decline against major currencies and ended the year 34% weaker against the US dollar. The volatility in the rand exchange rate was further exacerbated by the changes to the finance ministry in December. These factors, combined with a severe drought and a negative inflation outlook, led to a 0.5% increase in the benchmark interest rate during 2015 and a further 0.5% increase in January 2016.

South African equity markets were strong during the first half of 2015 reaching all-time highs. These gains were reversed during the second half of 2015 with the JSE All Share Index ending the year 1.9% up on prior year. Equity markets remain extremely volatile.

Rest of Africa

Across the remaining African markets, the sharp decline in oil and precious metal prices has negatively impacted government revenues and economic growth for net exporter countries, resulting in the depreciation of sub-Saharan African currencies against the US dollar. The East African economies proved to be relatively resilient, while West Africa recorded lower economic growth. The Zimbabwean economy continues to slow down amid considerable political uncertainty and the Zimbabwean stock exchange

declined by 29% in 2015. The Kenyan stock exchange was down 21% and the Nigerian stock exchange was down 17% over the same period.

Asia

India continues to outperform most markets. The Indian economy expanded 7.3% year-on-year in 2015. It is liberalising its insurance market: the 2015 Insurance Laws (Amendment) Act paved the way for foreign investors to increase their stakes in Indian insurance companies up to 49%, on the proviso that a majority of ownership and management control remains in Indian hands. Investment markets in India have been strong with sentiment of recovery across several sectors.

China's economic growth continues to slow from historically strong levels of growth to a projected 6.9% per annum for 2015.

Latin America

Latin American economies remained subdued in 2015, due largely to falling commodity prices, the strengthening US dollar and financial strain from high government debt. However, both Mexican and Colombian economies are expected to continue growing at 2% to 4.5% annually, despite the drop in oil prices, depreciating local currencies and global macro-economic turbulence.

“
We are investing significantly in digital platforms and capabilities so that we can offer customers integrated service propositions across multiple channels
 ”

Across emerging markets

As smartphones and mobile devices become increasingly affordable, financial services players are introducing mobile applications and tools to better serve customers and reach previously untapped market segments. We are investing significantly in digital platforms and capabilities so that we can offer customers integrated service propositions across multiple channels; and partner with other organisations to offer Old Mutual products via alternative digital channels as we seek to improve the customer experience across all our regions. In 2015, 14% of Tax-Free Savings Account sales were via digital channels.

We face significant talent challenges in the Rest of Africa and across the broader emerging markets landscape, where regulatory and socio-political restrictions affect our ability to attract and retain skilled people in-country. It is therefore critical for us to continue developing local talent across both leadership and technical areas of the business as we grow our emerging markets business. To this end, we have established programmes where we have identified high-performing people and are mentoring and supporting them in our quest to grow our next leaders from within.

R34.3bn

Net client cash flows

OLD MUTUAL EMERGING MARKETS CONTINUED

“
**VNB improved
 by 24% to
 R2.4 billion,
 while maintaining
 a strong PVNBP
 margin of 3.3%**
 ”

Performance

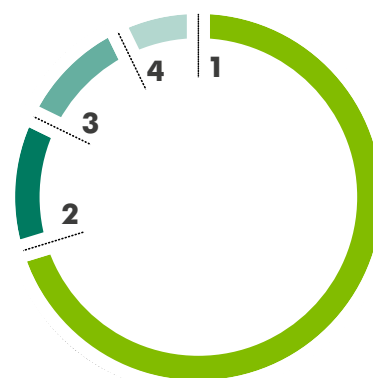
OMEM delivered good profit (AOP) growth of 9% on the prior year benefiting from higher asset-based fees, better life underwriting profits, the consolidation of Old Mutual Finance, and the turnaround in Property & Casualty's underwriting profits in South Africa. Profit growth in the second half of 2015 was constrained by a weaker economic environment, lower markets and finance costs on new debt issued. Excluding debt costs, profits were 11% up on the prior year.

Value of new business (VNB) improved by 24% to R2.4 billion, while maintaining a strong present value of new business premium (PVNBP) margin of 3.3%, driven by positive assumption basis changes and higher sales volumes across all segments.

Net client cash flow (NCCF) of R34.3 billion was R13.0 billion up on the prior year mainly due to large non-covered deals secured by South Africa Corporate and OMIG, and improved asset management flows in South Africa Retail Affluent and Rest of Africa.

Gross sales increased by 17% to R215.5 billion due to good non-covered sales growth of 15% (up from R135 billion to R155 billion) as well as exceptional covered sales growth of 31%. The growth in covered sales was underpinned by strong single premium sales in the South Africa Corporate business, good recurring premium sales in the South Africa retail businesses, and excellent sales performance across Rest of Africa (mainly Namibia, Zimbabwe and Malawi) and the Asia joint ventures.

AOP (PRE-TAX) BY LINE OF BUSINESS (Rm)



1. Life & Savings **R8,462m**
2. Asset Management **R1,430m**
3. Banking & Lending **R1,266m**
4. Property & Casualty **R843m**

Highlights

	Rm		
	2015	2014	Change
AOP (pre-tax)	12,001	11,033	9%
Gross sales (Rbn)	215.5	185.0	17%
Covered Sales (APE)	12,732	9,706	31%
NCCF (Rbn)	34.3	21.3	61%
FUM (Rbn) ¹	989.9	904.9	9%
IFRS profit after tax attributable to equity holders of the parent	7,067	7,059	–

¹ FUM is shown on an end manager basis.

Strategic intent

We are building an African financial services champion with strong, differentiated franchises in selected emerging markets, where we can leverage our capabilities in South Africa to deliver value in the medium-term.

Priorities set for 2015-18	Progress in 2015	Key management actions for 2016-18
<p>In South Africa, we will continue to provide a full suite of financial solutions to retail and corporate customers; strengthening our leading market share positions</p>	<ul style="list-style-type: none"> ■ Mutual & Federal (M&F) successfully completed the purchase of a further 33.6% interest in Credit Guarantee Insurance Corporation (CGIC) and launched two new products: Motorsure and Prosure ■ OMIG completed a 100% buy-out of African Infrastructure Investment Managers (AIIM), in which it previously held a 50% stake ■ Old Mutual Invest, a Tax-Free Savings Account (TFSA) was launched in March 2015. We also launched the innovative Old Mutual Money Account to lower-middle income market clients ■ We continue to make good progress on Group collaboration and are on track to deliver R1 billion pre-tax value of synergies by the end of 2017 	<ul style="list-style-type: none"> ■ Simplifying and improving the customer experience ■ Delivering a leading Property & Casualty capability ■ Driving OMEM and Group collaboration ■ Developing and strengthening our people to deliver on our growth ambitions
<p>In the Rest of Africa, we will look to build a business that provides leading financial solutions to retail and corporate customers, primarily through an integrated offering of life, property and casualty, asset management and credit solutions</p>	<ul style="list-style-type: none"> ■ Completed the acquisition of a majority stake (60.7%) in UAP ■ Our West African businesses continue to leverage our bancassurance relationship with Ecobank. Officially launched the Old Mutual Ghana and Ecobank partnership in May ■ Launched our unique 2-IN-ONE savings plan in Namibia and Malawi, as well as our new endowment product in Kenya, which is based on the South Africa 2-IN-ONE savings plan 	<ul style="list-style-type: none"> ■ Building an East Africa financial services leader ■ Accelerating our growth ambitions in West Africa ■ Delivering a leading Property & Casualty capability ■ Driving OMEM and Group collaboration ■ Developing and strengthening our people to deliver on our growth ambitions
<p>In Latin America and Asia, we are looking to build differentiated franchises, where we leverage product and sales management capabilities we have in Africa, coupled with distribution partnerships we have in these markets</p>	<ul style="list-style-type: none"> ■ In Latin America, AIVA, our independent distribution channel continues to deliver good results and has just launched a new product: Old Mutual Crea ■ In India, distribution via Kotak bank branches continues to grow, further supported by the merger with ING Vysya 	<ul style="list-style-type: none"> ■ Optimising and selectively investing in our businesses in Latin America and Asia ■ Driving OMEM and Group collaboration ■ Developing and strengthening our people to deliver on our growth ambitions

In South Africa, strengthen leading market share positions
In Rest of Africa, build a leading integrated financial services business
In Latin America and Asia, build differentiated franchises

OLD MUTUAL EMERGING MARKETS CONTINUED

Managing our risk

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

Market risk

Emerging markets continue to face a subdued economic environment due to the slowdown in China's demand for commodities and other local factors. Low growth prospects coupled with fiscal pressure have increased the risk of a sovereign downgrade in South Africa. We will continue to monitor the impact of economic changes and manage our cost base accordingly. Our customers will face increased pressure from higher inflation and likely tax increases and we will need to provide extra advice and financial education support.

Given our significant asset-based fee income, market declines will reduce earnings. Liabilities with guarantees and interest rate exposure are actively managed by our Balance Sheet Management team.

Socio-political risk

South Africa shows growing signs of social discontent, partly attributable to a significant income divide and high unemployment rates. This has created political uncertainty, and a risk of populist economic policy that could harm longer-term investment and growth. A new group of stakeholders are emerging in Government and unions, with whom we are building relationships. Confidence needs to be regained in political leadership and governance after the sudden changes in the Finance Ministry. Indigenisation remains on the agenda in Namibia and Zimbabwe.

Execution and integration risk

We take on execution risk in making acquisitions and integrating businesses,

but our processes are designed to ensure that we understand the risks in the new businesses and can manage post-acquisition integration. We are also refining our ability to manage strategic partnerships. Initiatives to modernise technology and improve the customer experience are tightly managed to deliver objectives and stay within budget.

Regulatory risk

Regulatory changes taking place across all our jurisdictions create new compliance risk but also bring new opportunities. We will continue to engage with regulators to promote financial inclusion and positive outcomes for customers.

Cyber risk

Increased levels of cyber crime have prompted us to invest more in creating

resilience in our IT systems to prevent unauthorised access to sensitive data and business-critical systems, and to support early detection of breaches.

Credit and liquidity risk

Growth in our retail lending businesses in South Africa, Zimbabwe and Kenya as well as our wholesale investment credit business has led to an increased focus on managing credit risk in both first and second lines of defence and strengthening of the governance framework around it. Investment credit risk arises in Old Mutual Specialised Finance and the South African life business, predominantly through the management of assets backing annuity products. Liquidity risk is managed by our Balance Sheet Management team.

Customer: Joseph Mgabhi



 Dvokolwako, Swaziland

Working together to grow both our businesses

Working together with our customers takes many forms. In Joseph Mgabhi's case, we helped him to start and grow his business – and he helped us to grow our team in Swaziland.

Joseph part-funded his business with proceeds from his Old Mutual Max Investment Plan. We helped him to sustain and grow it with a loan and part-withdrawals from other investment plans, and it now has 25 employees. Impressed by our supportive approach, Joseph encouraged his daughter to join us – she is now an Old Mutual financial adviser.

Outlook

Emerging markets continue to operate in a challenging economic and socio-political environment. Sub-Saharan African economic growth in 2016 is forecast to be higher than in South Africa, although growth has slowed as global conditions and low commodity prices impact emerging markets' outlook. Drought conditions in sub-Saharan Africa will continue to affect agriculture yields and increased inflation in this region is expected.

South Africa

Lower growth forecasts for 2016 of below 1% and a rising interest rate cycle will continue to increase financial pressure on the consumer. Higher inflation is expected in 2016 as food prices increase in response to the drought and the impact of a weaker rand on all imported goods, including grains. The average inflation forecast for 2016 is slightly above the South African Reserve Bank's 3-6% target range at 6.2%. Low oil prices will temper the inflation forecast to some extent, which may support disposable income of our mass foundation customers.

Further increases in interest rates, rising taxes, higher water and electricity costs, and possible job losses in struggling sectors will place pressure on consumers over the course of the year.

The risk of a downgrade of South Africa's sovereign credit rating by rating agencies has increased. Should this materialise, the rand could weaken further, causing a more severe inflation and interest cycle than is currently foreseen.

Rest of Africa

The economies of Nigeria and Ghana are expected to remain under pressure with higher inflation (9.6% and 17.7%, respectively) as a result of depreciation of their currencies following significant falls in oil prices.

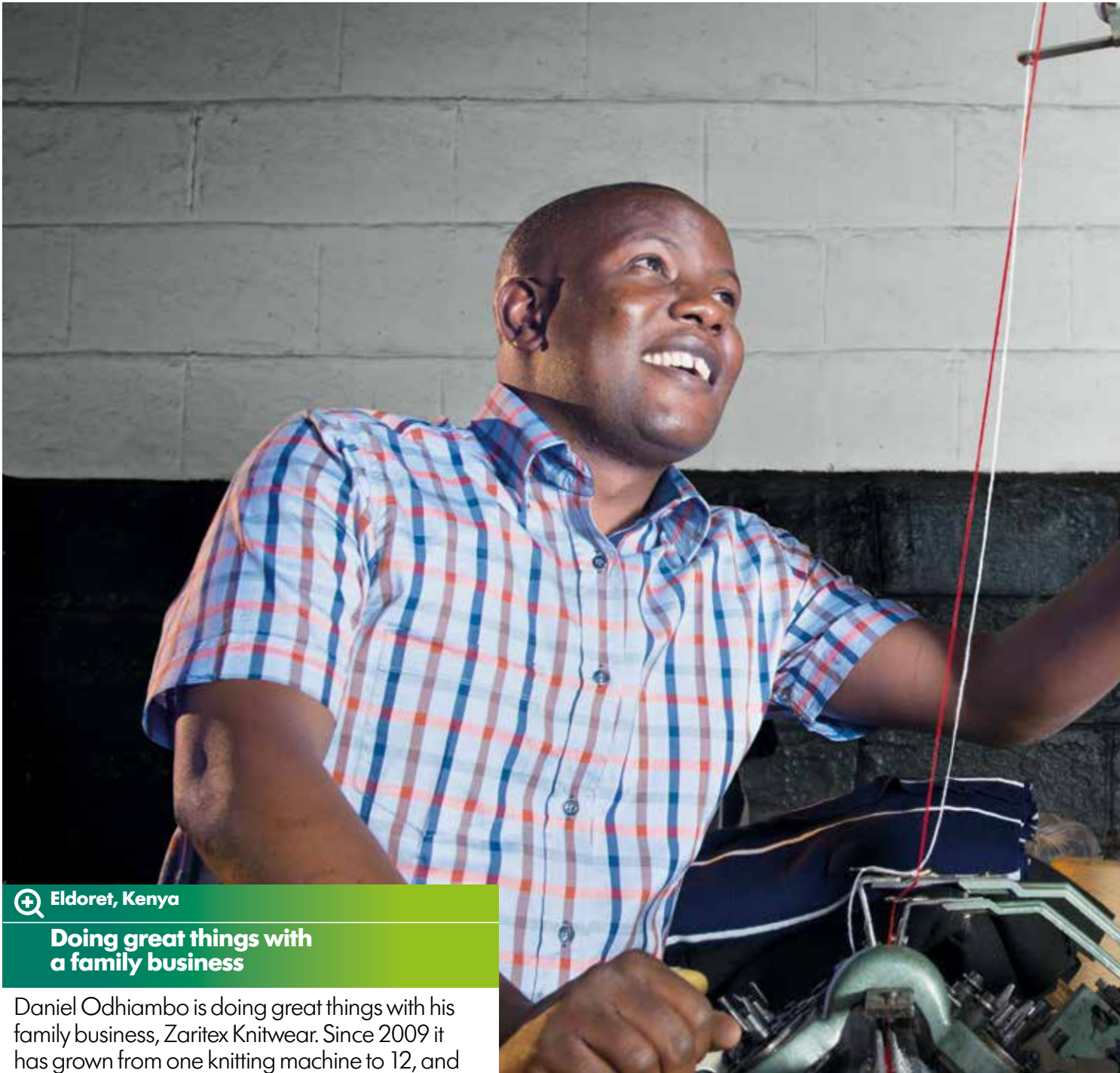
In Kenya, the economy is expected to accelerate slightly in 2016 sustained by an accommodating fiscal policy, infrastructure projects and robust private consumption despite the continuing devaluation of the local currency.

Asia and Latin America

Annual growth for India is expected to reach 7.5%, the highest in the Asia region. China remains vulnerable to further equity market volatility and credit losses and is expected to slow down to 6% growth per annum over the medium-term.

Lower commodity prices, an economic deceleration in major trading partners and persistent domestic challenges continue to affect levels of economic growth in the Latin American region. Colombia remains exposed to lower oil prices and the effects of the drought on the country threaten to dampen a fragile recovery.

“
**Emerging market economies
 remain under pressure but
 OMEM will continue to be
 resilient in these conditions**
 ”



 Eldoret, Kenya

Doing great things with a family business

Daniel Odhiambo is doing great things with his family business, Zaritex Knitwear. Since 2009 it has grown from one knitting machine to 12, and it now provides jobs for 30 people. We have been working with him since he came to Faulu, our Kenyan microfinance bank, to help him buy an embroidery machine. Doing this work in-house has given him better control of quality and timing. The business is thriving: Daniel now has two embroidery machines and he is talking to us about finance for a sock-knitting machine.



BUILDING PROSPERITY TOGETHER

“
**Faulu listen, and that’s
how they’ve helped me
to expand my business**

”
Daniel Odhiambo
Zaritex Knitwear

Customer: Daniel Odhiambo

30

**New jobs created
at Zaritex Knitwear**

NEDBANK BUSINESS REVIEW

What we do

Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services, as well as insurance, asset management and wealth management solutions. Nedbank operates under a federal operating model, delivering our products and services through four main business clusters: Nedbank Corporate and Investment Banking, Nedbank Retail and Business Banking, Nedbank Wealth and Rest of Africa.

Nedbank Group is listed on the Johannesburg and Namibian Stock Exchanges: at the end of 2015 our market capitalisation was more than R90 billion and Old Mutual owned a 54% stake.

Where we operate

Nedbank Group's primary market is South Africa. We are continuing to expand into the Rest of Africa, with a presence in six countries in the Southern African Development Community ('SADC') and East Africa region, where we own subsidiaries and banks in Namibia, Swaziland, Malawi, Mozambique, Lesotho, Zimbabwe, and also have representative offices in Angola and Kenya.

In West and Central Africa we have a partnership strategy and approximately 20% shareholding in Ecobank Transnational Incorporated (ETI), enabling a unique one-bank experience to our clients across more than 2,350 branches in 39 countries.

“
**Resilient
performance in
a difficult macro
environment**
”



Mike Brown Chief Executive Officer
Nedbank

2015 South African and African bank of the year

Increased total customers to 7.4 million

**South Africa's only carbon-neutral bank,
maintained for a sixth consecutive year**

Outside Africa we have presence in key global financial centres to provide international financial services for South Africa-based multinational and high-net worth clients in the Isle of Man, Guernsey, Jersey, London, Toronto and Dubai (UAE).

Responsible business

For Nedbank Group to be a sustainable business we acknowledge that we need to operate within environmental limits while meeting social needs. This implies that there are things we need to do less of, but also presents opportunities to develop new solutions that benefit the broader environment, our clients and our bank. Understanding and embracing this interconnectivity is at the core of our

sustainability-centred business strategy; and is key to our ability to create and deliver resilient value.

One of the delivery mechanisms for this is our Fair Share 2030 strategy to get money working for the future we want. Our Fair Share 2030 strategy has set eight long-term goals which we are striving to achieve by redeploying capital into projects that provide additional value in these areas. In 2015, lending in this regard of R1.8 billion included the provision of student accommodation, embedded energy for the agriculture sector and affordable housing. Other highlights include the provision of R5.9 billion in empowerment financing and face-to-face financial education provided to more than 136,000 adults and learners across South Africa.

Nedbank business segments

Nedbank Corporate and Investment Banking (CIB)

Full suite of wholesale banking solutions, including investment banking and lending; global markets and treasury; commercial property finance; deposit-taking; and transactional banking.



Nedbank Retail and Business Banking (RBB)

Full range of services, including transactional banking; card solutions; lending solutions; deposit-taking; risk management; investment products; and card-acquiring services for business.



Nedbank Wealth

Wide range of financial services, including high-net worth banking and wealth management solutions, as well as asset management and insurance offerings.



Rest of Africa

Full range of banking services, including transactional, lending, deposit-taking and card products.



**SOUTH AFRICAN
AND AFRICAN
BANK OF THE YEAR**

**The Financial Times
and The Banker
magazine**

Competitive environment

Nedbank ranks as a top 5 bank by assets on the African continent and Ecobank within the top 10.

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

We are South Africa's fourth-largest bank by market capitalisation, total assets and headline earnings. We are a top-two corporate bank and a market leader in commercial property finance. Through our pan-African banking alliance with ETI, we give our customers access to Africa's largest banking network.

+10%

Headline earnings

NEDBANK CONTINUED

“
South African corporations generally remain well capitalised, with low gearing and loan demand
”

Market dynamics

South Africa continues to face relatively slow growth, fiscal and current account deficits, electricity constraints and socio-political challenges. Economic growth slowed from 1.5% in 2014 to 1.3% in 2015, and our current forecast is for it to weaken further in 2016 to below 1%.

Unemployment averaged more than 25% between 2000 and 2015. Real incomes at the lowest levels of society have benefited from increased social grants and above-inflation public sector wage growth, but there is still a significant gap between upper and lower income levels.

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

By contrast, South African corporations generally remain well capitalised, with low gearing and loan demand. Credit servicing ratios are strong and credit losses are at historically low levels. However, the risks of a large corporate failure have increased, given the prolonged period of low commodity prices and high costs.

Stretched government finances and personal income inequality reflect long-term structural issues. These are being addressed through the National Development Plan. Major infrastructure projects are now in progress, aimed at boosting economic growth. Government, business and labour are working together to use the challenging economic environment as a catalyst for increased collaboration to accelerate the rate of economic growth and job creation and to strengthen public finances. Nedbank has been and will continue to be an active participant in these discussions.

The South African Reserve Bank raised the repo rate a further 0.5% to 6.75% in 2015 and again in early 2016, following a cumulative 0.75% rise in 2014. Prime rate is now 10.25% from its low point of 8.5% in late 2013. Inflation dipped below 4% for the first time in four years in early 2015 as the oil price collapsed to lows last seen in 2009. It is currently back above 5% and we forecast that it will move temporarily over the 6% upper target of the Reserve Bank in early 2016 before easing back later in 2016. High wage settlements relative to productivity gains and significant increases in administered prices will remain the key drivers of inflation in the short-term.

The rand fell significantly against international benchmarks in 2015. This reflected the relatively weak economic outlook – and also moves in the US to reduce monetary stimulus and

raise domestic interest rates, which reduced appetite for emerging market currencies. The rand is deeply liquid, so generally reacts ahead of other emerging market currencies. This has amplified inflation in the South African economy, although the impact was offset in 2015 by falls in imported fuel costs.

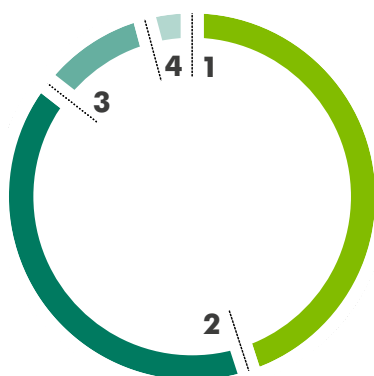
International and local regulatory reforms – in particular Basel III, changes to the National Credit Act and Twin Peaks – have increased capital levels, liquidity and other costs. Further increases could follow, especially in banks' liquidity costs, as they transition towards Basel III Liquidity Coverage Ratio compliance and as more certainty emerges around requirements for Net Stable Funding Ratio (NSFR) and Total Loss Absorbency Capacity.



+7%

Non-interest revenue

AOP (PRE-TAX) BY CLUSTER (Rm)



1. Corporate & Investment Banking **R6,916m**
2. Retail & Business Banking **R6,271m**
3. Wealth **R1,558m**
4. Rest of Africa **R619m**

* Excludes central costs of R635m

Performance

Nedbank Group produced resilient performance in an environment of difficult macro-economic conditions, volatile markets and an increasing regulatory agenda. In 2015 headline earnings grew 9.6% to R10,831 million (2014: R9,880 million). This was largely achieved through growth in non-interest revenue (NIR), increased associate income from our investment in ETI and strong cost discipline, partly offset by an increase in impairments. Pre-provisioning operating profit (PPOP) increased 7.3% (2014: 3.5%). Earnings growth was stronger in the first half of the year, boosted by trading revenues and a weaker base in 2014. In the second half, earnings growth slowed as NIR was impacted by, inter alia, reduced levels of card-related interchange and increased impairments in CIB.

Economic profit (EP) increased 19.6% to R2,525 million (2014: R2,112 million) relative to a cost of equity of 13.0% (2014: 13.5%). Return on average ordinary shareholders' equity (ROE) declined slightly to 15.7% (2014: 15.8%) as a result of the lower return on assets (ROA) of 1.25% (2014: 1.27%).

Nedbank's balance sheet remains strong. Our Basel III common-equity Tier 1 (CET1)

ratio of 11.3% (2014: 11.6%) continues to be well within our Basel III 2019 internal target range of 10.5% to 12.5%. The liquidity coverage ratio (LCR) increased to 88.5% and is well above the 60% requirement in 2015 and the 70% requirement in 2016.

Net asset value per share continued to increase, growing 9.0% to 15.685 cents (2014: 14.395 cents).

“
Our business clusters delivered headline earnings growth of 13.2% and an ROE of 19.3% on an increased average capital allocation of R59.6bn
 ”

Highlights

	2015	2014	Rm Change
AOP (pre-tax)	14,729	13,757	7%
Headline earnings	10,831	9,880	10%
Net interest income	23,885	22,961	4%
Non-interest revenue	21,748	20,312	7%
Net interest margin	3.30%	3.52%	
Credit loss ratio	0.77%	0.79%	
Efficiency ratio (including associate income)	56.1%	56.5%	
Return on equity	15.7%	15.8%	
Return on equity (excluding goodwill)	17.0%	17.2%	
Common equity Tier 1 ratio	11.3%	11.6%	
IFRS profit after tax attributable to equity holders of the parent ¹	6,037	5,600	8%

¹ IFRS profit after tax and non-controlling interest attributable to Old Mutual plc.

11.3%

Common equity Tier 1 ratio

NEDBANK
CONTINUED

Strategic intent

Nedbank Group is committed to long-term value creation for all our stakeholders, in line with our vision to be Africa's most admired bank by staff, clients, shareholders, regulators and communities.

We are making good progress in our five key strategic focus areas:

Priorities set for 2015-18

Client-centred innovation

Progress in 2015

- Innovated with products such as Market Edge™, WebTickets in the Nedbank App Suite, launched our tax-free savings account and Plug and Transact™
- Converted 255 outlets in the 'Branch of the Future' format
- Digitally enabled clients increased 40% and the value of Nedbank App Suite transactions by 66% to R16 billion

Key management actions for 2016-18

- Our focus on innovation will continue, supported by more efficient processes to bring new value propositions to market quicker
- Client-centred simplification and digitisation continue to be at the heart of new products and services
- We will continue to enable 'channel of choice' by deploying self-service alternatives in our physical points of presence
- We currently plan to have converted 77% of all outlets to the 'Branch of the Future' by 2017

Grow transactional banking franchise

- Our retail franchise continued to strengthen with main banked clients increasing 8.5% to 2.7 million and the number of clients with two or more products up 5.5%
- Significant progress was made in our brand value and client relationships as reflected in the Nedbank Brand Tracker results, the Consulta annual retail reputational net promoter score (NPS) which improved to 21% from 15%
- CIB successfully acquired the municipal transactional accounts of the eThekweni and Ekurhuleni Metropolitan municipalities demonstrating our strong client relationships, deep skills base and innovative transactional banking solutions

- Growing our transactional banking franchise will remain Nedbank Group's primary focus going forward and, despite a tougher macro environment, we believe we are in a good position to gain share of main banked clients and deposits.
- We also seek to provide innovative transactional, liquidity and liability solutions to Nedbank's Wholesale and Business Banking clients through a simplified and agile approach

Priorities set for 2015-18	Progress in 2015	Key management actions for 2016-18
Optimise and invest	<ul style="list-style-type: none"> ■ Our expense optimisation programme unlocked R915 million of cost savings in 2015 through initiatives such as the rationalisation of RBB back office operations, the CIB integration and decreasing our core systems ■ Centralised our regulatory change office to ensure economies of scale in terms of efficient delivery and cost management 	<ul style="list-style-type: none"> ■ Optimise Nedbank Group's cost base by taking an end-to-end view of the business to rationalise spend and maximise efficiencies ■ We seek to review and optimise our culture and talent management processes and programmes ■ We are focused on 'hollowing out the core' and delivering a flexible, multi-layer architecture that renews technology, to create a digitally-fit and analytics-strong organisation
Strategic portfolio tilt	<ul style="list-style-type: none"> ■ Revenue and cross-sell opportunities from new CIB model are materialising ■ Maximised opportunities in infrastructure growth ■ Our personal loans book is stabilising by improving payout processes 	<ul style="list-style-type: none"> ■ Optimise Nedbank Group's returns through strategic portfolio decisions ■ Judiciously manage the Group-wide allocation of scarce resources including capital and liquidity for strategic and optimal future outcomes ■ Seek lending opportunities which have social and environmental benefits
Pan-African banking network	<ul style="list-style-type: none"> ■ Continued to invest in our existing subsidiaries by implementing the Flexcube core banking system in Namibia, and investing in skills and distribution ■ Completed the acquisition of 38% of Banco Único in Mozambique, with a pathway to control in 2016 ■ Deepened strategic alliance with ETI ■ More than 70 of our wholesale clients now conduct their transactional banking with ETI 	<ul style="list-style-type: none"> ■ Grow our businesses in the current SADC areas of presence ■ We remain alert for appropriate expansionary growth opportunities in Southern and East Africa which provide us with the opportunity to participate in the faster growing markets in the Rest of Africa ■ We intend to fully leverage our investment in Ecobank which covers West and Central Africa

Client-centred innovation
Grow transactional banking franchise
Optimise and invest
Strategic portfolio tilt
Build pan-African banking network

NEDBANK
CONTINUED

“
**We are
well placed
to make risk
management
a competitive
differentiator**
”

Managing our risk

Our 2015 financial performance was underpinned by balance sheet strength across all core dimensions (capital adequacy, liquidity and funding), credit asset quality aided by the portfolio tilt strategy and appropriately conservative provisioning, strong risk and balance sheet management, an enabling but prudent risk appetite framework and seamless implementation of Basel III. We are well placed to make risk management a competitive differentiator.

Market risk

The interest rate cycle is expected to be relatively benign. A future currency crisis might cause a temporary spike but unusually weak credit growth gives little cause for a sustained rate increase. The Reserve Bank is expected to follow the US as ‘normalisation’ starts: GEU forecasts a modest peak in prime of 10.5% in 2016 before some relief starts in late 2017 or 2018. Asset growth will remain weak, with some gradual improvement in 2017 and 2018. The forecast assumes very limited inflation-adjusted growth in credit categories.

Execution and integration risk

Together with volatile macro-economic conditions, level of credit risk, changing

consumer needs and the impact of regulation, the structural changes we made in 2015 bring heightened execution risk. We will give this increased focus in the best-practice Enterprise-wide Risk Management Framework (ERMF) setting out our risk appetite, comprehensive stress and scenario testing, and strategic risk planning.

Regulatory risk

International and local regulatory reform has materially increased capital levels, liquidity and other costs. Further increases could follow, especially in liquidity costs. Regulatory risk remains high, with an ongoing emphasis on conduct risk.

Credit and liquidity risk

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

Rest of Africa risk

Our African strategy and recent further investments in ETI and Banco Único make risk management in our African investments and operations another focus area. Our pan-African risk strategy addresses our risk appetite holistically, with extensive initiatives to support risk frameworks and programmes and enhance governance and risk management in these investments.

Outlook

Economic conditions are unlikely to improve in 2016. Nedbank Group's current forecast for 2016 GDP growth is below 1%. Interest rates are expected to increase by a cumulative 1.25%, having already increased by 0.5% in January in response to a higher inflation outlook caused by administered price increases, higher food prices and the weaker rand.

Rising interest rates will increase borrowing costs and dampen consumer credit demand. Credit defaults are also expected to increase as a result of rising rates as consumer debt levels remain high and the job market is unlikely to grow meaningfully in the short-term. Transactional banking activity is anticipated to grow modestly in line with consumer spending.

Growth in wholesale banking will continue to be limited by infrastructure constraints in South Africa, poor global demand and low international oil and commodity prices. Pockets of growth continue to be found in infrastructure projects, including renewable energy, and sub-Saharan Africa will still represent an area of growth for many South African corporates as indicated by the International Monetary Fund's (IMF) 2016 GDP growth forecast of 4.0% for the region.

Forecast risk has increased and as a result our guidance for performance in the year ahead is harder than usual to formulate. Against this context we currently forecast that growth in diluted headline earnings per share for 2016 will be lower than the growth we achieved in 2015 and below our medium-to-long-term target of consumer price index + GDP growth + 5%. Given the increased forecast risk we will update this guidance with our June 2016 results. Despite increased levels of uncertainty, Nedbank Group is in excellent shape to deal with the challenging macro-economic environment that we expect in both South Africa and in the Rest of Africa.



Mpumalanga, South Africa

Planting a greener future

We have been partnering with South African conservation charity Wildlands for 25 years, championing a greener environment and a sustainable future for all. In 2015, we celebrated 10 years of collaboration on Wildlands' innovative Trees for Life project to support vulnerable ecosystems. We have been partners on the Old Mutual Wild Series: running and cycling events that raise funds for key South African conservation projects. Nedbank has worked with Wildlands on a range of initiatives to build resilient and flourishing communities. These include a new partnership to drive the sustainable transformation of the Acornhoek community in Mpumalanga – through initiatives ranging from tree planting and the establishment of community recycling businesses, to restoration of the Blyde River area.

“
Nedbank is in excellent shape to deal with the challenging macro-economic environment that we expect in South Africa and the Rest of Africa
 ”

EMPOWERING LEARNERS TOGETHER

“
Youth form more than half the population in South Africa: they are key to building a vibrant society and economy
 ”

Desmond Osman
 Nedbank's Head of Youth and Entry Level Banking Marketing




Learners at Maloney's Eye Primary School Entrepreneurs' Day

72,000

Learners have had a chance to sharpen their business skills



 **Magaliesburg, South Africa**

Building our youth for the future

More than 72,000 South African learners have had an early chance to sharpen their business skills, thanks to the Nedbank 4Me Entrepreneurs' Day Programme. This annual initiative teaches entrepreneurial skills to primary school pupils. They then put their skills into practice on Entrepreneurs' Day, when they open their businesses and compete to make a profit and support good causes. The programme has also reached more than 100,000 parents and 1,500 educators.

OLD MUTUAL WEALTH BUSINESS REVIEW



Paul Feeney Chief Executive Officer
Old Mutual Wealth

“
Following significant transformation over the past three years, our vertically integrated strategy is performing very well, contributing to the strength of new flows
”

**Achieved all of our three-year market commitments:
£270m AOP (pre-tax), 40% operating margin
and 12-15% return on equity**

**Delivered excellent net flows,
driven by a successful vertical integration strategy**

**Invested in the future of our UK and cross-border
business through IT transformation**

Old Mutual Wealth business model

Distribution Channels



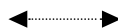
Independent
Financial Advisers



Wealth Solutions



Investment and Asset Management



What we do

Old Mutual Wealth is a leading UK and cross-border wealth management business. We are a vertically-integrated business that provides advice-driven investment solutions through our adviser and customer offerings, which span:

- Financial advice via the Intrinsic Financial Services network or through independent financial advisers (IFAs)
- Wealth management products and services via Old Mutual Wealth and Old Mutual International
- Asset management solutions via Old Mutual Global Investors
- Discretionary investment management via Quilter Cheviot

Where we operate

Old Mutual Wealth provides advice-driven wealth solutions to customers in the UK and a number of cross-border markets, including the Far East, Middle East, Europe, Latin America and South Africa, through Old Mutual International.

Distribution division:

- Old Mutual Wealth UK: A leading provider of platform-based wealth management products and services in the UK, serving a largely affluent customer base through advised multi-channel distribution
- Intrinsic: The UK's largest financial adviser network, with more than 3,300 professional financial planners offering expert individual advice to help our customers secure their financial future. The Intrinsic network includes Old Mutual Wealth Private Client Advisers, a branded national advice business

- Old Mutual International: Our cross-border business, focusing on high-net worth and affluent local customers and expatriates in key markets across the world. Our advice-led product range serves customers' needs from a number of international jurisdictions
- Old Mutual Wealth Italy: Offers saving and investment solutions for affluent and high-net worth customers, distributed through banking partners

Investment division:

- Old Mutual Global Investors (OMGI): A leading UK-based asset manager with highly rated, experienced portfolio managers and a strong long-term track record. OMGI distributes products through wholesale channels and other Group businesses, providing responsible investment options that meet our customers' needs
- Quilter Cheviot: One of the UK's leading discretionary investment managers, building and actively managing investment portfolios tailored to the individual needs of affluent and high-net worth customers

“
Our vertically-integrated model enables us to provide advice-driven wealth solutions through our distribution and investment divisions
 ”

+35%

AOP (pre-tax)

OLD MUTUAL WEALTH CONTINUED

Responsible business

Old Mutual Wealth is committed to operating the business responsibly, ensuring that we enable financial wellbeing and promote responsible investment. We also contribute to the financial wellbeing of future generations through our financial education schools programmes, via 'MyBnk', and employment skills workshops through 'Young Enterprise'. Our Young Enterprise partnership focuses on building skills of young entrepreneurs, through supporting the 'Start Up' programme and 'Your Horizon' which creates partnerships between the entrepreneurs and Old Mutual Wealth employees.

When entrusted with our customers' savings we invest responsibly to protect and enhance long-term returns. This means using our position as a shareholder to promote strong corporate governance and sustainable business models by voting at AGMs and engaging with the management of companies in which we invest.

Our commitment to responsible investment is illustrated through our membership of the Principles for Responsible Investment initiative and our involvement with the University of Cambridge Investment Leaders Group, both of which promote and support responsible investment.



**In the 2015 MoneyFacts
Investment, Life &
Pension Awards**

Competitive environment

In a dynamic and evolving industry, we compete with traditional insurers, asset managers, investment managers and financial advice providers to bring integrated wealth management solutions to our customers. Our key competitors include Standard Life, Hargreaves Lansdown and St James's Place.

We are the UK leader in vertically integrated wealth management, providing the full value chain of advice, platforms, products and investment capability to reduce complexity for our customers.

We are securing our competitive position by investing to make our platforms market-leading, addressing industry-wide technology issues and ensuring that we can meet future customer needs.

Each part of Old Mutual Wealth strives to be a leader in its market, successfully integrating as one business to add value for customers. We continue to grow strongly and our performance has been recognised with numerous awards. In 2015, Old Mutual Global Investors won 'Best Investment Fund Provider' at the MoneyFacts Investment, Life & Pension Awards; our International business won six awards at the International Adviser Life Awards; our UK platform won 'Best Platform for Restricted Advisers' at the Professional Adviser Awards; Intrinsic won 'Best Large Network' at the Mortgage Strategy Awards; Quilter Cheviot won 'Best Boutique Wealth Manager' at the Wealth Adviser Awards; and both UK Platform and Quilter Cheviot won five star service awards at the FTAdviser.com Online Service Awards.

“

We are securing our competitive position by investing to make our platforms market-leading, addressing industry-wide technology issues and ensuring that we can meet future customer needs

”

£104.4bn

Funds under management

“
The large UK market presents a considerable opportunity for us as it continues to recover from the global financial crisis
 ”

Market dynamics

Global investment markets were volatile over 2015 with investors cautious about the future of the Eurozone and the uncertain outlook for the global economy. Market levels influence fund values and revenue for Old Mutual Wealth and our competitors. True alpha-generating investment and risk-adjusted absolute return asset classes have proven popular with investors as they look for alternative investment options to attain positive returns. We have continued to experience strong flows into equity asset classes as they remain more attractive than bond markets in an ongoing low interest rate environment.

The UK, our major market, has an investable asset pool of some £4.6 trillion, of which about £1.8 trillion is relevant to the retail life and wealth industry. Following considerable reforms of both wholesale and retail financial services sectors, covering both conduct and capital adequacy, the large UK market presents

a considerable opportunity for us as it continues to recover from the global financial crisis.

Significant changes in UK pensions regulation are boosting demand for advice, asset management and drawdown products for the decumulation stage of retirement provision. Old Mutual Wealth is well positioned to benefit from this as people consolidate their retirement assets onto platforms offering access to flexible income and other options.

Platform regulation requires all UK platform customers to be migrated onto transparent charging structures no later than April 2016; all our relevant customers have been migrated ahead of the deadline.

In 2015 Old Mutual Wealth and Intrinsic participated in the Financial Advice Market Review to champion the value of regulated advice and support the views and interests of the advised sector and its customers.

The new Solvency II regime became effective for our UK, Ireland and Italy regulated businesses from 1 January 2016. We expect our solvency position to remain strong.

Regulatory change is one of the greatest challenges for advisers and providers in many of our offshore jurisdictions. We believe that advisers who evolve to building long-term, advice-led relationships with their clients will overtake those who remain transactional or sales-led. Old Mutual International is developing its support in this area to help advisers transition to advice-led models. It is also working with Quilter Cheviot to leverage the benefits of our vertically integrated model in other markets, increasing the range of solutions available to meet the strong demand from high-net worth international investors for tailored investment solutions.

£6.9bn

Net client cash flows

OLD MUTUAL WEALTH CONTINUED

Performance

Old Mutual Wealth adjusted operating profit (AOP) increased by 35% to £307 million (2014: £227 million). On a like-for-like basis, excluding the impact of divested businesses and Quilter Cheviot, AOP has increased 43% since 2014. Profit growth has been predominantly driven by growth in revenue, with Old Mutual Global Investors profit more than doubling (from £33 million in 2014 to £71 million in 2015) and UK Platform also showing good growth. Intrinsic continues to deliver strong net flows into OMGI's Cirilium range and onto the UK Platform and is a key contributor to revenue growth in these businesses.

Our integrated strategy of owning distribution, an investment platform, discretionary fund management and asset

management is contributing to the delivery of strong net flows. Net client cash flow (NCCF) for 2015 improved by 86% to £6.9 billion (2014: £3.7 billion). Excluding Quilter Cheviot and European divestments, NCCF was £5.9 billion, 64% up on the prior year. Gross sales were £20.8 billion, 30% ahead of the prior year (22% excluding inorganic activity) following strong sales into Old Mutual Global Investors, UK Platform and Old Mutual International.

Funds under management (FUM) were £104.4 billion, up 27% from the end of 2014 with the acquisition of Quilter Cheviot adding £175 billion and the divestment of our Switzerland, France and Luxembourg businesses reducing FUM by £2.7 billion. Excluding this corporate activity, funds under management were 9% higher than 2014 year end due to positive NCCF in the period. Excluding the impact from positive NCCF and corporate activity, our FUM has grown by 1% compared to a fall of 5% in the FTSE 100.

AOP (PRE-TAX) BY CLUSTER (£m)



1. UK Platform **£33m**
2. UK Other **£17m**
3. International **£50m**
4. OMGI **£71m**
5. Quilter Cheviot **£34m**
6. UK Heritage **£69m**
7. Europe **£33m**

Highlights

	£m		
	2015	2014	Change
AOP (pre-tax)	307	227	35%
AOP, excluding Quilter Cheviot (pre-tax)	273	227	20%
Gross sales	20,801	15,992	30%
NCCF (£bn)	6.9	3.7	86%
FUM (£bn)	104.4	82.5	27%
Pre-tax operating margin ¹	40%	36%	
IFRS profit/(loss) after tax attributable to equity holders of the parent	42	(37)	

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

Excluding divested business and Quilter Cheviot

	£m		
	2015	2014	Change
AOP (pre-tax)	264	185	43%
NCCF (£bn)	5.9	3.6	64%
FUM (£bn)	86.6	79.7	9%

“
Profit of £307m for 2015 was 35% higher than prior year. Excluding Quilter Cheviot, profit was £273m, ahead of our £270m target
”

40%

Pre-tax operating margin

Strategic intent

Our vertically integrated business – combining controlled advice, a leading investment platform, attractive wealth management solutions, together with high performing asset and investment management – offers customers an end-to-end planning and investment solution and gives advisers a single solution to their clients' needs. We are committed to operating the business responsibly, ensuring we enable financial wellbeing and promote responsible investment.

Priorities set for 2015-18

Complete the transformation of our business to become the best and leading UK and cross-border wealth manager

Build a modern, vertically integrated wealth management business with strong asset management at its core

Progress in 2015

- Completed the £585 million acquisition of Quilter Cheviot to capture flows into discretionary investment management and add core capability
- Launched our national advice business, Old Mutual Wealth Private Client Advisers and acquired the Financial Adviser School. Attracted more than 300 new restricted financial planners to our network
- Strengthened asset management expertise by combining the multi-asset capabilities of Old Mutual Global Investors and Quilter Cheviot into one dedicated Investment Division. Launched the Rates and Liability-Driven Investment team
- Completed the sale of our Switzerland, France and Luxembourg businesses – bringing disposals of non-core European businesses to eight in three years
- Continued with the investment in our platform technology, successfully launching Wealth Interactive in Old Mutual International. Progress with the build and redevelopment of the UK Platform technology continues to be made, with challenges on cost and timelines

Key management actions for 2016-18

- Continue to become one business with a unifying culture, trusted brand and commitment to acting responsibly, to better serve our customers. We will leverage the underlying strengths of each business to capitalise on the benefits of integration, while preserving each business' individual identity
- Continue our UK and International IT and business transformation to develop market-leading, flexible and scalable investment platforms
- Build an outstanding investment and asset management capability to meet our customers' needs by bringing in new talent and integrating new investment capabilities into our product plan
- Expand our multi-channel advised distribution in our UK and cross-border markets. We will grow Intrinsic, our in-house distribution, and cement its position as the UK's leading controlled advice business
- Expand our product proposition, building on the success of the current at-retirement products and further developing our cross-border investment suite

Become one business

Transform our investment platforms to be market-leading

Build an outstanding investment and asset management capability

Expand our multi-channel distribution network

Expand our product proposition

OLD MUTUAL WEALTH CONTINUED

Managing our risk

Our risk management approach is driven by our business strategy. Its principles are embedded through our risk governance framework, with risk preferences providing broader context to our management approach and risk appetite. The key risks facing our business and required mitigating actions are:

Market risk

Market risk is inherent to our business. The majority of our earnings are correlated to our assets under management. Global market volatility and economic uncertainty may impact fund-based revenues. We seek to manage and mitigate this risk for our customers through a comprehensive range of internally managed investment solutions, designed to address a diversity of economic conditions.

Execution and integration risk

We face execution risk from the implementation of our vertical integration

strategy across the business and the implementation of outsourcing arrangements. A detailed independent review has shown cost and timing overruns in our business transformation and outsourcing project. We accept this risk within reasonable limits to further our strategic aims, mitigating it through:

- Strong governance and oversight structures to support a customer-focused vertical integration model and implementation of IT and business process outsourcing. We have engaged Accenture to provide programme management support to review the scope, planning and implementation approach for the programme. KPMG have been engaged to provide programme assurance
- Managing relationships with outsourcing partners through robust service agreements and regular meetings
- Utilising detailed independent reviews of key initiatives as part of ongoing risk assurance activity, applying and sharing key improvements identified across the Group
- Focusing on control and prompt escalation to mitigate operational risks

Regulatory risk

Risk that regulatory reform and growth in conduct regulation impacts our ability to deliver our strategic initiatives is mitigated by our strategy, which is designed to meet changing consumer needs and respond to regulatory change. We are well placed and quick to adapt to customer needs and proactively prepare for anticipated regulatory changes, engaging with regulators to ensure we are aligned and responsive.

Advice and conduct risk

To ensure that customers receive the appropriate quality of advice from appointed representatives and Old Mutual Wealth advisers, we have implemented a robust conduct risk framework and have undertaken a full programme of suitability reviews, ongoing training and development, and mystery shopping campaigns.

Outlook

Old Mutual Wealth is committed to exceptional service, as demonstrated by our Gold rating from Defaqto for service on our current platform. We have introduced top-of-the-range drawdown products during 2015 and will continue to introduce new functionality to our existing systems. At the same time we are making a long-term investment in the UK platform market seeking to enhance both customer service and efficiency. The market and regulatory environment has changed significantly in the past few years and we want to ensure we implement the programme with minimum impact for advisers, customers and our business. Given our focus on quality of the delivery, we will need to conduct extensive testing and utilise a phased deployment for our roll-out. As a result, the expected delivery date has moved from the end of 2016 to H2 2018 for the Platform implementation and to 2019 for the heritage life and pensions book. We have spent £177 million to date, with £97 million in 2015 and now estimate further project spend to completion of approximately £250 million. In total over the six-year period we estimate that the current plan will cost

“
**Our risk management principles
 are embedded through
 our governance framework,
 with risk preferences providing
 broader context to our
 management approach**
 ”

approximately £425 million to £450 million. We have engaged Accenture to provide programme management support to review the scope, planning and implementation approach for the programme. We plan to report back on the Accenture work at the interims. KPMG have been engaged to provide programme assurance. The programme is a fundamental business transformation and outsourcing project, bringing significant propositional and business retention benefits.

We will continue to invest in building the market profile of Old Mutual Wealth, through initiatives such as our four-year title sponsorship of the RFU Autumn Rugby International series, encompassing both the men's and women's senior teams. With this sponsorship agreement, we will significantly enhance the Old Mutual Wealth brand in our core UK retail market.

Growth in Old Mutual Wealth Private Client Advisers will drive increased levels of vertical integration across the business, through our platform capabilities and investment and asset management. Our Financial Adviser School will welcome its first cohort of student financial advisers.

Over 2016, we anticipate sales growth of our platform products and the Cirilium fund range from our own advisers, as the number of restricted financial planners increases. We will benefit from a full year's production from the additional Sesame Bankhall advisers and expect to grow the advice network through our Practice Buy-Out initiative, which will facilitate retention of client assets and ensure that customers continue to receive high-quality financial advice from advisers within the Intrinsic network.

Much of our fee income is derived from charges on funds under management and the fall in markets in early 2016 is expected to constrain earning projections if markets remain at lower levels than 2015.

In the run-up to the tax year end, we are well positioned to benefit from the changes in pension legislation due to the strength of our advice and investment

management solutions together with our pension drawdown functionality. Online functionality for our protection offering will be launched during H1 2016, with the enhanced functionality and flexibility expected to positively impact sales over 2016.

Within Old Mutual Global Investors, we will continue to develop our global distribution channels while appraising opportunities for further development of our asset management capabilities as they arise. We expect positive impacts to our investment performance through the combined capabilities of Old Mutual Global Investors and Quilter Cheviot.


Our earnings profile will continue to shift to our new modern source of profits and away from our heritage businesses and we

will continue to target an operating margin of ~40% over the medium to long-term.

We believe we have the right business model to drive substantial growth, earnings and value following significant transformation activity over the past three years. Our vertically integrated strategy of combining controlled advice, a leading investment platform, attractive wealth management solutions and high-performing asset and investment management is performing very well, contributing to the strength of net flows into the business. Our focus over 2016 is to further embed the strategy, leveraging the benefits of integration to drive collaboration and synergies between our outstanding individual businesses whilst delivering customer value.

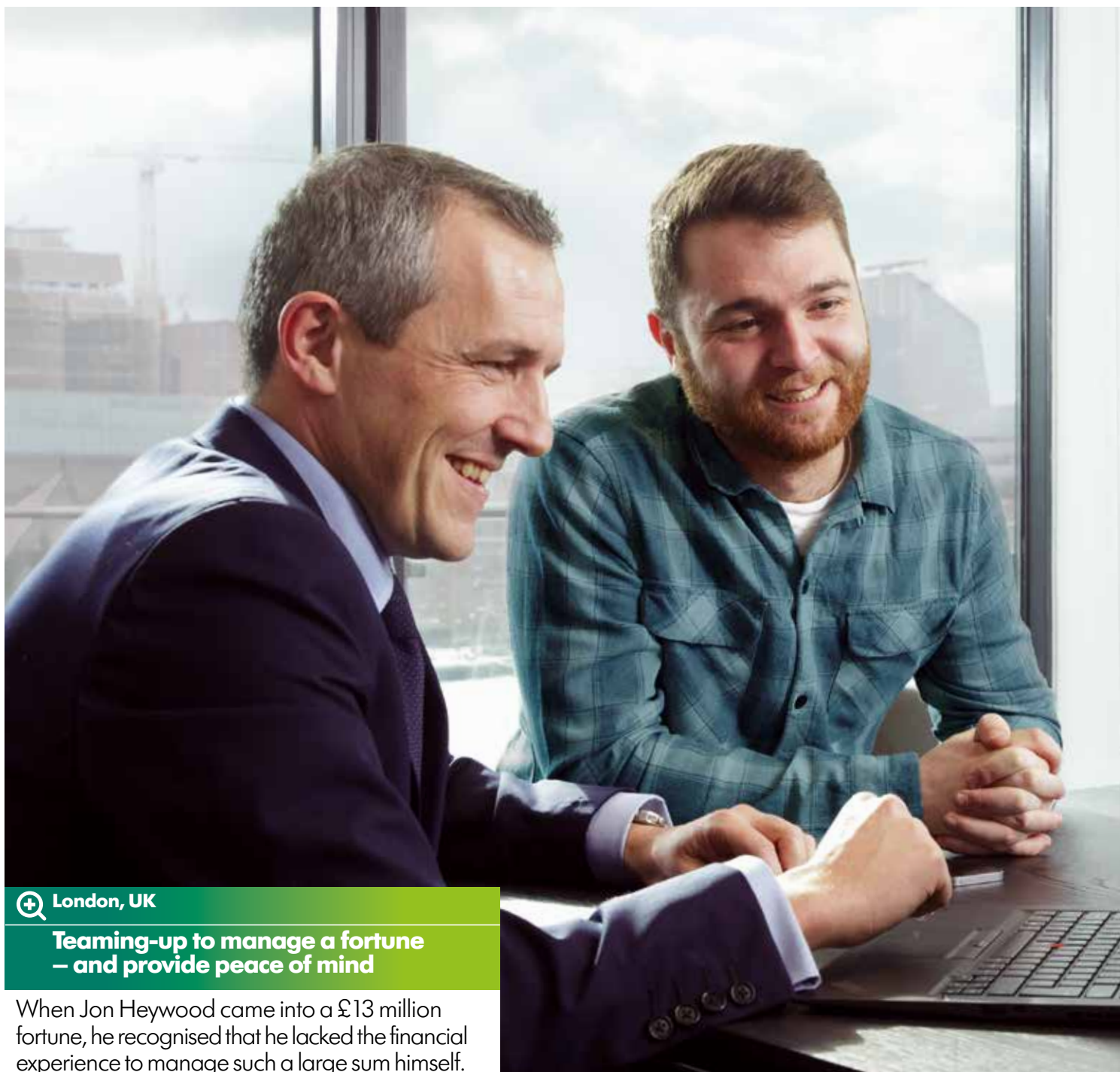
Jane Goodland, Responsible Business Director, Old Mutual Wealth



 London, UK

Addressing the savings gap

In the UK, there is a significant savings gap that leaves many people unprepared for the future. Old Mutual Wealth commissioned research to explore the issue. The findings – summarised in our paper 'Redefining Wealth' – indicate that most people see wealth as enabling social fulfilment and security: their primary motivations for creating wealth are to support family and pursue opportunities, experiences and interests. Attitudes to saving need to be longer-term if people are to make adequate provision for later life. We are committed to help address this challenge, by promoting financial education and advice and engaging with policymakers and other market participants.



+ London, UK

Teaming-up to manage a fortune – and provide peace of mind

When Jon Heywood came into a £13 million fortune, he recognised that he lacked the financial experience to manage such a large sum himself. Intrinsic financial adviser, David Stone, put him at ease, providing a will and trust, pension and a range of investments to suit his goals. Crucially, Jon and David were able to draw on a wealth of expertise and options from across Old Mutual International, Old Mutual Global Investors, Quilter Cheviot and our UK Wealth Platform. Jon was also able to make use of banking services from Nedbank Private Wealth.

MANAGING MONEY TOGETHER



“
We were able to draw on a wealth of expertise and options from across Old Mutual International, Old Mutual Global Investors, Quilter Cheviot and our UK Wealth Platform
 ”

David Stone
 Financial Adviser

Left: Financial Adviser, David Stone
 Right: Customer, Jon Heywood

100%

Peace of mind

INSTITUTIONAL ASSET MANAGEMENT BUSINESS REVIEW

Old Mutual's Institutional Asset Management business consists of US-based multi-boutique asset manager, OMAM, and Rogge*



Peter Bain Chief Executive Officer
Old Mutual Asset Management (OMAM)

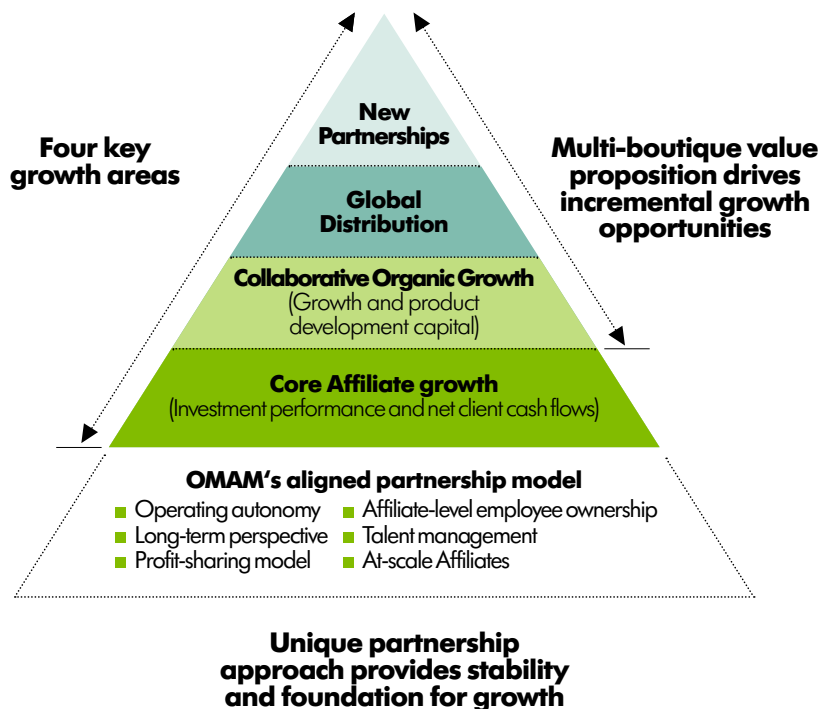
“
The stability of OMAM's core earnings demonstrated the strength and diversity of its Affiliates and the benefits of growth in higher-margin product areas over the year
”

* Old Mutual agreed the sale of Rogge in February 2016. Rogge's assets and liabilities have been classified as held for sale.

**Strong, diverse multi-boutique franchise
Partnership approach aligns incentives
for long-term growth**

Growth strategy

OMAM's multi-boutique model is well positioned for growth, with four areas of focus



What we do

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

Our strategy is to generate growth through the internal growth of our Affiliates, working in partnership with them to enhance their product offerings and expand their global distribution capabilities. We also seek to grow our business through the execution of investments in additional, high-quality boutique firms.

Where we operate

We offer a broad range of investment strategies to clients around the globe through seven highly regarded boutique asset management firms located across the United States:

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

Our business is broadly diversified, both among our Affiliates and within their respective businesses. The breadth of our product offerings by asset class, geography and investment strategy enhances our relative earnings stability and provides us

with multiple sources of growth. Collectively, our Affiliates offer more than 100 distinct, active investment strategies in US, global, international and emerging markets equities, US fixed income, and alternative investments, including real estate and timber. In addition, there is significant diversification within each of our Affiliate firms through the breadth of their respective investment capabilities.

Through our Affiliates, we serve a highly diverse investor base in the institutional and sub-advisory channels in the US and around the world. In addition to a strong US client base, our Affiliates manage assets for clients in 28 countries outside the US, including Australia, Canada, Ireland, Japan, the Netherlands, South Africa, South Korea, Switzerland and the United Kingdom.

“
Our approach enables us to become our clients' trusted partners by delivering superior investment performance, innovative offerings and focused service
 ”

+9%

AOP (pre-tax)

INSTITUTIONAL ASSET MANAGEMENT CONTINUED

Responsible business

OMAM's commitment to leadership in responsible business stems from its Affiliates' focus on performing their duties to their clients, which is to ensure that they provide their clients with the consistent execution of their stated investment strategies and the highest level of client service. Our approach to responsible business is based on a five-pillar framework:

- Responsible to our clients
- Responsible investment
- Responsible to our employees
- Responsible to our communities
- Responsible environmental management

Our approach emphasises that our clients are at the heart of our business, and will help us to continue building on the strong foundation of ethical values, treating clients fairly and good governance that is critical to our custodianship of our clients' money. In 2015, we worked with our Affiliates to build Responsible Investment into their investment approach in a way that adds value to their clients.



**Helps us to continue building
on the strong foundation of
ethical values**

Competitive environment

The asset management industry is highly competitive; OMAM Affiliates seek to differentiate themselves through their ability to generate alpha and provide superior service to their clients. Through our collaborative organic growth initiatives, OMAM works closely with Affiliates to enhance their product offerings to take advantage of the evolving needs and demands of institutional investors. OMAM's global distribution platform complements our Affiliates' existing distribution capabilities to expand their client base on a global basis.

OMAM offers strong-performing products across a range of investment styles and strategies:

- US equities – with strong long-term performance across value equity strategies, OMAM Affiliates are well positioned to compete for new mandates
- Non-US and global equities – investors are increasingly interested in non-US and global mandates offered by OMAM Affiliates, including emerging markets and small-cap equities
- Alternative investments – OMAM's Affiliates are among the world leaders in specialised real asset classes such as real estate and timber investing
- New product development – OMAM works closely with Affiliates to identify areas of growing investor appeal and to develop new investment products to meet client needs

\$212.4bn

Funds under management

Market dynamics

Declines in public securities markets during H2 2015 eliminated most if not all of the H1 2015 gains among the US and global equity indices. The S&P 500 finished the year down 0.7% and the Dow Jones Industrial Average was down 2.2%.

Non-US developed and emerging markets were also challenged for much of the year as the MSCI EAFE index declined 3.3% over the year and the MSCI Emerging Markets index declined 17.0%.

Key factors in the decline in global equities were the US Federal Reserve's first increase in Fed Funds rate in nine years, slowing growth in China, weak oil prices, and a strong US dollar.

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

Performance

In a year marked by substantial volatility in the equity markets, OMAM generated solid 2015 core earnings.

IFRS adjusted operating profit (AOP) of \$229 million was up 9% over 2014.

Funds under management (FUM) at end-2015 were \$212.4 billion (2014: \$220.8 billion). Market declines in H2 2015 led to a reduction of \$3.7 billion, while net client cash flow (NCCF) reduced FUM by a further \$5.1 billion. However, as a result of our favourable asset mix shift, particularly reflected in revenues from flows into global, non-US equities and alternative investment products, OMAM generated positive expected revenue of \$18.9 million from NCCF during the year.

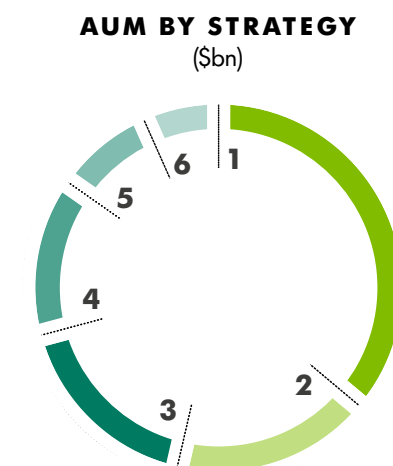
In a difficult market environment, OMAM's Affiliates continued to build on their long-term track records during the quarter, with assets under management (AUM) representing 60%, 83%, and 92% of revenue outperforming benchmarks on a 1-, 3- and 5-year basis, respectively, as of 31 December 2015.

“
As a result of our favourable asset mix shift, OMAM generated positive net revenue flow of \$18.9m during the year
”

Highlights

	2015	2014	\$m Change
AOP (pre-tax)	229	211	9%
Operating margin, before Affiliate key employee distributions	38%	40%	
Operating margin, after Affiliate key employee distributions	33%	33%	
NCCF (\$bn)	(5.1)	9.5	(154%)
FUM (\$bn)	212.4	220.8	(4%)
IFRS profit after tax attributable to equity holders of the parent (£m) ¹	66	77	(14%)

¹ Institutional Asset Management, including Rogge.



1. US Equity **\$76.9bn**
2. International Equity **\$37.0bn**
3. Alternative, Real Estate & Timber **\$36.9bn**
4. Global Equity **\$29.4bn**
5. Emerging Markets Equity **\$18.4bn**
6. Fixed Income **\$13.8bn**

38%

Operating margin (before Affiliate key employee distributions)

INSTITUTIONAL ASSET MANAGEMENT CONTINUED

Strategic intent

We seek to grow our business through core Affiliate growth, as well as investing in collaborative organic growth initiatives, enhancing distribution capabilities and partnering with new Affiliates.

Priorities set for 2015-18

Continue to strengthen and grow our multi-boutique asset management business

Progress in 2015

- Launched successful secondary offering on New York Stock Exchange
- Achieved solid margins relative to peers and revenue growth from new money flows into higher-fee products
- Successfully expanded international distribution platform for Affiliates
- Actively prospected for new Affiliate partnerships
- Continued to attract, develop and retain key talent

Key management actions for 2016-18

- Generate core Affiliate growth through strong investment performance and positive net client cash flows
- Invest in collaborative organic growth initiatives with existing Affiliates
- Increase global distribution opportunities for Affiliates
- Execute new Affiliate partnerships
- Efficiently manage our balance sheet

Managing our risk

Market risk is inherent to our business. Global market volatility and economic uncertainty may negatively impact asset-based management fee revenues: this risk is mitigated by the quality and diversity of the investment products offered by our seven Affiliates.

Market risk

Market volatility impacts all asset managers. Our Affiliates have proven their investment strategies and commitment to their investment discipline over the long-term, through many market cycles. In addition, we continue to work with them to diversify their product offerings: this can enhance the stability of our earnings in volatile market environments as proven in 2015.

Execution risk

As part of our growth strategy we selectively pursue partnerships with additional boutique asset management firms. Forging these partnerships creates change risk and requires significant resource commitment. We mitigate these risks through extensive due diligence before any transaction, including ensuring that target firms have track records of operating successfully as standalone enterprises, share our strategic vision and can demonstrate a strong cultural fit.

Regulatory risk

The new regulatory requirements following our public listing are an important area of focus for us. We are actively engaged in mitigating this risk wherever necessary, and proactively monitor the jurisdictions in which we operate for any relevant regulatory changes.

“
Global market volatility and economic uncertainty is mitigated through the quality and diversity of our investment products
”

Generate core Affiliate growth
Invest in collaborative organic growth
Increase global distribution opportunities
Execute new Affiliate partnerships
Efficiently manage our balance sheet

“
OMAM is well positioned to withstand market cycles, as its profit share model gives a high level of structural variability to expenses
 ”

Rosie's Place staff and guest

Outlook

The volatile market environment to date in 2016 has presented the asset management industry with challenges. However, OMAM believes that it is well positioned to withstand such market cycles, as its profit share model gives a high level of structural variability to expenses.

OMAM remains committed to investing alongside its Affiliates in medium-term organic growth initiatives, including developing capabilities in multi-asset class, LDI and global/non-US equities and further penetration of specialised and non-US markets through its Global Distribution initiative. In addition, OMAM continues to make good progress in identifying and developing relationships with at-scale asset management boutiques with strong investment and executive talent and a vision to enhance and expand their business by partnering with us.

OMAM has the financial resources necessary to execute its growth strategy using existing cash and its revolving credit facility capacity. It also has a shelf registration filed for debt and equity securities, which facilitates capital markets access. Finally, OMAM has a \$150 million share repurchase programme, which provides an accretive and value-enhancing form of capital management in conjunction with the payment of ordinary dividends.



 Boston, USA

Enabling better futures: a home and fresh hope

Rosie's Place was the first women's shelter in the United States with the mission to provide a safe and nurturing environment to help poor and homeless women. Since 2005, OMAM has partnered with Rosie's Place, to offer a range of business and volunteer support by providing donations to classroom resources and sponsorship for its Safe and Sound Galas. Historically, the Dollars and Cents programme with Rosie's Place provided weekly budgeting clinics but this was revised as it became apparent that the vast majority of guests had little financial means to manage. Over the years, we have worked with Rosie's Place and a leading law firm to now provide a weekly drop-in clinic where guests receive assistance in reducing debt and eradicating unnecessary fees.

SHARING BEST PRACTICE TOGETHER

“

It was fantastic for Old Mutual to be supporting the PRI for the third year in a row. The event continues to provide the best annual opportunity to listen to and engage with thought leaders on material and emerging ESG issues

”

Jon Duncan
Head of Responsible Investment



Jon Duncan, Head of Responsible Investment

Gold

Sponsor at the 2015 PRI in Person conference



Locations across the Group

Collaborating to invest responsibly

We can build a better business faster if we work together. When we bring together skills, insights and experiences from our different businesses, we create greater impact. This is already delivering results in our drive to be a leader in responsible investment. Our Responsible Investment team, based in Old Mutual Investment Group, partners with teams across the Group – and organisations such as the Principles for Responsible Investment (PRI) initiative and the Investment Leaders Group – to embed our responsible investment approach across our businesses. Old Mutual was a gold sponsor of the 2015 PRI in Person conference, where responsible investment stakeholders convened to exchange ideas.

FINANCIAL REVIEW



Ingrid Johnson
Group Finance Director

“
The performance from our underlying businesses combined with our Group resources, means we start from a position of strength, which allows us flexibility in the execution of our new strategy
”

£1,663m

AOP (pre-tax and NCI)

Group Review

Group Highlights¹

	2015	2014 (constant currency)	Change	2014 (as reported)	Change
Adjusted operating profit (pre-tax, £m)	1,663	1,496	11%	1,605	4%
Adjusted operating earnings per share (pence)	19.3p	16.8p	15%	17.9p	8%
IFRS profit after tax distributable to equity holders of the parent (£m) ²	614	523	17%	582	5%
Return on equity ³	14.2%	–	–	13.3%	90bps
Adjusted net asset value per share (pence) ⁴	178.9p	191.3p	(6%)	221.9p	(19%)
Gross sales (£bn)	31.8	25.5	25%	26.3	21%
Net client cash flow (£bn)	(1.5)	5.2	(129%)	4.9	(131%)
Net client cash flow (excluding Rogge) (£bn)	6.6	11.5	(43%)	11.2	(41%)
Group customers (millions)	18.9	–	–	17.5	8%
Funds under management (£bn)	327.9	314.3	4%	319.4	3%
Funds under management (excluding Rogge) (£bn)	303.8	282.0	8%	287.1	6%
Total dividend for the year (pence)	8.9p			8.7p	2%

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

2 A full reconciliation of IFRS profit to AOP can be found on page 64

3 Group ROE is calculated as AOP (post-tax and NCI) divided by average ordinary shareholders' equity (i.e. excluding the perpetual preferred callable securities). It excludes non-core operations

4 The adjusted Group NAV per ordinary share uses 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 other assets are included at IFRS NAV.

Old Mutual Emerging Markets delivered a strong performance with AOP up 9%

Nedbank headline earnings up 10%

Old Mutual Wealth AOP of £307m exceeding £270m target set in 2012

OM Asset Management profit is up 9% to \$229m

Review of financial performance

AOP Analysis

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

AOP analysis by business unit (£m)

	2015	2014	% Change
Old Mutual Emerging Markets	615	617	–
Nedbank	754	770	(2%)
Old Mutual Wealth	307	227	35%
Institutional Asset Management	149	131	14%
	1,825	1,745	5%
Finance costs	(83)	(78)	(6%)
Long-term investment return on excess assets	21	24	(13%)
Interest payable to non-core operations	(4)	(5)	20%
Corporate costs	(57)	(55)	(4%)
Other net shareholder expenses	(39)	(26)	(50%)
Adjusted operating profit before tax	1,663	1,605	4%
Tax on adjusted operating profit	(403)	(439)	8%
Adjusted operating profit after tax	1,260	1,166	8%
Non-controlling interests – ordinary shares	(310)	(280)	(11%)
Non-controlling interests – preferred securities	(19)	(18)	(6%)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent¹	931	868	7%
Adjusted weighted average number of shares (millions)	4,813	4,845	(1%)
Adjusted operating earnings per share (pence)	19.3	17.9	8%

¹ IFRS profit after tax attributable to equity holders of the parent was £614 million for the year ended 31 December 2015 (31 December 2014: £582 million). A full reconciliation of IFRS profit to AOP is presented on page 64.

AOP by business unit

Old Mutual Emerging Markets (OMEM) profits rose 9% on a constant currency basis but were flat on a reported basis at £615 million, following good life underwriting results, growth in asset-based revenues, increased ownership of Old Mutual Finance (OMF) (since September 2014) and the significant improvement in the Property & Casualty underwriting result in South Africa. Life and savings profits were up 12% in constant currency mainly due to higher

asset-based fees, good underwriting results and increased profits in Asia. OMEM banking and lending profits rose 18% in constant currency, due to the increased profit contribution from the consolidation and growth of OMF and increased profits from Central African Building Society (CABS) in Zimbabwe. Additional interest costs were incurred on debt issued in the period.

Nedbank profits increased 7% on a constant currency basis, reflecting a resilient

performance in a deteriorating macro environment with volatile markets and escalating regulatory requirements, but were down 2% in reported currency. Nedbank contributes 91% of the Group's banking and lending profits and represents 96% of the Group's loans and advances.

Old Mutual Wealth profits rose 35% to £307 million, with strong profit growth in Old Mutual Global Investors (OMGI) (up 115%) benefiting from both vertical

integration particularly due to sales in Cirilium, and strong performance of the GEAR and UK Alpha funds and the first time contribution of Quilter Cheviot which was acquired in February 2015. Excluding Quilter Cheviot, AOP was £273 million, exceeding the £270 million Old Mutual Wealth profit target announced in 2012.

Institutional Asset Management profits rose strongly as a result of higher performance and management fees. On a constant currency basis, excluding one-off exceptional performance fees and Rogge, profits remained flat on the prior year.

The long-term investment return (LTIR) on excess assets decreased in 2015 as a result of the impact of the weaker rand and a lower shareholder asset base following the use of excess assets to fund the acquisition of UAP by Old Mutual Emerging Markets. In constant currency, LTIR on excess assets decreased 2%.

Finance costs increased largely as a result of the re-financing activity. During November 2015, the Group redeemed a €374 million Tier 2 bond and issued a new £450 million Tier 2 instrument, with a 10-year bullet maturity and coupon of 7.875%.

Other net shareholder expenses increased to £39 million due to the implementation costs for Solvency II. Based on the current timetable and regulation of Solvency II, the total cost of completion will be up to £20 million, of which £10 million was incurred as expected in 2015 and the balance will be incurred in 2016. In addition, Group initiatives of £11 million include costs associated with the incoming Group Chief Executive, partly offset by £5 million of foreign exchange gains on dollar investments in the period.

Tax

The AOP effective tax rate (ETR) for the Group has decreased to 24% (2014: 27%), largely as a result of the Old Mutual Emerging Markets ETR returning to the South African statutory rate of 28% and an increase in lower taxed income at Nedbank.

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 markets in which the International businesses operate. Interest and corporate costs incurred in the UK can be offset against profits in Old Mutual Wealth UK in the same year.

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% as previously indicated.

IFRS Results

The Group IFRS profit after tax attributable to equity holders of the parent was £614 million for 2015 (2014: £582 million); mainly as a result of the increase in IFRS profits at Old Mutual Wealth. Preference and ordinary cash dividends of £452 million were paid in the year (2014: £426 million). As at 31 December 2015, the distributable reserves of the parent company, Old Mutual plc, were £2.4 billion (2014: £2.5 billion).

Basic earnings per share was 12.7p for the year ended 31 December 2015 compared to 12.4p for the year ended 31 December 2014.

Adjusting items Old Mutual Emerging Markets

Old Mutual Emerging Markets adjusting items have increased from £45 million to £76 million. These were attributable to a higher amortisation of acquired intangibles and PVIF of £24 million (2014: £10 million), reflecting acquisitions made in the prior period. In 2015, there was a deemed profit of £15 million recognised on the additional 50% acquired in African Infrastructure Investment Managers (AIIM) (in 2014 £66 million of deemed profit was recognised in respect of the additional stake acquired in OMF during 2014 and profit on the sale of the interest in SA Corporate Real Estate). This was offset by reduced short-term fluctuations in investment returns of £36 million (2014: £59 million).

Old Mutual Wealth

Old Mutual Wealth adjusting items have increased from £230 million to £266 million. Adjusting items include costs related to the development of the new Old Mutual

Wealth platform capability and outsourcing of the UK business administration of £97 million (2014: £60 million), a net loss on disposal of subsidiaries of £52 million (2014: £70 million) and amortisation of acquired intangibles and acquired PVIF of £94 million (2014: £103 million).

Long-term investment returns (LTIR)

LTIR for the Group is marginally down from £152 million to £150 million. In constant currency, LTIR for the Group is up 8%. Emerging Markets LTIR increased 10% in local currency due to 6% growth in the South African businesses and 31% in Rest of Africa. The strong growth in Rest of Africa is due to the increased asset portfolio from recent acquisitions, although this reduced the LTIR from excess assets which funded the acquisitions. Old Mutual Wealth LTIR is flat on prior year at £5 million.

LTIR rates across the Group remain unchanged in 2016.

Institutional Asset Management

Institutional Asset Management adjusting items of £31 million (2014: £40 million) relate to amounts written off on legacy intangible assets and adjustments in respect of equity plans.

Discontinued and non-core operations

Discontinued and non-core operations include the settlement of the litigation (in May 2015) arising from the disposal of US Life in 2011, resulting in an expense of £21 million (2014: £19 million). The OM Bermuda operating loss of £31 million reflects the increase in GMAB liabilities, partially offset by hedging gains due to weaker equity markets and benefits of Forward Start Options (FSO) for volatility hedging. Given the length of time before the guarantees crystallise the business is being run with a view of minimising cash utilisation albeit then introducing profit and loss volatility. The programme will be reviewed in the run up to the 10 year anniversary of policies in 2017 and 2018.

£614m

**IFRS profit after tax attributable
to equity of holders of the parent**

**FINANCIAL
REVIEW
CONTINUED**

IFRS to AOP Reconciliation year end December 2015 (£m)

	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Other ²	Discontinued and non-core operations	Total
Profit/(loss) after tax attributable to equity holders of the parent	362	309	42	66	(113)	(52)	614
Total adjusting items ¹	76	(2)	266	31	(27)	–	344
Tax on adjusting items	(13)	1	(44)	(5)	1	–	(60)
Non-controlling interest in adjusting items	(7)	(6)	–	(6)	–	–	(19)
Discontinued and non-core operations	–	–	–	–	–	52	52
AOP after tax attributable to equity holders of the parent	418	302	264	86	(139)	–	931

IFRS to AOP Reconciliation year end December 2014 (£m)

	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Other ²	Discontinued and non-core operations	Total
Profit/(loss) after tax attributable to equity holders of the parent	395	315	(37)	77	(119)	(49)	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 attributable to equity holders of the parent	410	301	179	96	(118)	–	868

1 Full details of the adjustment applied in determining AOP, are set out in note C1 of the Group Financial Statements

2 Principally relates to post-tax central and finance costs.

Return on Equity and Capital Allocation

Group ROE 2015 (£m)

	AOP (post-tax & NCI)	Average shareholder equity excl. intangibles ¹	Return on shareholder equity excl. intangibles ²	Average shareholder equity incl. intangibles	Return on shareholder equity incl. intangibles
Old Mutual Emerging Markets	418	1,546	27.0%	1,867	22.4%
Nedbank	302	1,670	18.1%	1,906	15.8%
Old Mutual Wealth ⁵	264	883	29.9%	2,378	11.1%
Institutional Asset Management	86	15	>100%	614	14.0%
Group Holding Company	(139)	2,458 ^{1,3}	n/a	(193)	n/a
Group ROE	931	6,572	14.2%⁴	6,572	14.2%⁴

1 Business unit ROE calculations exclude the Group share of 'Goodwill and other intangible assets' as reported in the segmental balance sheet; however, these assets are included in the Group ROE

2 Calculated as AOP post-tax and NCI divided by average shareholders' equity excluding 'goodwill and other intangible assets'. Group results are quoted including 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

5 The inter-company loan of £566 million raised to acquire Quilter Cheviot has been capitalised in calculating all Old Mutual Wealth measures.

The Group ROE increased by 0.9% to 14.2%, at the upper end of the Group target range of 12% to 15%.

Profit after tax and non-controlling interest grew by 7%, benefiting from growth in Old Mutual Wealth due to a combination of operational growth and corporate activity.

Average equity was flat at £6,572 million (December 2014: £6,545 million) as underlying growth in shareholders' equity has been offset by the negative impact of foreign currency translation effects, losses following European disposals and costs related to the development of the new Old Mutual Wealth platform capability

and outsourcing of the UK business administration. IFRS profits of £590 million (excluding profit attributable to perpetual preferred callable securities) were partially offset by £422 million of dividends, contributing marginally to the increase in equity.

Shareholder equity including intangibles (£m)

	Average shareholder equity	AOP (post-tax)	ROE
Old Mutual Emerging Markets			
South Africa	1,274	350	27.5%
Rest of Africa	435	49	11.3%
Asia and Latin America	158	19	12.0%
Total Old Mutual Emerging Markets	1,867	418	22.4%
Nedbank	1,906	302	15.8%
Old Mutual Wealth			
UK	1,390	132	9.5%
Italy	114	16	14.0%
International	361	49	13.6%
Heritage	513	67	13.1%
Total Old Mutual Wealth	2,378	264	11.1%
Institutional Asset Management	614	86	14.0%
Central expenses	(193)	(139)	n/a
Group ROE	6,572	931	14.2%

Group ROE of 14.2%
at the upper end of
target range of 12%-15%

FINANCIAL REVIEW CONTINUED

Within business units, there are substantial differences in the relative returns on equity and cash remittances reflecting the differing maturity and investment profile in each business and geography. In the Emerging Markets business for example, Rest of Africa and Asia and Latin America are building distribution and operational capacity, whereas South Africa has a more mature business profile. Since 2014, in excess of £1.2 billion of capital has been

spent on key acquisitions in UK and Africa, of which £0.6 billion has been financed from asset disposals in the US and Europe. The significant recent acquisitions are shown in the table below.

Returns generated from recent corporate activity at cost (£m)

	Invested capital	AOP (post-tax) (excl. transaction costs)	Annualised return on invested capital
Significant acquisitions			
Quilter Cheviot (acquired in February 2015) (100%)	585	29	5.9%
Intrinsic/Cirilium (completed in December 2014) (100%)	98	9	9.2%
Ecobank Transnational Incorporated (ETI) (acquired in October 2014) (approximately 20%)	305	26 ¹	8.5%
UAP Holdings (UAP) (completed in June 2015) (60.7%)	162	2	2.5%
Capital deployed ROE	1,150	66	6.4%

¹ AOP (post-tax) (excluding transactions costs) reflects associate income, net of finance costs.

Since 2014 we have deployed £1.2 billion of capital on acquisitions in structurally attractive markets with good growth prospects. Looking purely at the acquisitions without the adjacent benefits that are reflected elsewhere, for example the Cirilium profits which are reflected in OMGI, this capital is currently generating a 6.4% return. Whilst we recognise that returns from acquisitions take some time to come through, this is well below our target range of 12%-15%, and each business is

focused on ensuring that appropriate returns are delivered. This is the principle that underpins our ongoing focus on operational execution.

The initial integration of Quilter Cheviot and Intrinsic has been completed and UAP is advancing well given the complexity of merging it with the existing businesses in Kenya. Each relevant business is now focused on ensuring that the return on invested capital matches the business case

for their acquisition and can contribute to enhancing the ROE of the wider business as the growth potential materialises.

These investments have been in part financed from the proceeds from disposal of European businesses and IPO and subsequent sell down of OMAM during 2014 and 2015 respectively, set out in the table below.

Proceeds on disposal (post transaction costs)

	£m
Old Mutual Asset Management sale of shares	340
Proceeds from disposals of European businesses ¹	233
Total proceeds on disposal	573

¹ AOP (post-tax and NCI) on an annualised basis in European business was £38 million in 2014.

Free surplus generation

Our businesses have generated free surplus of £945 million in 2015 (2014: £897 million), which represents a conversion rate of 88% of AOP post-tax and NCI (2014: 91%).

For Old Mutual Emerging Markets 69% (2014: 82%) of the AOP (post-tax and NCI) converted to free surplus. The reduction in the conversion to free surplus was caused by the one-off impact of aligning the cash profile of the South African regulatory reserves for Investment Contracts within the Retail Affluent business with IFRS reserving

methodology. Significant growth in sales resulted in new business strain and increased capital requirements.

The Old Mutual Wealth conversion rate is 102% (2014: 92%) despite higher required capital resulting from the growth in the business. The increase arises from a one-off benefit to free surplus following the repayment of financial reinsurance and a change in the timing of release of profit to surplus within Old Mutual Wealth's International business.

Nedbank and Institutional Asset Management free surplus is calculated as the AOP (post-tax and NCI) and therefore the conversion rate is 100% for both businesses.

The analysis below sets out surplus generation between hard currency and emerging market businesses given the remittances and dividend arrangements set out in the Group's demutualisation agreement.

Source of free surplus (£m)

	2015		2014	
	Free surplus generated	% of AOP converted to free surplus	Free surplus generated	% of AOP converted to free surplus
Old Mutual Wealth ¹	268	102%	164	92%
Institutional Asset Management ²	86	100%	96	100%
Total hard currency	354	101%	260	95%
Old Mutual Emerging Markets	289	69%	336	82%
Nedbank ²	302	100%	301	100%
Total emerging market	591	82%	637	90%
Total before interest and group costs	945	88%	897	91%

1 Old Mutual Wealth no longer report full MCEV disclosures. Free surplus generation is on a local statutory basis. Comparatives have been restated

2 Nedbank and Institutional Asset Management free surplus generated reflects 100% of AOP (post-tax and NCI). In 2014, only our share of their cash dividend was disclosed as free surplus. Comparatives have been restated.

£945m

Net free surplus generated

**FINANCIAL
REVIEW**
CONTINUED

Group cash flows (£m)

	2015	2014
Opening cash and liquid assets at holding company at 1 January	1,003	545
Operational flows		
Hard currency free surplus generated	354	260
Old Mutual Wealth business transformation costs	(97)	(60)
Other cash retained in the businesses	(94)	(46)
Operational receipts from hard currency businesses	163	154
Emerging market free surplus generated	591	637
Free surplus used for acquisitions	(191)	(254)
Other cash retained in the businesses	(70)	(73)
Operational receipts from emerging market businesses	330	310
Corporate costs	(57)	(55)
Other operational flows	(40)	25
Total operational flows	396	434
Capital servicing		
Preference dividends	(30)	(32)
Ordinary cash dividends	(426)	(411)
Paid to UK register	(172)	(184)
Paid to SA register	(254)	(227)
Interest paid	(32)	(32)
Total servicing of capital	(488)	(475)
Capital movements		
Net debt issue in the period	187	–
Net business unit funding	(118)	51
Issue of ordinary shares	–	(5)
Total capital movements	69	46
Other Group cash movements		
Net corporate activity (funded)/received by plc directly	(230)	453
Total Group cash movements	(230)	453
Closing cash and liquid assets at holding company at 31 December	750	1,003

£750m

available liquid assets invested in
cash and near cash instruments

Operational cash flows

Hard currency free surplus increased to £354 million (2014: £260 million) reflecting the growth in free surplus for Old Mutual Wealth to £268 million (2014: £164 million) consistent with the strong growth in AOP during the year. £163 million of the free surplus generated was remitted to the Group. Surplus retained by Old Mutual Wealth was utilised for business transformation costs (£97 million) and strategic initiatives, including the acquisition of AAM Advisory, Sesame Bankhall's Financial Adviser School and the transition of 202 advisers from Sesame Bankhall Group. Old Mutual Asset Management remitted £54 million, reflecting its dividend policy of paying 25% of Economic Net Income (ENI). OMAM retained £32 million of surplus as it continues to evaluate potential partnerships.

Emerging market free surplus reduced to £591 million (2014: £637 million) largely due to the weakening of the rand during the year. £330 million (2014: £310 million) of the free surplus was remitted to Group. The amounts retained in 2015 were predominantly used for acquisitions, including UAP and CGIC, to fund book growth in OMF and the funding

requirements of the Latin American, Asian and African businesses. Nedbank remitted £146 million, retaining £156 million, reflecting its publicly stated dividend policy.

Other operational flows in 2015 included the repayment of £39 million of deposits, held by the Group on behalf of Old Mutual Wealth, which were transferred back to the business during the year (2014: £18 million received by the Group).

Servicing of capital

Dividend payments to shareholders of £426 million (2014: £411 million) have been made in the year to date in relation to the final dividend for 2014 and the interim dividend for 2015. Of this £254 million was paid to shareholders on the SA register in 2015 (2014: £227 million).

Capital movements

In November 2015 the Group completed a £450 million bond issuance and redeemed €374 million of subordinated notes. Net business unit funding in 2015 of £118 million, primarily reflects the repayment of inter-company loan notes in advance of the sale of Old Mutual Bermuda to Beechwood in December 2015.

Corporate activity

Cash flows from corporate activity include the payment of £566 million to fund the Quilter Cheviot acquisition and litigation settlement of £39 million relating to the disposal of US Life. There were receipts of £156 million (net of costs) from the sale in June of OMAM shares in a secondary offering, and from the disposal of certain European businesses (£53 million net of costs) and from other corporate flows of £166 million.

Liquidity

At 31 December 2015, the Group holding company had available liquid assets of £750 million (31 December 2014: £1,003 million) invested in cash and near cash instruments, including; money market funds, UK government securities and a liquid corporate bond portfolio. The Group holding company also has access to an undrawn committed facility of £800 million (31 December 2014: £800 million). These are considered adequate to support the Group under both normal and stressed conditions. In addition each individual business also maintains liquidity and credit facilities sufficient to support its normal trading operations and to withstand stress events.

Group debt

Group debt summary¹

	2015	2014
Senior gearing (gross of holding company cash) – IFRS basis	2.1%	2.1%
Total gearing (gross of holding company cash) – IFRS basis	15.8%	13.3%
Book value of debt – IFRS basis (£m) ²	1,731	1,540
Total interest cover ³	14.0 times	16.8 times
Hard interest cover ³	4.8 times	4.3 times

1 Excludes banking-related debt of £1,916 million at Nedbank and £150 million at Old Mutual Emerging Markets, of which £105 million related to OMF, £27 million is held at CABS and £18 million is held at Faulu

2 Nominal value of debt is £1,710 million

3 Total interest cover and hard interest cover ratios exclude non-core operations. 2014 FY hard interest cover has been restated (previously 5.0 times) to exclude Latin America and Asia AOP, as their earnings flow through OMEM and are not considered to be hard currency.

FINANCIAL REVIEW CONTINUED

Activity and profile of debt outstanding at 31 December 2015

The Group successfully refinanced debt at both Old Mutual plc and OMLAC(SA) during the second half of 2015.

In November, the holding company redeemed its €374 million (£263 million) Tier 2 bond and issued a new £450 million Tier 2 Solvency II compliant instrument, with a 10-year bullet maturity. The holding company has £112 million of senior debt maturing in October 2016, £273 million of Tier 1 debt callable in March 2020 and £500 million of Tier 2 debt maturing in June 2021.

In October 2015, OMLAC(SA) exercised its option to redeem its R3,000 million Tier 2 debt on the first call date, which was historically treated as Group holding company debt from a finance cost perspective. During the year, OMLAC(SA) raised R3,175 million (£139 million) in fixed rate Tier 2 bonds and R1,825 million (£80 million) in floating rate Tier 2 bonds in the South African bond market. All instruments, including existing R1,000 million (£44 million) debt, contribute to overall Group debt. The fixed instruments have first calls in 2019, 2020, 2022 and 2025, while the floating bonds have first calls in 2019 and 2020.

Also included within Group debt, OM Asset Management has drawn \$90 million (£61 million) on a \$350 million Revolving Credit Facility which matures in 2019 and UAP has debt of KES 3,000 million (£20 million) maturing in 2016 and 2017, along with \$46 million (£31 million) maturing in 2016, 2022 and 2023.

During the year, Nedbank redeemed R1,752 million of old-style hybrid debt and R1,048 million of old-style Tier 2 subordinated debt. This was partially offset by the issuance of R2.26 billion new-style Basel III-compliant Tier 2 subordinated debt instruments.

Principal risks

The Group is exposed to the following principal risks:

- Uncertain global economic conditions
- Political risk
- Currency translation risk, location of capital and sources of remittances
- Strategic execution risk and breadth of regulatory change across the Group
- Credit risk and location of credit risk across the Group

They are closely monitored and overseen by Group and subsidiary management and reported on to the Board on a regular basis.

Overall governance structures are performing in line with the Group Operating Model. Strong reliance is placed on the structures and processes in place by business unit management and boards. In addition, strategic, systemic and operational risks are considered by Group management and overseen by the plc Board. These structures and processes, together with businesses that are adequately, though not excessively, capitalised, provide a solid base to support our business as we pursue our managed separation strategy over the next few years.

How principal risks have changed over the year

Principal risks have remained broadly similar since the 2014 Annual Report. The following risks were highlighted in the 2014 Annual Report and are emphasised less or no longer explicitly discussed:

- Power outages in South Africa: South African businesses have navigated through the disruption caused by outages.
- Solvency II: The Solvency II capital coverage ratio remains stable, within the range of expectations relative to last year, and regulatory decisions on key aspects have been communicated.
- Tax risk and uncertainties: Legacy issues have been satisfactorily closed and the Group has a low risk appetite for tax risk.

Regulatory and governance

The Group's existing governance arrangements, which are based on a 'strategic controller' model, will be looked at afresh in light of the outcome of the strategic review announced today. They are likely to evolve in keeping with the intended 'active portfolio manager' model during the implementation phase of the managed separation, which will have impacts in due course on the roles and memberships of the plc and principal subsidiary boards and various Group functions. The Group and its business units will in the meantime continue to prepare for the forthcoming regulations, cognisant of the implications of the managed separation and evolving governance requirements.

Capital management and market communication during the period of the managed separation

The Group will be implementing a capital management policy in respect of returns to shareholders for the period of the managed separation. We will cease quarterly reporting to shareholders.

PRINCIPAL RISKS

Uncertain global economic conditions

Political risk

Currency translation risk, location of capital and sources of remittances

Strategic execution risk and breadth of regulatory change across the Group

Credit risk and location of credit risk across the Group

Review of financial position

Capital

Group regulatory capital – Financial Groups Directive (FGD) and Solvency II capital position

The Group currently reports its Group solvency and regulatory capital measure in accordance with the EU Financial Groups

Directive (FGD). With effect from 1 January 2016, the Group will measure Group solvency in accordance with the Solvency II Directive. Accordingly, this is the last time that we will disclose a Group FGD surplus.

The Group's regulatory capital surplus, calculated under the FGD, was £1.7 billion at 31 December 2015 (31 December 2014: £2.1 billion) representing a statutory cover of 160% (31 December 2014: 164%). The Group Solvency II surplus is £1.6 billion at 1 January 2016, representing a Group

Solvency II ratio of 135%. The Group's Solvency II result which is based on the standard formula approach, excludes £0.8 billion of surplus from the South African businesses. As expected, this results in a Solvency II ratio that is lower than that under FGD. Going forward, we will manage the business to target a Group ratio above our early warning threshold of 120%.

Group regulatory capital (£bn)

	FGD		Solvency II
	31 December 2015	31 December 2014	1 January 2016
Capital resources	4.6	5.4	6.0
Capital requirements	2.9	3.3	4.4
Surplus	1.7	2.1	1.6
Coverage	160%	164%	135%

The fall in cover and the level of the FGD surplus in 2015 is largely due to the acquisitions of Quilter Cheviot and UAP during the period and increase in capital requirements, partially offset by net debt

raised in Old Mutual Emerging Markets, Nedbank and OM plc and due to the fact that a high proportion of capital resources and requirements are denominated in rand. The rand weakness effectively

improved the ratio by 4% due to a £0.8 billion decrease in resources and £0.6 billion decrease in requirements at closing rates in line with sensitivities shown separately.

Composition of FGD capital

	2015 ¹		2014 ²	
	£bn	%	£bn	%
Ordinary equity	3.8	83%	4.8	89%
Other Tier 1 equity	0.4	9%	0.4	7%
Tier 1 Capital	4.2	92%	5.2	96%
Tier 2 Capital	1.4	30%	1.3	24%
Deductions from total capital	(1.0)	(22%)	(1.1)	(20%)
Total capital resources	4.6	100%	5.4	100%
Total capital resource requirements	2.9		3.3	
Group FGD surplus	1.7		2.1	
Coverage ratio	160%		164%	

1 Based on the preliminary estimates. Formal filing due to the Prudential Regulatory Authority (PRA) by 30 April 2016

2 As submitted to the PRA on 30 April 2015.

135%

Group Solvency II Ratio at 1 January 2016

FINANCIAL REVIEW CONTINUED

Of the Group FGD resources of £4.6 billion, 39% comprises of qualifying debt instruments (totalling £1.8 billion) compared to 31% in 2014. The increase in the proportion of debt in regulatory capital compared with the prior year is primarily due to the reduction in valuation of rand denominated capital resources as a result of the depreciation of the rand and an increase in sterling-denominated debt. The qualifying debt consists of debt instruments issued at the Group holding company level (including the £450 million hybrid debt issued in November 2015),

£251 million at the Group's South African subsidiary Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) and £339 million within the Group's share of Nedbank. Tier 1 capital instruments are held within the Group holding company (£273 million) and Nedbank (£84 million) with all remaining subordinated instruments classified as Tier 2.

The Group Solvency II ratio is resilient to market and non-market stress events.

The table below presents the estimated sensitivity of the Group Solvency II 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 capital resources and capital requirements and consequently the Group Solvency II ratio. In addition we have included a non-financial stress assuming 10% of our insurance business in Old Mutual Wealth and Old Mutual Emerging Markets lapses immediately.

Group Solvency II sensitivities

Solvency II and capital ratio at 1 January 2016 (£bn)

	Capital requirements	Surplus	Group Ratio	Restricted surplus
Base Solvency II surplus	4.4	1.6	135%	0.9
Equity markets fall by 25%	4.2	1.5	135%	0.7
Impact of 10% of business lapsing immediately ¹	4.2	1.5	135%	0.8
Interest rates rise by 100 basis points	4.4	1.5	135%	0.9
Credit spreads increase by 100 basis points ²	4.5	1.6	135%	0.8
ZAR:GBP exchange rate depreciates by 30% (R30:£1)	3.7	1.6	142%	0.7
ZAR:GBP exchange rate appreciates by 10% (R21:£1)	4.8	1.6	132%	0.9

¹ Business lapse sensitivity for Old Mutual Wealth and Old Mutual Emerging Markets only

² A 100bps increase in credit spreads is generally assumed to be a one notch downgrade on BBB to BB- rating and two notches downgrade on lower graded investments.

Group capital – Economic Capital

The evolving risk-based regulatory capital regimes provide an additional lens through which the economic performance of the businesses can be viewed. As these regimes become more embedded in the business we will build on the preliminary work undertaken in 2015 to establish the underlying economic profit of the businesses and their major clusters including by line of business and geography. Using this as a tool and

assessing performance rigorously against peers and market opportunities, we will seek to further optimise the allocation of capital across the Group. 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 reporting twice a year on risk assessments and consideration of the impacts of extreme stress scenarios for each business. Given the managed

separation, we will assess the relevance of continuing with EC at a Group level.

At 31 December 2015, the Group Economic Capital surplus was £4.6 billion, and the EC cover ratio was 229% (31 December 2014, £5.2 billion, 226%). The decrease in surplus from the prior year is mainly attributable to the depreciation of the rand. Each of the underlying individual business units have strong cover ratios. This is consistent with the Group's operating model and capital philosophy which ensures that capital is allocated to where the risks lie.

£4.6bn

**Group Economic Capital surplus
at 31 December 2015**

The Group's Available Financial Resources is the value of assets held by the Group in excess of its economic liabilities. All resources in the Group are assumed to be fully fungible. Economic Capital at Risk 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.

The Economic Capital position of each of the business units and the Group are presented in the table below. The final Group position allows for assumed diversification between business units. The business unit positions allow for diversification between entities within the business unit.

Economic Capital (£bn)

	Old Mutual Emerging Markets	Nedbank ¹	Old Mutual Wealth	Other Business Units and Adjustments ²	Sum of Group businesses ³	Group 2015 ⁴	Group 2014
Available Financial Resources	3.4	1.7	2.0	1.1	8.2	8.2	9.2
Economic Capital at Risk	1.4	1.3	0.9	1.4	5.0	3.6	4.0
Economic Capital Surplus	2.0	0.4	1.1	(0.3)	3.2	4.6	5.2
Economic Capital cover ratio	241%	132%	230%	n/a	165%	229%	226%

- 1 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
- 2 Other reflects additions for Institutional Asset Management, OM Bermuda, Group specific risks (including currency translation risk on non-GBP surplus), and adjustments for intra-group transactions
- 3 The sum of the Group business position allows for assumed diversification between entities within business units but not between business units with the business unit
- 4 The final Group position allows for assumed diversification between business units. The business unit positions allow for diversification between entities with the business unit.

The table below presents the estimated sensitivity of the Group's Economic Capital under certain standard financial stresses. In addition we have included a non-financial stress assuming 10% of our insurance business in Old Mutual Wealth and Old Mutual Emerging Markets lapses immediately. The results of the sensitivities show that the Group Economic Capital ratio is resilient to market stresses and non-market events.

Group Economic Capital position at 31 December 2015 (£bn)

	Group EC at risk	Group EC Surplus	Group EC Coverage
Base Economic Capital Position	3.6	4.6	229%
Equity markets fall by 10%	3.5	4.5	228%
Equity markets fall by 25%	3.4	4.2	225%
Impact of 10% of business lapsing immediately ¹	3.5	4.5	229%
Interest rates fall by 100 basis points	3.6	4.7	230%
Interest rates rise by 100 basis points	3.6	4.6	227%
Credit spreads increase by 100 basis points ²	3.6	4.6	228%
ZAR:GBP exchange rate depreciates by 30% (R30:£1)	3.0	4.1	236%
ZAR:GBP exchange rate appreciates by 10% (R21:£1)	3.9	4.9	226%

- 1 Business lapse sensitivity for Old Mutual Wealth and Old Mutual Emerging Markets only.
- 2 A 100bps increase in credit spreads is generally assumed a one notch downgrade on BBB to BB- rating and two notches downgrade on lower graded investments.

FINANCIAL REVIEW CONTINUED

Group Economic Capital position at 31 December 2015 (£bn)¹

	Old Mutual Emerging Markets		Nedbank		Old Mutual Wealth	
	EC Surplus	EC Coverage	EC Surplus	EC Coverage	EC Surplus	EC Coverage
Base Economic Capital Position	2.0	241%	0.4	132%	1.1	230%
Equity markets fall by 10%	1.9	239%	0.4	131%	1.1	231%
Equity markets fall by 25%	1.8	234%	0.4	129%	1.0	232%
Impact of 10% of business lapsing immediately	1.9	242%	n/a	n/a	1.1	229%
Interest rates fall by 100 basis points	2.0	242%	0.4	134%	1.2	234%
Interest rates rise by 100 basis points	2.0	239%	0.4	131%	1.1	226%
Credit spreads increase by 100 basis points	2.0	237%	0.4	131%	1.1	230%

¹ The sensitivities for the purposes of this table are only shown for the three largest business units within the Group.

As part of our ongoing stress and scenario testing, we have tested the impact of a downgrade in the investment status of South Africa, coupled with a deteriorating economic outlook for the rest of the world and related equity market reductions. This stress testing has been conducted over the three year business planning horizon. The following main parameters were used to stress test our capital, earnings and cash position:

Equity risk

We assumed significant falls in our major markets in 2016 (South Africa 23%, UK 13%, US 14%) with modest recoveries in the ensuing two years (10% in total over 2017 and 2018 in South Africa and 5% in the UK and US).

Interest rate risk

We assumed an immediate spike in interest rates in South Africa followed by a modest fall. We assumed that the Prime rate increases to 13.3% in 2016 followed by a fall back to 10.2% by 2018 and the 10 year bond rate increases to 10.9% in 2016 followed by a fall back to 8.7% by 2018.

Credit risk

We assumed a spread widening on corporate bonds in Old Mutual Emerging Markets of 100 basis points. Credit loss ratios in Nedbank were assumed to increase by an additional 1.6% at their peak in 2017, and by an additional 2.7% on average in Old Mutual Emerging Markets.

Business risk

We assumed new business in Old Mutual Emerging Markets reduced by 20% and lapses increased by 20%.

Currency risk

We assumed that the rand depreciated against the pound to an average of 29.2 over 2016 with a further depreciation to 33.4 in 2018.

Our stress testing demonstrated that the underlying business units had sufficient capital to withstand these very significant shocks and, as management actions take effect, the capital positions recover.

The Group Solvency II ratio remains stable due to a combination of the resilience of Old Mutual Wealth and the ability of the restricted surplus in Old Mutual Emerging Markets and Nedbank to absorb the

effects of the shock and the depreciation of the rand. This remains the case when combining the range of options for the routes we could pursue to give effect to the managed separation. Although the capital position is resilient, this scenario would materially affect earnings in the business units. The Group dividend flexes within the dividend policy to accommodate the materially lower earnings.

Further details on the Group's Solvency II and Economic Capital position at 1 January 2016 can be found in the separate disclosure on the Group's website.

229%

Group Economic Capital coverage ratio

Selected regulated entity solvency statistics

The Group continues to maintain strong local regulatory capital as shown in the table below.

Local currency

	Capital Resources	Capital Requirements	Surplus	2015	2014
OMLAC(SA) ¹ (Rbn)	42.1	13.2	28.9	3.2x	3.1x
Mutual & Federal ² (Rbn)	3.0	2.1	0.9	1.4x	1.8x
Nedbank ³ (Rbn)	70.5	50.1	20.4	1.4x	1.5x
Old Mutual Wealth (£bn)	0.5	0.2	0.3	2.2x	2.7x
Bermuda ⁴ (\$bn)	0.2	0.2	0.0	1.1x	1.3x

1 South Africa Statutory Valuation Methods (SVM) in accordance with the FSB requirements

2 Capital Adequacy Requirement (CAR) in accordance with the FSB requirements

3 In accordance with Basel III and including unappropriated profits

4 Enhanced Capital Requirement as set by the Bermuda Monetary Authority.

Supplementary financial information (data tables)

Group gross flows and funds under management (FUM) (£bn)

	FUM 1-Jan-15	Gross sales	Gross outflows	Net flows	Market and other movements	FUM 31-Dec-15	Net flows as % of opening FUM
Old Mutual Emerging Markets	50.3	11.0	(9.2)	1.8	(8.7)	43.4	4%
Retail Affluent	6.9	3.5	(3.1)	0.4	(1.0)	6.3	6%
Mass Foundation	–	0.5	(0.2)	0.3	(0.3)	–	–
Corporate	3.9	2.3	(2.1)	0.2	(1.1)	3.0	5%
OMIG	28.8	2.0	(1.6)	0.4	(4.7)	24.5	1%
Property & Casualty	0.2	–	–	–	(0.1)	0.1	–
Rest of Africa	3.5	0.9	(0.7)	0.2	(0.5)	3.2	6%
Asia and Latin America	7.0	1.8	(1.5)	0.3	(1.0)	6.3	4%
Nedbank	12.6	13.8	(12.6)	1.2	(1.9)	11.9	10%
Old Mutual Wealth	82.5	20.8	(13.9)	6.9	15.0	104.4	8%
Invest and Grow markets ¹	73.4	22.6	(14.4)	8.2	17.6	99.2	11%
Manage for Value markets	17.1	1.4	(1.9)	(0.5)	(2.7)	13.9	(3%)
Eliminations	(8.0)	(3.2)	2.4	(0.8)	0.1	(8.7)	10%
Institutional Asset Management	174.0	20.5	(31.9)	(11.4)	5.6	168.2	(7%)
OM Asset Management	141.7	17.4	(20.7)	(3.3)	5.7	144.1	(2%)
Rogge ²	32.3	3.1	(11.2)	(8.1)	(0.1)	24.1	(25%)
Total FUM	319.4	66.1	(67.6)	(1.5)	10.0	327.9	–

**FINANCIAL
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Group gross flows and funds under management (FUM) (£bn) continued

	FUM 1-Jan-14	Gross sales	Gross outflows	Net flows	Market and other movements	FUM 31-Dec-14	Net flows as % of opening FUM
Old Mutual Emerging Markets	48.3	10.4	(9.2)	1.2	0.8	50.3	2%
Retail Affluent	5.7	3.2	(2.9)	0.3	0.9	6.9	5%
Mass Foundation	–	0.5	(0.2)	0.3	(0.3)	–	–
Corporate	3.0	2.1	(1.6)	0.5	0.4	3.9	17%
OMIG	29.1	1.7	(2.0)	(0.3)	–	28.8	(1%)
Property & Casualty	0.2	–	–	–	–	0.2	–
Rest of Africa	3.1	0.8	(0.7)	0.1	0.3	3.5	3%
Asia and Latin America	7.2	2.1	(1.8)	0.3	(0.5)	7.0	4%
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 ¹	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%
Rogge ²	35.3	2.0	(8.3)	(6.3)	3.3	32.3	(18%)
Total FUM	293.8	60.5	(55.6)	4.9	20.7	319.4	2%

1 The acquisition of Quilter Cheviot completed in February 2015 Market and other movements include £175 billion of acquired FUM

2 Rogge is classified as held for sale.

At 31 December 2015, funds under management grew by 2% to £327.9 billion compared to those at 31 December 2014. Funds under management in Old Mutual Wealth increased by 27%, primarily as a result of the acquisition of Quilter Cheviot in February 2015, which added £17.5 billion of funds under management.

For the year to December 2015, net flows as a percentage of opening funds under management for Old Mutual Emerging Markets, Nedbank and Old Mutual Wealth were higher than in the prior year. Group net flows were negative, largely due to £8.1 billion of net outflows from Rogge. Excluding these outflows, NCCF increased over opening FUM by 2%.

Old Mutual International NCCF was £0.7 billion (2014: £0.3 billion), the increase reflecting strong growth in NCCF from South Africa and Latin America to £0.5 billion (2014: £0.2 billion).

Investment Performance

	2015			2014		
	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year
Old Mutual Emerging Markets – OMIG¹						
Proportion of funds outperforming:						
Market index benchmarks ²	79%	75%	80%	63%	61%	73%
CPI benchmarks ²	89%	100%	100%	100%	100%	100%
Peer median ²	52%	55%	44%	63%	44%	56%
Nedbank						
South African unitised funds percentage of FUM ahead of:						
Peer median	71%	78%	78%	52%	51%	62%
Old Mutual Wealth⁴ – OMGI						
Core funds ³ percentage of FUM ahead of:						
Market index benchmarks	62%	85%	84%	77%	85%	96%
Peer median	53%	64%	86%	66%	84%	80%
Total funds percentage of FUM ahead of:						
Market index benchmarks	62%	83%	77%	70%	80%	88%
Peer median	54%	64%	84%	67%	78%	75%
OM Asset Management						
Revenue-weighted performance	60%	83%	92%	63%	66%	78%
Asset-weighted performance	72%	73%	91%	48%	52%	64%

1 This table represents OMIG managed assets on an end manager basis

2 From HY 2014 we have changed the basis of our fund performance reporting. Previously it measured the performance of all clients on an individual basis irrespective of asset weighting; we now measure the performance of key funds representing more than 80% of assets under management

3 Core funds exclude sub-advised and non-strategic funds

4 There are no meaningful investment performance statistics for Quilter Cheviot's discretionary asset management service.

Old Mutual Emerging Markets

Old Mutual Investment Group had strong investment performance in 2015 particularly in its South African equity funds, reflected in the 79% outperformance against market index benchmarks on a one year basis and 80% outperformance on a five year basis. Life products continue to perform strongly against client targets and benchmarks. Institutional products exceeded objectives compared to benchmarks and peers, whilst retail funds generally outperform the peer group.

Nedbank

The Asset Management division of Nedbank Wealth has had an outstanding year, with excellent fund performance and net inflows. This has been reflected in 71% outperformance versus peer median on a one year basis and 78% on the two and three year basis and has resulted in Nedgroup Investments winning both the SA and Offshore Management Company of the Year awards in 2015 at the Annual Raging Bull Awards.

Nedbank's Best of Breed™ model selects a range of exceptional external managers to partner with and manage funds on behalf of investors to deliver good long-term performance.

Old Mutual Wealth

Old Mutual Global Investors (OMGI) has good investment performance over one year on AUM weighted basis with over 53% of funds ahead of median and 62% ahead of market index benchmarks. The one year measure is typically more volatile and we consider a longer term view of performance more appropriate.

OM Asset Management

The increase in relative performance compared to 31 December 2014 was driven primarily by improvement in U.S. value equity strategies.

Nedgroup Investments wins both SA and Offshore Management Company of the Year

**FINANCIAL
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Fund Profile by Investment Type (£bn)

	2015				2014			
	Total FUM (excl. SF)	FUM %	Shareholder funds	Shareholder %	Total FUM (excl. SF)	FUM %	Shareholder funds	Shareholder %
Old Mutual Emerging Markets								
Fixed interest	9.4	23%	0.2	9%	14.8	31%	0.2	9%
Equities	15.6	38%	0.6	24%	18.5	39%	0.7	26%
Cash	7.0	17%	1.2	52%	6.2	13%	1.6	59%
Property and Alternatives	9.0	22%	0.4	15%	8.1	17%	0.2	6%
Total	41.0	100%	2.4	100%	47.6	100%	2.7	100%
Retail								
	20.1	49%	–	–	22.8	48%	–	–
Institutional								
	20.9	51%	–	–	24.8	52%	–	–
Total	41.0	100%	–	–	47.6	100%	–	–
Nedbank								
South African equity	2.4	20%	–	–	3.2	25%	–	–
Global/non-S.A equity	1.4	12%	–	–	1.1	10%	–	–
Fixed income	0.1	1%	–	–	0.1	1%	–	–
Multi-asset	3.3	28%	–	–	3.4	27%	–	–
Interest bearing	1.8	15%	–	–	2.0	16%	–	–
Money market	1.3	11%	–	–	1.3	10%	–	–
Other	1.6	13%	–	–	1.5	12%	–	–
Total	11.9	100%	–	–	12.6	100%	–	–
Old Mutual Wealth								
Fixed interest	23.7	23%	0.2	18%	21.1	26%	0.3	23%
Equities	63.0	61%	–	–	48.8	60%	–	–
Cash	7.2	7%	1.0	81%	7.3	9%	0.9	77%
Property and Alternatives	9.3	9%	–	1%	4.1	5%	–	–
Total	103.2	100%	1.2	100%	81.3	100%	1.2	100%
Retail								
	83.6	81%	–	–	65.9	81%	–	–
Institutional								
	19.6	19%	–	–	15.4	19%	–	–
Total	103.2	100%	–	–	81.3	100%	–	–

£327.9bn

Funds under management

Fund Profile by Investment Type (£bn) continued

	2015				2014			
	Total FUM (excl. SF)	FUM %	Shareholder funds	Shareholder %	Total FUM (excl. SF)	FUM %	Shareholder funds	Shareholder %
OMAM								
Fixed interest	10.0	7%	–	–	9.9	7%	–	–
Equities	109.4	76%	–	–	110.5	78%	0.1	100%
Cash	–	–	–	–	–	–	–	–
Property and Alternatives	24.5	17%	0.2	100%	21.2	15%	–	–
Total	143.9	100%	0.2	100%	141.6	100%	0.1	100%
Retail								
Retail	4.3	3%	–	–	5.7	4%	–	–
Institutional	139.6	97%	–	–	135.9	96%	–	–
Total	143.9	100%	–	–	141.6	100%	–	–
Rogge								
Fixed interest	22.6	94%	–	–	30.0	93%	–	–
Cash	1.5	6%	–	–	2.3	7%	–	–
Total	24.1	100%	–	–	32.3	100%	–	–
Retail Institutional								
Retail	–	–	–	–	–	–	–	–
Institutional	24.1	100%	–	–	32.3	100%	–	–
Total	24.1	100%	–	–	32.3	100%	–	–

**FINANCIAL
REVIEW**
CONTINUED

AOP analysis by line of business by geography (£m)

	2015	2014	% change
Life & Savings			
South Africa	421	376	12%
Rest of Africa	34	59	(42%)
Asia and Latin America	11	2	450%
United Kingdom & Rest of World	202	217	(7%)
Total Life & Savings	668	654	2%
Asset Management			
South Africa	71	97	(27%)
Rest of Africa	12	6	100%
Asia and Latin America	17	28	(39%)
United States	150	128	17%
United Kingdom & Rest of World	104	36	189%
Total Asset Management	354	295	20%
Banking & Lending			
South Africa	703	702	–
Rest of Africa	51	16	219%
United Kingdom & Rest of World	(13)	23	(157%)
Total Banking & Lending	741	741	–
Property & Casualty			
South Africa	55	48	15%
Rest of Africa	7	7	–
Total Property & Casualty	62	55	13%
Central Activities	(162)	(140)	(16%)
Total adjusted operating profit before tax	1,663	1,605	4%

AOP analysis by line of business (£m)

	2015	2014	% change
Line of business			
Life & Savings	668	654	2%
Asset Management ¹	354	295	20%
Banking & Lending ²	741	741	–
Property & Casualty	62	55	13%
	1,825	1,745	5%
Central activities	(162)	(140)	(16%)
Adjusted operating profit before tax	1,663	1,605	4%

1 Includes Institutional Asset Management, OMGI and Quilter Cheviot, OMEM's and Nedbank's asset management businesses

2 Includes Nedbank, Old Mutual Specialised Finance (OMSFIN), Faulu in Kenya, Central African Building Society (CABS) in Zimbabwe and Old Mutual Finance (OMF).

£1,825m

Sum of business
AOP (pre-tax and NCI)

RISKS



Sue Kean
Group Chief Risk Officer

**“
The Group’s
underlying risk
philosophy of
holding capital
where the risks
lie combined
with strong
subsidiary Board
governance
processes provides
a stable basis from
which to move to
four independent
businesses
”**

The Group’s risk philosophy is to hold capital where the risks lie. We only take on risks that we can understand, price appropriately and have the skills to monitor and manage.

The risk landscape is changing rapidly, particularly in context of the persistent volatile, uncertain, complex and ambiguous (VUCA) macro-economic environment. In addition, our business is experiencing a period of change as we execute the managed separation. Our approach to risk management considers a mix of factors – capital, earnings, liquidity and reputation – whose relative weights and degree of granularity vary according to the business and the external environment. We make extensive use of multi-year scenario analysis to highlight creeping risks that may not be evident over a one-year horizon. The results of our analysis has shown that the Group’s

**The risk landscape is against the backdrop
of a challenging macro-economic environment**

**Extensive use of multi-year scenario analysis
to highlight risks that manifest over longer time horizons**

**Group focus has moved from investment to execution of
strategy within each business and the managed separation**

capital position is resilient in times of stress. Our businesses in the UK and US explicitly seek market risk as part of their business strategies and are exposed to secondary market risk arising from asset-based fees risk. Therefore, the VUCA environment and market downturns will impact these businesses. Within OM Asset Management (OMAM), the business is positioned to withstand market volatility to a certain degree, due to the affiliate profit-share model that provides structural variability to expenses.

The economic outlook for South Africa and more generally for emerging markets has weakened. This is due to a number of macro-economic reasons, including continuing concerns over China's economic growth and falling oil prices. In addition, ratings agencies have noted South Africa's lower GDP growth forecasts and political developments that threaten its commitment to fiscal discipline. This has substantially increased the risk of a sovereign downgrade to below-investment grade status by at least one major agency over the next year. As a result of this and wider political issues in the regions where we operate, we are more explicit on political risk in our principal risks for 2016.

The rand depreciated significantly over 2015, reaching historic lows against the dollar and sterling. This adversely impacts the translation of rand earnings (and balance sheet values) to sterling, and consequently impacts cash remittances from businesses and sterling dividend affordability. The rand remains volatile, with a high risk of further decline in the event of a sovereign downgrade – emphasising currency translation (in particular, its impacts on cash remittances from our businesses) as one of our principal risks.

Over the past few years the Group has been investing substantially – in growing the business through acquisitions, and in IT initiatives driven by our commitment to improve the customer experience and to respond to the breadth of regulatory change impacting all our businesses. Our focus now is on execution and

delivery of strategy, as we integrate several key acquisitions and progress a significant number of large-scale change projects across the Group, in particular in Emerging Markets and Nedbank. Strategic execution risk therefore remains a primary concern. The costs and timing of the Old Mutual Wealth initiative for outsourcing technology and administration to IFDS have run substantially ahead of initial estimates. In response to a detailed independent review we have strengthened the governance of the project and increased oversight by both the Old Mutual Wealth and Old Mutual plc

“
Over the past few years the Group has been investing substantially – in growing the business through acquisitions, and in IT initiatives driven by our commitment to improve the customer experience and respond to the breadth of regulatory change impacting all our businesses. Our focus now is on execution and delivery of strategy
 ”

Boards. We have also shared key learnings from the review across businesses with similar initiatives.

As in previous years, it remains important to keep a close eye on the changing pattern of credit risk across the Group's businesses. Given the growth of our lending businesses in Emerging Markets and the relative immaturity of these businesses relative to other parts of the Group such as Nedbank, further development of credit risk oversight is a key priority. We are taking steps to strengthen governance and oversight to ensure that we build sufficient expertise to manage credit risk as we grow.

With the backdrop of highly volatile global conditions, regulatory, strategic change and where our businesses are in the investment cycle, we have revised our capital management and dividend policies, including setting of our Solvency II capital appetite. The new Group CEO has performed a strategic review which leads the Group towards a managed separation – four independent businesses operating in the capital markets and environment most appropriate to each of them. This brings a new chapter for the Group and adds to the strategic execution risks in the short to medium term. The Group's underlying risk philosophy of holding capital where the risks lie, combined with strong subsidiary Board governance processes, provides a stable basis from which to move to four independent businesses. Extensive work has been carried out to consider the risks from the new strategy, drawing on external advice on the various legal, regulatory and stakeholder issues as well as stress and scenario testing to evaluate the cash and capital implications. We will continue to adhere to the governance principles set out in the Group Operating Model during this transition, however the practical application will evolve to remain fit for purpose. For more information on our strategic direction, refer to the Strategy section on page 8.

Sue Kean
 Group Chief Risk Officer
 11 March 2016

We will continue to adhere to the governance principles set out in the Group Operating Model during this transition, however the practical application will evolve to remain fit for purpose

RISKS
CONTINUED

**PRINCIPAL RISKS
AND UNCERTAINTIES**

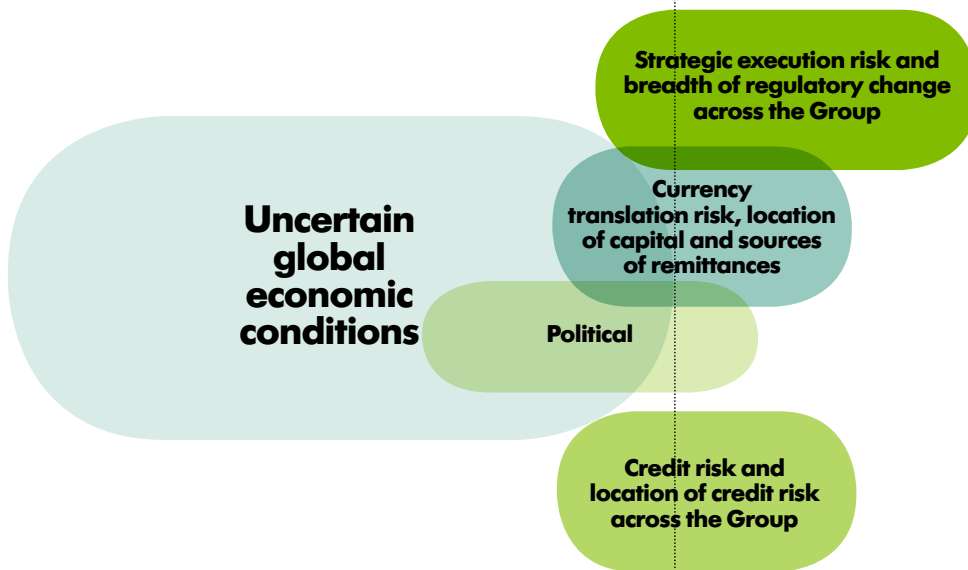
Our principal risks have been determined by assessing the possible effects on our reputation, our stakeholders, our earnings, capital and liquidity, and the future sustainability of our business. They are summarised in the table below. They are closely monitored and overseen by Group management and reported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

Our business is also affected by a number of risks inherent to the products we offer and the industry we operate in, such as exposure to market levels, interest rates and insurance liability risk. These drive a significant proportion of our capital requirements and earnings volatility

exposure. Given the nature of our product offering, market and environment risks are material: market movement impacts on our asset-based fees, generated from client-selected investments, and credit risk within Nedbank and Emerging Markets is correlated to the market conditions. You can read more information on our risk and capital management and risk profile in this section, after the principal risks and uncertainties. Additional risk information is disclosed in the consolidated financial statements, note F, on page 208. The graphic below summarises our principal risks and their interactions, which are detailed on the following pages.

**RISK DUE TO EXTERNAL FACTORS,
IMPACTING OLD MUTUAL
SIMILARLY TO PEERS**

**RISK DUE TO INTERNAL FACTORS,
IMPACTING OLD MUTUAL
MORE THAN PEERS**



Global economic outlook is uncertain
Volatility in global equity markets observed over 2015 and early 2016
Changing government and public sentiment where we operate could influence perception of the Group
Old Mutual will continue to engage with relevant stakeholders on political developments

1. Uncertain global economic conditions

How it impacts Old Mutual

Like all global financial services firms, the Group is exposed to global economic conditions. The main impact is on Group profitability. The current persistently volatile, uncertain, complex and ambiguous macroeconomic and geopolitical environments exacerbate this impact.

The Group's US and UK businesses and Emerging Markets asset management businesses are explicitly seeking market risk as part of their business strategies. Volatile and uncertain global markets could therefore adversely affect earnings levels. Old Mutual Wealth, Old Mutual Investment Group (within Emerging Markets) and OMAM are exposed to secondary market risk through asset-based fee risk. Market risk also arises through guaranteed business in Emerging Markets and residual guarantees in Old Mutual Bermuda, as the sale of that business only related to the non-guarantee business.

In our insurance and investment businesses, and especially in Emerging Markets, our earnings are at risk if our customers are unable to keep up premiums, cancel existing policies or withdraw their savings earlier than anticipated (collectively known as lapse risk). Additionally, our future profits will be at risk if customers do not buy insurance policies from us or invest their savings with us at the levels we anticipate.

In our banking and credit businesses, our earnings are at risk if counterparties fail to meet their contractual servicing of interest and principal. Uncertainty and deterioration in global economic conditions may affect the capacity of counterparties to meet these obligations.

(Credit risk is further assessed as a principal risk on page 89.)

Our exposure to South African sovereign debt and parastatals lies only within the South African businesses, in line with market and regulatory expectations.

2015 and beyond

The global economic outlook remains uncertain, impacting all of the Group's businesses. Volatility in global equity markets over 2015 and the early part of 2016 had a negative impact on asset growth and net client cash flows for Old Mutual Wealth and OMAM.

While the South African economy shares in global economic conditions – and is therefore affected by the interest rate trajectory in the US, the slowdown in China and lower-for-longer oil prices – it is also impacted by domestic factors.

During 2015, amidst a benign global economic recovery, South Africa's economic growth forecasts were revised downwards. Key factors were volatile emerging market economies, driven by weaker growth in China, and muted domestic prospects arising from weaker commodity prices and energy supply constraints. These contributed to a sovereign credit downgrade by Fitch in December.

A prolonged period of low oil prices, cutting transport and food costs, could help to support disposable incomes and spending, and reduce inflationary pressures, despite rand weakness. However, this has been somewhat offset by drought-induced upward pressure on food prices.

If the sovereign credit rating was further downgraded to below investment grade status, the impact on the Group's business outside South Africa would be limited. Within South Africa, the impact would come from the economic and market-related consequences, such as changes in interest rates, foreign exchange rates and international capital flows. Market interest rates, exchange rates and credit default spreads have priced in the impact of a 'soft' downgrade. However, the range of consequences is wide, meaning more severe impacts are possible.

Risk mitigation and management actions

We monitor multiple external economic factors and incorporate them into stress and scenario testing to understand our earnings, liquidity and capital resilience to severe macro-economic events.

Within Emerging Markets, market risk arising from guaranteed products is actively managed by their Balance Sheet Management team. Guaranteed products in Old Mutual Bermuda are managed via various hedging programmes. For more detail on Old Mutual Bermuda's hedging programmes, please refer to page 227, note G of the consolidated financial statements.

The key impact on Group from a South African sovereign rating downgrade is reduced remittances from the South African businesses and consequently the adjustment to dividends. During the heightened market volatility following the South African finance minister changes in December 2015 and China slowdown in early 2016, the Group's position was monitored on a daily basis and has remained within risk appetite. The deterioration in the rand, interest rates, credit spreads and other economic measures were within the bounds of our scenario analysis. Our business plans are also regularly updated and include consideration of severe adverse scenarios.

We are actively engaging with the South African government – see the following page on Political risk for more detail.

We step up our activity to help clients during periods of volatility, with a focus on understanding individual customers' financial positions at the point of sale. Refer to the Business Review sections for case studies on how we partner with and help our customers.

Our businesses manage premium collections and credit payments, while monitoring for early indicators of financial distress.

We manage our cost base judiciously, while investing sustainably for the future.

RISKS CONTINUED

2. Political risk

How it impacts Old Mutual

Changing government and public sentiment in the key countries where we operate could potentially influence external perceptions of the Group. Political risk may also present additional risks in the macro-economic environment.

Given the significant portion of our business in South Africa, we are particularly exposed to political developments there. Exposures include the substantial business we receive from collective labour organisations in South Africa, which could be adversely impacted by a change in sentiment.

The nature of a disruptive political event, and the possible consequences for our South African business, are particularly difficult to foresee, as are the triggers that might cause such an event. An event may affect any of our key cash flow, capital or liquidity metrics. See more on possible impacts in the Own Risk and Solvency Assessment section on page 94. 'Brexit' following the 2016 EU referendum impacts a small part of the UK heritage business in Old Mutual Wealth, which continues to manage EEA legacy business, but is not expected to be material. Old Mutual Global Investors and Quilter Cheviot might need to set up European Economic Area subsidiaries in order to continue to sell business in Europe. Though the economic implications of Brexit are uncertain, one possible consequence is sterling depreciation, which has already been observed in early 2016. If the rand strengthens relative to sterling as a result of Brexit, from a Group reporting perspective, this could mitigate rand depreciation from a South African sovereign rating downgrade.

In Zimbabwe, the local government has begun re-engaging internationally with the IMF on its debt programme (\$1.8 billion owed to the ECB and IMF) and will have repaid its debts by April 2016, diverting funding into Zimbabwe. A key concern for Old Mutual is our exposure to the government (<£200m as at December 2015) and its potential to default on its debt. The situation in Zimbabwe is exacerbated by current economic conditions and severe drought.

2015 and beyond

South African policymakers will continue to face challenging economic conditions, as well as the increasing prominence of opposition parties and a more difficult fiscal position. Political risk and uncertainty are likely to increase.

Possible negative events that might affect Old Mutual are described below.

In South Africa:

- Change to the regulations and taxation governing the products we sell or manage
- Change in the ownership of the businesses we invest in or do business with, impacting our customer base
- Restrictions on the ability of our South African business to remit profits to Group, impacting the affordability of shareholder dividends.

In the UK:

- The likelihood of a Brexit following the EU referendum in 2016 (set for 23 June) has increased, with polling suggesting a very close split between Britain remaining in or leaving the EU. This brings economic and legal uncertainty.

In Zimbabwe:

- The risks on government debt, which are offset by the US dollar-denominated currency and assurances that the country will not be reverting to the Zimbabwe dollar. However, government policy moves on reverting to the local currency are uncertain
- The timing of the pensions commission inquiry and indigenisation law implementation is uncertain and may take time to fully conclude.

Risk mitigation and management actions

Old Mutual will continue to engage and work with relevant stakeholders to be alert to adverse political developments. The Boards of both our South African businesses and the Group continue to monitor and assess the impact of political risks.

We are actively engaging with the South African government. This includes leading the engagement with government and South Africa's 'big businesses' across financial services, mining, industrial and telecommunications sectors, on ways to improve sentiment on South Africa's investment case and managing the sovereign ratings downgrade risk. These discussions fed into the 2016 State of the Nation Address and the 2016/17 Budget statement.

In 2015 we commissioned independent political risk consultants to further analyse the medium- to long-term implications for the Group.

Political risk scenarios have been included in business planning and in our Own Risk and Solvency Assessment process.

During the heightened market volatility following the South African finance minister changes in December 2015 and China slowdown in early 2016, the Group's position was monitored on a daily basis and has remained within risk appetite.

3. Currency translation risk, location of capital and sources of remittances

How it impacts Old Mutual

Our Group earnings, dividend and regulatory surplus capital are reported in sterling but c.70% of our earnings and surplus capital are denominated in South African rand.

The translation of our rand earnings and balance sheet value will reflect exchange rate movements.

Our capital is held where our risks are located and in the appropriate currency for those risks; so risk would only be realised if we were to require a transfer of surplus capital between regions during periods of stress.

Due to exchange controls and terms of the demutualisation agreement, capital from South Africa is not fully freely transferable. For the stress scenarios we assess, the key impact on Group is through cash and dividends, as referred to in the principal risk 'Uncertain global economic conditions'.

The Group's overall solvency position is further desensitised to currency movements by the Solvency II fungibility restrictions. Clarification on the treatment of surplus fungibility has been confirmed and non-EU surpluses may not be included in our Solvency II calculations.

2015 and beyond

In 2015 the rand depreciated by a further 28%, with an average rate of R19.51 against the pound. This followed depreciations of 4% in 2014 and 27% in 2013. It reflected the relative weakness of South Africa's economic outlook, political uncertainty and, in part, a declining appetite for emerging market currencies.

We see macro-economic factors pointing to further rand weakness in the medium term. These include the continuing current account deficit and the possibility of further capital outflows from South Africa. For example, some external investors may sell their holdings of South African government bonds if global interest rates rise and/or the country's sovereign rating is further downgraded.

Risk mitigation and management actions

We hold our capital resources (including much of the Group's issued debt) to meet capital requirements in matched currencies, and service interest on debt with matching earnings and cash flows.

We closely monitor the balance of cash flows earned in rand and other currencies, and our dividend policy helps to address this risk through its link to earnings.

We use forward currency contracts to hedge expected rand and other currency cash flows over the year ahead, needed to make dividend and other payments in sterling.

Regular stress and scenario testing helps us understand and monitor the resilience of our capital and capacity to pay dividends over the business plan horizon. The chosen scenarios include a decline in the rand, alongside further significant currency movements or restrictions (however remote) on the flow of funds from South Africa. Our modelling shows we are sufficiently capitalised in line with our philosophy of holding capital where the risks lie. However, to maintain the dividend cover required in our dividend policy in severe scenarios, a fall in the sterling value of rand-based earnings could result in significantly lower sterling-based dividends.

The managed separation will ensure that each business will be able to access capital more easily from, and be more closely aligned to, its natural shareholder bases. This addresses challenges the Group has faced with translation of rand earnings, cash remittances and consequent impact on dividends amidst significant rand depreciation, and lack of transparency of underlying businesses capital strength in the Group's overall solvency position due to fungibility constraints.

The managed separation will ensure that each business will be able to access capital more easily from, and be more closely aligned to, their natural shareholder bases

4. Strategic execution risk and breadth of regulatory change across the Group

How it impacts Old Mutual

Currently, and for the foreseeable future, there is a high degree of execution risk across the Group. Regulatory changes affect the entire industry but the risks of integration of newly acquired business in Emerging Markets and Old Mutual Wealth as well as IT and business process transformations will be specific to our businesses. While many of these regulatory changes represent opportunities for our businesses, the cumulative impact could result in margin compression and increased operational risk during the transition.

Emerging Markets is impacted by the Retirement Fund Reform and the Retail Distribution review in South Africa, which will mean significant transformation in the medium term. The National Credit Act will impact the unsecured lending business.

Nedbank is affected by the substantial changes in banking regulation, in particular Basel III, that will be phased in by 2019, as well as increased focus on financial crime prevention and customer-related regulations such as the National Credit Act and FAIS.

Twin Peaks regulation is likely to come into effect in 2017, potentially affecting both OMEM and Nedbank as domestic systemically important financial institutions. This will be followed by SAM regulatory capital requirements.

For **Old Mutual Wealth**, there have been substantial changes to the UK pensions regime resulting in higher inflows and outflows across the industry and increased need for customers to have access to advice to understand the impact of the new choices available to them. New pensions freedoms became effective on 6 April 2015 and Old Mutual Wealth needs to continue to develop propositions to remain competitive. Many other regulatory developments and actions which continue to be managed as is appropriate.

Within **OMAM** the key execution risks relate to development of its long-term strategy, which includes seeking new partnership opportunities.

2015 and beyond

As part of delivering the strategy for each of our businesses, we have agreed various acquisitions, partnerships and transformation programmes over the past two years. The challenge now is to execute the stated strategy within each of the businesses and deliver the intended benefits.

In addition, the strategy of a managed separation announced in March 2016 will bring a new set of execution risks.

Emerging Markets completed the acquisition of a majority holding in UAP in 2015. Emerging Markets' transformation initiative aims to invest in strategic IT-enabled business change, with priorities to improve customer and intermediary experience and deliver business-critical infrastructure. Preparations continue for the SAM regulatory requirements, initially expected to be implemented on 1 January 2016, but delayed until at least 1 January 2017.

Nedbank intends to continue rationalising and simplifying core systems as part of its strategy, with significant IT programmes focused on regulatory change, compliance, strategic security, client experience, business processes and growth.

We have established a programme for meeting **Twin Peaks** requirements. We will continue to work towards readiness of governance and risk structures, dovetailed with the managed separation programme.

Old Mutual Wealth aims to transform itself into a simpler, vertically integrated business with updated IT systems. While the level of operational risk in Old Mutual Wealth is within our risk appetite, it remains high in the short term – pending the implementation of the outsourcing arrangement and business transformation programme with IFDS and the integration of Intrinsic and Quilter Cheviot.

OMAM will endeavour to identify and seize new partnership opportunities as they arise, in line with its strategy of building long-term value for shareholders. It did not conclude any transactions in 2015.

Risk mitigation and management actions

The risks associated with **managed separation** have been subject to detailed external review covering business competitiveness, and the regulatory, legal and stakeholder risks relating to a managed separation. The managed separation execution is against the backdrop of challenging macro-economic conditions, as referred to previously. There has been extensive stress and scenario testing of the potential impact on cash, capital and earnings.

An executive steering group and a bespoke Board oversight committee has been established to facilitate regular monitoring. The Group's Long-Term Incentive Plan is being revised to reflect the objectives and risks of the managed separation.

We seek external input for material initiatives across our businesses requiring specialist skills.

Within **Emerging Markets**, there is a structured programme for the integration of the business in Kenya following the UAP acquisition. In addition, oversight committees at both executive and Board levels have been established to oversee the IT and business transformation initiative.

Nedbank has a mature Board-level governance framework for management of major IT change and this approach has been extended to cover the regulatory change programmes, including external reviews.

In **Old Mutual Wealth**, on encountering delays and cost increases in the transformation programme, we commissioned a detailed independent review of the governance and risk frameworks which has resulted in replanning and onboarding of external programme managers to work through remedial actions. Lessons from this key change project have been shared across businesses with similar initiatives.

Within **OMAM**, new partnership opportunities are reviewed and evaluated according to strict investment criteria and appropriate governance processes.

We seek external input for material initiatives across our businesses requiring specialist skills

5. Credit risk and location of credit risk across the Group

How it impacts Old Mutual

One of our largest risks to Group earnings is our exposure to banking credit risk from lending and other financing activities through our ownership of Nedbank – and to a lesser but growing extent within Emerging Markets.

Nedbank is a universal bank offering diversified product lines, across secured and unsecured lending.

Our exposure through Nedbank is primarily a risk to earnings and remittances, as Nedbank's capital and liquidity requirements are both met from its own available resources.

Within **Emerging Markets**, banking credit risk is expected to increase due to planned growth as part of the strategy to become an integrated financial services business. Banking credit risk arises in our unsecured lending business, Old Mutual Finance (OMF), Faulu, a Kenyan consumer finance business, and our building society in Zimbabwe known as CABS. Associated funding risk arises as funds flow from insurance to banking/lending businesses in Emerging Markets, which requires a robust liquidity management framework.

Investment credit risk arises in Old Mutual Specialised Finance and the South African life business, predominantly through the management of assets backing annuity products.

Credit risk outside Nedbank and Emerging Markets is relatively limited.

2015 and beyond

Our credit risk remains within appetite. However, the high levels of personal indebtedness and pressure on consumers in South Africa remain a challenge, as does the impact on corporate credit performance from continuing weakness in commodity prices. Short-term pressure on credit spreads is increasing on state-owned enterprises such as Eskom. However, the risk of default is low, given explicit South African government guarantees.

The appetite for consumption of Group products depends on macro-economic factors that are outside our control, as discussed earlier in this section.

Our lending credit exposure is concentrated in secured lending by **Nedbank**. Nedbank intends to grow its transactional banking franchise and balance its funding mix to reduce reliance on wholesale funding through its strategic portfolio tilt initiative. Unsecured lending growth is expected to remain slow.

In line with Group strategy, credit risk increased in 2015 – across the Group, but mainly in **Emerging Markets'** growing lending and annuity businesses.

Within Emerging Markets, OMF has achieved controlled growth in unsecured lending from a low base, applying stringent affordability requirements and strict credit criteria. However, in the context of the challenging macro-economic environment, there has been some deterioration in the average credit quality of loans and advances.

Emerging Markets is planning further lending growth in Faulu, CABS, and OMF. This will be accompanied by strong credit risk and liquidity risk management together with risk oversight and governance.

Risk mitigation and management actions

Stress testing is carried out at Nedbank and Emerging Markets (and, by extension, Group) to understand exposure to credit events.

Nedbank has defined risk limits and early warning thresholds for credit loss ratios, which are continuously monitored and remained within their target range throughout 2015. Nedbank also reviews the quality of credit portfolios to ensure impairment provisions are adequate.

As the **Emerging Markets** portfolio has grown, we are in the process of strengthening our own expertise and the governance of credit risks. We have also sought external views on areas of greater risk, such as our exposures to unsecured lending. Further development of the credit risk and liquidity risk management framework will continue. For unsecured lending, OMF continues to focus on quality business through regular adjustment of affordability and credit scorecards and risk-based product metrics (loan term, size and interest rates), based on changing market conditions.

Refer to the Nedbank and Emerging Markets detailed Business Review, found in the 2015 Preliminary Results statement, for more information on credit exposures.

How principal risks have changed over the year

Principal risks have remained broadly similar since the 2014 Annual Report. The following risks were highlighted in the 2014 Annual Report and are emphasised less or no longer explicitly discussed:

- Power outages in South Africa: South African businesses have navigated through the disruption caused by outages.

- Solvency II: The Solvency II capital coverage ratio remains stable, within the range of expectations relative to last year, and regulatory decisions on key aspects have been communicated.

- Tax risk and uncertainties: Legacy issues have been satisfactorily closed and the Group has a low risk appetite for tax risk.

RISKS CONTINUED

RISK AND CAPITAL MANAGEMENT

Risk framework

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

Risk frameworks and governance model are overseen centrally but implemented by our businesses locally, so that we can address local requirements appropriately. This approach is reinforced through Group representation on business Boards, coupled with formal dual reporting for key control and management functions. Further details can be found in the Directors' Report on Corporate Governance on page 103.

As a consequence of the strategic review, our risk focus will adapt as we monitor the operational execution of the intended business changes. The existing one-year metrics provide an initial view of the risks we face which is augmented by multi-year scenario testing results to monitor creeping risks. The Group's key objective is to ensure that the Group and each business have adequate capital and cash generation for their needs and delivery of their strategy.

Our risk and governance framework is set out in the Group Operating Model. It is supported by economic capital tools and transparent processes for managing, monitoring and controlling risks. We continue to refine structures and processes as necessary, but the overall governance structures are operating well within the businesses and the Group. These structures and processes, together with businesses that are adequately, though not excessively, capitalised, provide a solid base to support our business as we pursue our managed separation strategy over the next few years.

Culture and values are aligned across the Group and embedded through our Code of Conduct and ACT NOW! Leadership Behaviours. Risk culture and conduct are receiving increased supervisory and regulatory attention, and risk culture metrics and appetite are included in our risk management framework. Our focus on customer culture and values provides a sound foundation for this activity.

Our risk strategy and risk appetite

Our overall strategic aim is to build and grow each of our businesses in line with their respective strategies. Central to this is maintaining the Group's and each business' brand and reputation. We are committed to operating responsibly, examining the impacts and risks of our decisions on all our stakeholders as an integral part of our decision-making process (for further information on our responsible business approach see the Stakeholder Relationships section on page 13, and the Positives Futures Plan which can be found in the Old Mutual Reporting Centre, www.oldmutual.com/reportingcentre). Doing the right thing by all our stakeholders is at the heart of all our businesses and is therefore the foundation for our risk appetite.

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

Our risk strategy principles

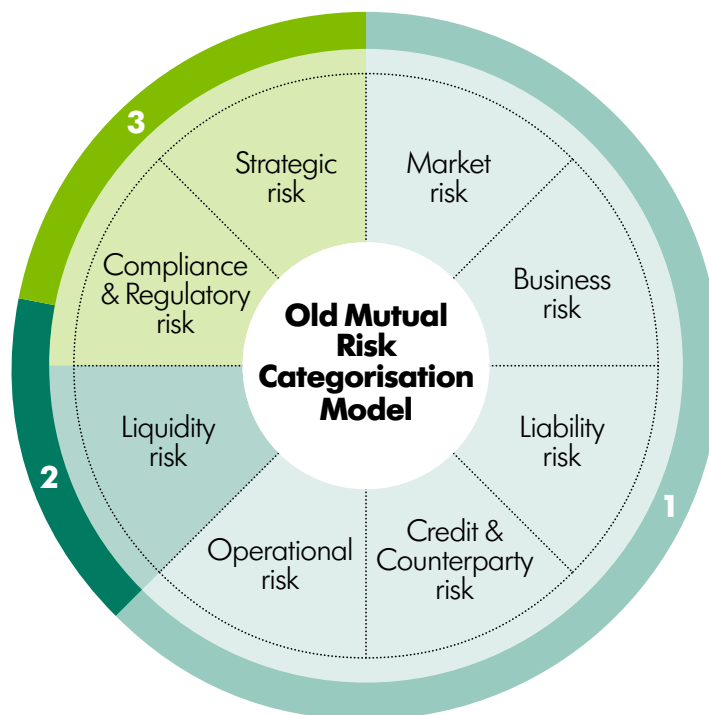
Our risk strategy is supported by principles that must be considered in deciding whether or not to pursue an opportunity.

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

Our risk universe is set out on the following page.

“
Doing the right thing by all our stakeholders is at the heart of all our businesses and is therefore the foundation for our risk appetite
 ”

The Group's key objective is to ensure that the Group and each business have adequate capital and cash generation that is appropriate to their needs and delivery of their strategy



1

Risk exposure captured via quantitative risk metrics – Economic Capital at Risk, Earnings at Risk and Operational Risk one-year metrics, augmented by multi-year scenario testing over the three-year business planning horizon.

2

Risk exposure captured via quantitative risk metrics – stressed cash balances are considered as part of stress and scenario testing. Liquidity buffers are held at Group and business unit level.

3

Risk exposure largely not quantifiable, but risks actively managed. Risk metrics are projected for the business plan period of three years as part of multi-year scenario testing, which provides insights into these risk types. The potential financial impact from compliance failures and regulatory breaches is captured in the operational risk measure and operational risk economic capital within economic capital at risk and earnings at risk.

RISKS CONTINUED

Risk descriptions

Liability risk

We assume liability risk, sometimes referred to as insurance risk, by issuing insurance contracts under which we agree to compensate the policyholder or beneficiary if a specified uncertain future event affecting the policyholder occurs. This risk includes mortality and morbidity risk, as well as non-life risk from events such as fire or accident.

Market risk

This is the risk of a financial impact arising from changes in the value of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. We separately consider currency translation risk, which relates to the translation of earnings and capital to our reporting currency. Secondary market risk arises from our exposure to asset-based fee risk.

Credit and counterparty risk

This relates to the risk of credit defaults. It includes lending risk, where a borrower becomes unable to repay outstanding balances (for instance banking credit risk), as well as counterparty risk where an asset is not repaid in accordance with the terms of the contract. The risk of credit spreads changing is included under market risk.

Business risk

The risk that business performance will be below projections as a result of negative variances in new business volumes and margins, and lapse, rebate and expense experience.

Liquidity risk

The risk that liquid assets may not be available to pay obligations at a reasonable cost, when due.



Operational risk

The risk arising from operational activities, such as a failure of a major system, or losses incurred as a consequence of people and/or process failures, including external events.

Compliance and regulatory risk

The risk that laws and regulations will be breached. This includes risk of regulatory intervention resulting in sanctions being imposed or a temporary restriction on our ability to operate and/or an additional regulatory capital charge. It also includes failure to adapt to regulatory change and business conduct risk.

Strategic risk

The risk of failing to implement the strategy of each business and the Group managed separation strategy and the management of associated changes to the business, including external factors such as political risk.

Risk appetite principles

Capital

The Group has limited appetite for regulatory intervention (perceived or real). As such, we hold a buffer above minimum regulatory requirements in order to remain solvent.

Our key principles for setting this buffer are to ensure all of our businesses are each well-capitalised, and that the Group position must remain compliant with regulatory requirements at all times. We recognise that the Group position does not afford transparency into the underlying strength of our business units, or enable ready comparisons with peers, and we are prepared to accept this provided the underlying businesses remain adequately capitalised and resilient to downside stresses. These principles will be used to define our appetite for regulatory capital risk throughout the managed separation process.

As regulatory capital varies by sector, we also have an economic capital appetite which reflects our own view of 1-in-200 year risk events (or slightly higher for Nedbank).

Earnings

The Group accepts that as part of its growth aspirations, especially in new areas, earnings volatility and execution risk are likely to increase.

However, we have no appetite for big surprises: earnings volatility that cannot be anticipated by the market or significant operational losses.

As such, a key focus is on understanding the different drivers of earnings volatility, focusing on identifying acceptable and unacceptable causes of profit volatility, and monitoring our exposure and experience over time to ensure that outcomes are within our risk tolerance framework.

Liquidity

The Group has no appetite for failing to deliver on its payment obligations and holds a buffer at Group level to support this, sufficient to withstand a liquidity survival horizon of at least 12 months.

The Group should be able to meet short-term plausible but extreme losses. We use multi-year stress and scenario testing to project stressed cash balances and ensure we are holding sufficient liquidity buffers and hard currency to service debt, meet head office costs and pay dividends.

Risk and control culture

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

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

Our risk appetite framework supports delivery of our risk strategy. It includes risk appetite principles to guide our businesses and clarify our risk strategy in line with the Group's risk appetite, as set out above. These principles are supported by qualitative risk appetite statements in the Group's risk policy suite, and by quantitative risk limits for our risk appetite metrics, set as an iterative part of our business planning process to ensure that local risk limits are consistent with local business plans. As part of this process we set risk limits by risk type, at both Group and business level. Twice a year there is a formal review of risk exposures against the limits and early warning thresholds. As well as this, businesses use operational limits to

monitor material risks more regularly and in more detail. For 2015, all risk metrics across the Group were within risk appetite limits. Each business monitors more granular risk limits, which vary by business.

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

The Group's regulatory framework is changing – primarily as a result of the implementation of Solvency II in Europe and SAM and Twin Peaks in South Africa, as well as Basel III in our banking businesses. The Solvency II regime has

introduced a different regulatory lens through which we look at Group capital. Economic capital continues to be monitored as part of the Group's risk management framework, however, as we manage capital where the risks lie and given the strategic intent outlined in the managed separation, our focus is on ensuring the individual businesses are adequately, though not excessively, capitalised. Given this changing regulatory framework and as we transition towards separation, the lead regulator for each of our businesses will become the local regulator. We will work with each entity to ensure relevant regulatory requirements are met and we will review risk appetite metrics as appropriate.

The Group's regulatory framework is changing – primarily as a result of the implementation of Solvency II in Europe and SAM and Twin Peaks in South Africa, as well as Basel III in our banking businesses. The Solvency II regime has introduced a different regulatory lens through which we look at Group capital.

RISKS CONTINUED

The Group's economic capital risk profile, and for each business, as at 31 December 2015 is shown to the right.

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

Currency translation risk represents almost a quarter of our Group risk profile. This risk relates mainly to the translation of surplus capital from rand to sterling and is a structural feature of the current Group structure. As our capital is held where our risks are located, the risk would only be realised if we were to require transfer of surplus capital between regions during periods of stress.

Group's risk profile

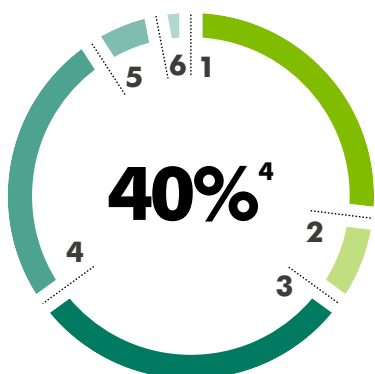
We assess the Group's risk profile through several different lenses, in line with our risk appetite. We seek to optimise capital efficiency, avoiding excessive risk concentrations and diversifying risk where possible. In this context, we review risk concentration and diversification within each business. Each of our businesses (and regulated companies within businesses) is sufficiently capitalised in its own right. The distribution and allocation of capital to our businesses largely reflects the different risk profiles within their regions and the prevailing regulatory requirements. Even when applying significant economic stresses to our current capital, the Group remains adequately capitalised. The Group is more sensitive to changes in earnings, cash remittances from each business and subsequently dividends. We apply multi-year scenario testing including reverse stress testing to test the viability of the business model and to support risk management of the managed separation.

Economic capital Risk profile of the Old Mutual Group by business unit*†

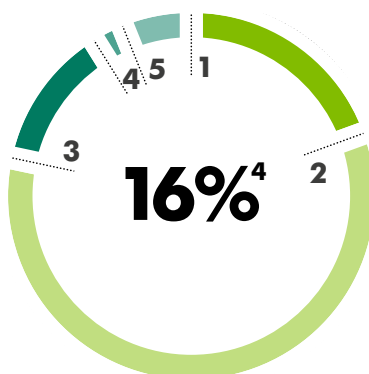
OLD MUTUAL GROUP¹



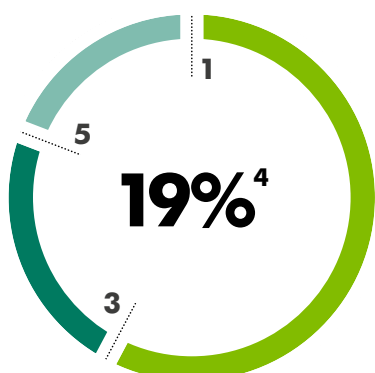
1. Market risk **24%**
2. Credit and counterparty **14%**
3. Business **23%**
4. Liability **11%**
5. Operational **6%**
6. Currency **22%**

EMERGING MARKETS²

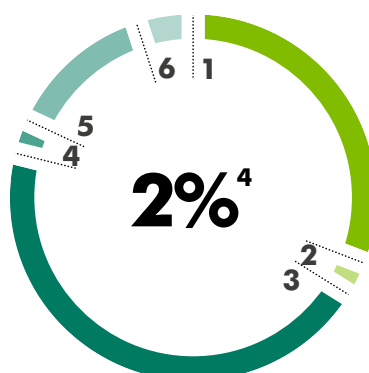
1. Market risk **27%**
2. Credit and counterparty **8%**
3. Business **30%**
4. Liability **26%**
5. Operational **6%**
6. Currency **3%**

NEDBANK³

1. Market risk **20%**
2. Credit and counterparty **60%**
3. Business **13%**
4. Liability **1%**
5. Operational **6%**
6. Currency **0%**

OLD MUTUAL ASSET MANAGEMENT

1. Market risk **58%**
2. Credit and counterparty **0%**
3. Business **23%**
4. Liability **0%**
5. Operational **19%**
6. Currency **0%**

OLD MUTUAL WEALTH

1. Market risk **31%**
2. Credit and counterparty **3%**
3. Business **45%**
4. Liability **3%**
5. Operational **13%**
6. Currency **5%**

* The economic capital risk profile of the Group is based on standalone economic capital at risk, i.e. the relative contribution of each risk is determined before allowing for the impact of diversification between risks, as at 31 December 2015. For risk management purposes, we believe that it is appropriate to consider the risk exposure before diversification, to enable us to assess changes in quantifiable risks impacting the business units

† No chart is shown for Old Mutual Bermuda, which provides 2% of standalone economic capital. Group risks provide 22% of standalone economic capital

- 1 The chart shows Old Mutual's 76.7% (gross of shares to EBT) proportionate share of OMAM's economic capital exposure
- 2 Emerging Markets business includes our exposure to Africa, Latin America and Asia
- 3 The chart shows Old Mutual's 54.9% proportionate share of Nedbank's economic capital exposure
- 4 % of Group standalone economic capital at risk for business unit.

RISKS CONTINUED

Own Risk and Solvency Assessment (ORSA)

We do not view risk as something separate from our business strategy and operations. Risk strategy is implicit in our business strategy, and the aim of the ORSA is to bring this out more explicitly. The ORSA is an integral part of our existing business management, risk management, business planning and decision-making processes. It is also an integral tool for justifying our viability statement, as set out on page 122 of the Corporate Governance section.

The ORSA includes all the processes for risk identification, risk assessment and measurement, risk management, risk monitoring and reporting that are in place through the Group Operating Model and Group Enterprise Risk Management framework.

Capital and risk exposure metrics methodology and results are challenged and reviewed as part of the ORSA. This includes regulatory capital, economic capital, earnings and cash flow profiles, over a three-year horizon. This allows us to view risks through various lenses and shows which risks impact our one-year earnings views differently from multi-year creeping risks and longer-term capitalised balance sheet risks. For example, losses due to credit impairments or defaults impact earnings relatively more than capital; therefore counterparty default is a higher proportion of the earnings at risk profile over time relative to the economic capital at risk profile. Further details on Solvency II results can be found in the Solvency II press release accompanying the preliminary results.

We have further enhanced the Group stress and scenario testing process. We are achieving greater consistency by engaging with business units to produce the same set of scenarios, with aggregation and top-down overlays performed at Group level. New scenario parameters, drawn from discussions with economists across the Group, were presented to the Board Risk Committee for challenge and approval.

The scenarios tested at Group level are determined with reference to our overall strategy and the macro-economic environment we are operating in. For 2015, these were:

- The impact of an adverse South African economic outlook, leading to a South African sovereign downgrade to sub-investment grade status with further economic implications
- The impact of prolonged low growth in developed markets, keeping interest rates low for a longer period, affecting our businesses in the UK and the US
- A reverse stress test – a scenario which may result in the business model and/or business plan becoming unviable, including idiosyncratic impacts specific to the business units.

We have adopted a modular approach to the ORSA, and the Board has reviewed the respective elements of the ORSA during the year as part of the business review cycle. The Group ORSA report has been shared with the Prudential Regulation Authority.

The Business Units had sufficient capital to withstand these very significant shocks, and the capital positions recover as management actions take effect.

“
**We seek to optimise capital efficiency,
 avoiding excessive risk concentrations
 and diversifying risk where possible.
 In this context, we review risk concentration
 and diversification within each business**
 ”

Key parameters used in the stress testing scenario over the business planning horizon:

As part of our ongoing stress and scenario testing we have assessed the impact on Group capital of a downgrade in the investment status of South Africa, coupled with a deteriorating economic outlook for the rest of the world.

The Business Units had sufficient capital to withstand these very significant shocks, and the capital positions recover as management actions take effect.

The Group solvency ratio remains stable due to a combination of the resilience of Old Mutual Wealth, the ability of the restricted surplus in OMEM and Nedbank to absorb the effects of the shock, and the depreciation of the Rand.

(Although the capital position is resilient, this scenario would materially affect earnings in the business units which reduce substantially in 2016 and recover only modestly as management actions take effect. The Group dividend flexes within the dividend policy to accommodate the materially lower earnings and to protect the cash position within the Group.)

	2016	2017	2018
Equity markets			
SWIX (RSA)	(23%)	9%	1%
FTSE 100 (UK)	(13%)	0%	5%
RLV 1000 (USA)	(10%)	0%	5%
Interest rates			
RSA Prime (Nedbank)	13.3%	12.1%	10.2%
RSA 10-year government bond (OMEM)	10.9%	9.8%	8.7%
Rand/GBP average	29.2	31.3	33.4
Credit risk			
100bps spread widening (OMEM)			
Up to 1.6% additional average credit loss ratio in Nedbank, 2.7% in OMEM			
Business risk			
20% decrease in new business sales in OMEM			
20% increase in lapses in OMEM			

The Strategic Report on pages 1-97 was approved by the Board of Directors on 11 March 2016 and signed on its behalf by

Bruce Hemphill
 Group Chief Executive

GOVERNANCE

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124	Directors' Remuneration Report

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



Driving change together

Through Old Mutual Investment Group and Nedbank, we are a leading debt and equity participant in the South African Government's programme to build large-scale renewable energy plants. This will support the country's transition to a mixed-energy, resource-efficient and socially inclusive economy. By the end of 2015, we had committed R61 billion of our clients' money in renewable energy projects, which also aim to drive job creation and enterprise development in surrounding communities. One such project is the 66 megawatt Hopefield Windfarm, developed by Old Mutual Alternative Investments (OMAI) through its 'IDEAS' and 'AIM' range of funds. Hopefield is one of OMAI's 17 projects, with a combined capacity of 1,103 megawatts, of which nearly 70% are already operational.

📄➡ www.oldmutual.com

Left: Doug Thompson,
Head of Investor Relations,
Old Mutual Alternative Investments
Right: Patrick O'Sullivan, Chairman

BOARD OF DIRECTORS

1. Patrick O'Sullivan (66) (Irish)

M.Sc. (Econ), B.B.S., F.C.A. (Ireland)

Chairman of the Board since January 2010. Also chairs the Nomination and Governance Committee

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

Previous non-executive roles included Chairman of the UK's Shareholder Executive, Deputy Governor of the Bank of Ireland, Senior Independent Director at Man Group plc and Chairman of the Audit Committee at Collins Stewart plc and Cofra Group AG.

2. Bruce Hemphill (52) (South African)

B.A., C.P.E., Solicitor of the Senior Courts of England and Wales

Group Chief Executive. Also Chairman of Old Mutual Wealth and a non-executive director of Nedbank Group Limited, Nedbank Limited and Old Mutual Emerging Markets

Bruce Hemphill joined Old Mutual as Group Chief Executive in November 2015, succeeding Julian Roberts. He was previously Chief Executive of Wealth, Insurance and Non-Bank Financial Services at Standard Bank Group, the largest African banking group by assets and earnings. From June 2006 to February 2014, he was Chief Executive of Liberty Group, an African financial services group listed on the JSE. He originally trained as a lawyer in the UK, practising law in both the UK and Hong Kong. After completing a management training programme at Anglo American in South Africa, he joined the corporate finance team at Standard Merchant Bank, where he eventually headed up the corporate finance, investment, banking, commercial banking and cash equities businesses.

3. Paul Hanratty (54) (Zimbabwean/Irish)

B.Bus.Sc., F.I.A.

Chief Operating Officer and Chairman, Old Mutual Emerging Markets

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

4. Ingrid Johnson (49) (South African)

C.A. (SA), A.M.P. (Harvard)

Group Finance Director. Also a non-executive director of Old Mutual Wealth

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

5. Mike Arnold (68) (British)

B.Sc., F.I.A.

Independent non-executive director since September 2009. Chairman of the Board Risk Committee and a member of the Group Audit Committee

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

Non-executive director of Financial Information Technology Limited.

6. Zoe Cruz (61) (US)

B.A., M.B.A.

Independent non-executive director since January 2014. Also a member of the Board Risk and Remuneration Committees

Co-President for Institutional Securities and Wealth Management at Morgan Stanley from 2005 to 2007, where she was responsible for running major revenue-generating businesses,



14

6

3

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

Founder and CEO of EOZ Global.

7. Alan Gillespie (65) (British)

CBE, B.A. Hons, M.A., Ph.D.

Senior Independent Director since May 2011, having joined the Board as an independent non-executive director in November 2010. Also a member of the Nomination and Governance and Remuneration Committees
Partner at Goldman Sachs from 1990, with responsibility for corporate finance and mergers and acquisitions in the UK and Ireland. He jointly led the firm's financial services practice in Europe and in 1996 established Goldman Sachs' presence in South Africa. After retiring from Goldman Sachs in 1999, he became Chief Executive of the Commonwealth Development

Corporation in the UK. From 2001 to 2008, he was Chairman of Ulster Bank, a subsidiary of Royal Bank of Scotland plc.

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

8. Danuta Gray (57) (British)

B.Sc., M.B.A.

Independent non-executive director since March 2013. Also Chairman of the Remuneration Committee and a member of the Nomination and Governance Committee

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

Non-executive director of Aldermore Group plc, Michael Page International Plc and Paddy Power PLC and a non-executive Defence Board Member and Chair of the People Committee at the UK Ministry of Defence.

9. Adiba Ighodaro (52) (British)

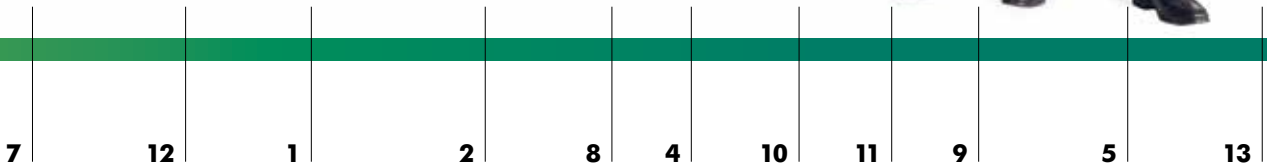
LL.B., B.L., ACCA

Independent non-executive director since January 2014. Also a member of the Group Audit Committee

Joined the Commonwealth Development Corporation (CDC) in 1991, first in London, and later in Lagos, with a remit to establish CDC's Nigerian business. In 1995, her focus moved to the Caribbean as a Senior Investment Executive and Investment Manager, helping to obtain investment for and dispose of some of CDC's interests in Africa and the Caribbean. Later she became CDC's Country Manager for Nigeria. She also became Head of West Africa, with responsibility for building the investment business of CDC/Actis across the region.

Actis was spun out of CDC in 2004, following which she became a founding principal of Actis' fundraising group. Today, as a partner of the firm, Adiba both heads fundraising across the Americas and manages a number of Actis' global strategic relationships.

Partner at Actis.



**BOARD
OF DIRECTORS**
CONTINUED

10. Trevor Manuel (60)
(South African)

Non-executive director since January 2016. Also a member of the Board Risk Committee

Trevor Manuel was a minister in the South African government for more than 20 years, serving under Presidents Mandela, Mbeki, Motlanthe and Zuma. He served as Finance Minister from 1996 to 2009. Before his retirement from public office in 2014, he was Minister in the Presidency responsible for South Africa's National Planning Commission. Throughout his career, he assumed a number of ex officio positions on international bodies, including the United Nations Commission for Trade and Development (UNCTAD), the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community. He has also served on a number of voluntary public interest commissions including Africa Commission, Global Commission on Growth and Development, Global Ocean Commission, and the New Climate Economy. He holds a National Diploma in Civil and Structural Engineering from the Peninsula Technikon, South Africa and completed an Executive Management Programme at Stanford University, USA.

Member of the International Advisory Board of the Rothschild Group and Deputy Chairman of Rothschild South Africa, which provides financial advisory services to Old Mutual. Also a non-executive Director of SABMiller plc and Swiss Re.

11. Roger Marshall (67)
(British)

B.Sc. (Econ.), F.C.A.

Independent non-executive director of the Company and Chairman of the Group Audit Committee since August 2010. Also a member of the Board Risk and Remuneration Committees

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

Chairman of the Accounting Council, a director of the Financial Reporting Council, and a non-executive director and Chairman of the Audit Committee of Pension Insurance Corporation.

12. Nkosana Moyo (64)
(Zimbabwean)

Ph.D., M.B.A.

Independent non-executive director since September 2013. Also a member of the Group Audit and Remuneration Committees

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

Executive Chairman of MINDS. Member of the boards of Impala Platinum and the Africa Leadership Institute.

13. Vassi Naidoo (61)
(South African/British)

C.A. (SA)

Non-executive director of the Company and Chairman of Nedbank Group Limited since May 2015. Also a member of the Board Risk and Nomination and Governance Committees

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

14. Nonkululeko Nyembezi-Heita (55)
(South African)

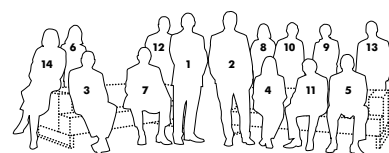
B.Sc., M.Sc., M.B.A.

Independent non-executive director of the Company since March 2012. Also a member of the Board Risk and Nomination and Governance Committees

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

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

Key



CORPORATE GOVERNANCE



Patrick O'Sullivan
Chairman

I am pleased to introduce this Corporate Governance report in which, among other things, we describe the Company's compliance with the UK Corporate Governance Code 2014, explain how the Board and its main standing committees have operated during the past year, and describe how effective stewardship is exercised over the Group's activities in the interests of shareholders and other stakeholders.

We have also included in our Corporate Governance report this year, in response to changes in the latest version of the UK Corporate Governance Code, a statement about the longer-term viability of the Group, which sits alongside our going concern statement.

Board

Since last year's report, we have recruited a new Group Chief Executive, Bruce

Hemphill, who replaced Julian Roberts with effect from the beginning of November 2015. Vassi Naidoo joined the Board as a new non-executive director in May 2015, succeeding Reuel Khoza as Chairman of Nedbank Group Limited and Nedbank Limited, and Trevor Manuel, the former South African Minister of Finance, has joined the Board as a new non-executive director with effect from January 2016. We have five female members of the Board and I am delighted that our progress in fostering diversity on our Board was recognised during 2015 by our being cited as the UK public company that had made the best progress in this area over the past few years.

During 2015, the Board focused on operational delivery and execution, including the integration of the Group's significant recent acquisitions in the UK, South Africa and the Rest of Africa. Board meetings were held in Johannesburg in June/July and in Cape Town in November/December. Other areas of particular Board focus this year included preparations for Solvency II and the forthcoming introduction of Twin Peaks regulation in South Africa, with its associated implications for the governance and oversight of the Group's major businesses in that country.

We have recently embarked on a review of Board information and other materials to ensure that these remain appropriately focused and fit for purpose. This topic was also raised by those consulted during our annual Board evaluation process, which was conducted internally this year.

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

We shall be saying farewell to our Group Company Secretary, Martin Murray, this year, as he is due to retire at the end of May, after 17 years in his current role with the Company. I would like to thank him for his valuable contribution over this period.

Annual General Meeting (AGM)

Our AGM will be held in London later in the year. As described in the Directors' Remuneration Report, we will be consulting about proposed changes to the Directors' Remuneration Policy following the outcome of the strategic review, so we will convene our AGM once this has been completed. As usual, the AGM will be webcast via our website and there will be an opportunity for shareholders to submit questions beforehand to be dealt with at the meeting. Our shareholder circular relating to the AGM will include further details.

We will continue to monitor and develop our Group's corporate governance as we adapt to an ever-changing environment.

Patrick O'Sullivan
Chairman

BOARD FOCUS DURING 2015

Group Chief Executive succession

Preparation for the introduction of Solvency II

Future strategic positioning and development

Continued monitoring of the Group's culture and investors' views of the Company

CORPORATE GOVERNANCE CONTINUED

What is the Company's approach to governance?

As the Company's primary listing (known in the UK as a premium listing) is on the London Stock Exchange, this report mainly addresses the matters covered by the UK Corporate Governance Code 2014, but the Company also has appropriate regard to governance expectations in other territories where its shares are listed. The text of the UK Corporate Governance Code 2014 is available on the Financial Reporting Council's website at www.frc.org.uk.

Has the Company complied with the UK Corporate Governance Code?

Throughout the year ended 31 December 2015 and in the preparation of this Annual Report and Accounts, the Company has complied with the main and supporting principles and provisions set out in the UK Corporate Governance Code 2014 applicable to that period, as described in more detail in the following sections of this report.

The Company's compliance with the provisions of the UK Corporate Governance Code 2014, and the statement relating to the going concern basis adopted in preparing the financial statements set out towards the end of this section of this report, have been reviewed by the Company's auditor, KPMG LLP, in accordance with guidance published by the UK Auditing Practices Board.

Approach to governance

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

The current Group Operating Model (GOM) was adopted in 2010 and has continued to evolve since then as the Group's governance has adapted to changing regulatory expectations and corporate events such as the sale of Skandia Nordic in 2012 and the partial IPO of our US asset management business, OM Asset Management plc (OMAM), in 2014.

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

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

How the GOM operates

Under the GOM (and related arrangements with our partly owned subsidiaries Nedbank and OMAM), the Company appoints up to three members of senior Group executive management as

non-executive directors on the boards of its major subsidiaries to ensure transparent communication of information in both directions. The boards of Old Mutual Wealth, Nedbank Group Limited and Old Mutual Emerging Markets are independently regulated and have a majority of independent directors. The Group's major subsidiaries also have their own Audit, Risk and Remuneration Committees.

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

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

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

The Group's major South African public subsidiary companies are subject to applicable local governance expectations, including those contained in King III and, for Nedbank, the JSE's Listings Requirements. In addition, given that the Group has two 'domestic systemically important financial institutions' – Old Mutual Emerging Markets and Nedbank – we are actively considering how we may need to adapt the future governance of our South African operations as South Africa migrates to a Twin Peaks regulatory model similar to the UK's. Discussions will now take place with local regulators to establish how the Group's proposed managed separation may affect these matters.

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

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

We anticipate that the GOM will undergo further revision during 2016 as a consequence of the recently completed strategic review and proposed managed separation of the Group.

Who serves on the Board and how does it operate?

Old Mutual's Board currently has 14 members, three of whom are executive and 11 of whom (including the Chairman) are non-executive. The following changes to the Board's membership took place during 2015:

- Vassi Naidoo joined the Board as a non-executive director on 1 May 2015
- Reuel Khoza ceased to be a non-executive director on 14 May 2015, following his retirement as Chairman of Nedbank

- Julian Roberts, the former Group Chief Executive, ceased to be a director on 31 October 2015
- Bruce Hemphill joined the Board as Group Chief Executive on 1 November 2015
- On 3 December 2015, the Company announced that Trevor Manuel would join the Board as a non-executive director from 1 January 2016.

In September 2015, we announced that Paul Hanratty, our Chief Operating Officer, would be stepping down from the Board in March 2016.

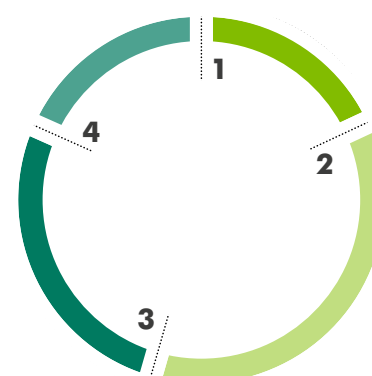
Tenure of non-executive directors

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

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

For a description of how people are selected to join the Board and how orderly succession planning for the non-executive directors is addressed, see the Report from the Nomination and Governance Committee later in this report.

TENURE OF THE NON-EXECUTIVE DIRECTORS (INCLUDING THE CHAIRMAN AND TREVOR MANUEL) AT 1 JANUARY 2016



1. <12 months
2. 1-3 years
3. 3-6 years
4. > 6 years

The Board's current membership

Role	Name and nationality	Date of original appointment to the Board	Date current term ends, where applicable	Current term as director, where applicable
Non-executive director	Mike Arnold (British)	September 2009	September 2016	3rd (First year)
Chairman	Patrick O'Sullivan (Irish)	January 2010	January 2017	3rd (First year)
Non-executive director	Roger Marshall (British)	August 2010	August 2016	2nd
Senior Independent Director	Alan Gillespie (British)	November 2010	November 2016	2nd
Non-executive director	Nonkululeko Nyembezi-Heita (SA)	March 2012	March 2018	2nd
Non-executive director	Danuta Gray (British)	March 2013	March 2019	2nd
Non-executive director	Nkosana Moyo (Zim)	September 2013	September 2016	1st
Non-executive director	Zoe Cruz (US)	January 2014	January 2017	1st
Non-executive director	Adiba Ighodaro (British)	January 2014	January 2017	1st
Chief Operating Officer	Paul Hanratty (Zim/Irish)	July 2014	12 March 2016	
Group Finance Director	Ingrid Johnson (SA)	July 2014		
Non-executive director	Vassi Naidoo (SA/British)	May 2015	May 2018	1st
Group Chief Executive	Bruce Hemphill (SA)	November 2015		
Non-executive director	Trevor Manuel (SA)	January 2016	January 2019	1st

CORPORATE GOVERNANCE CONTINUED

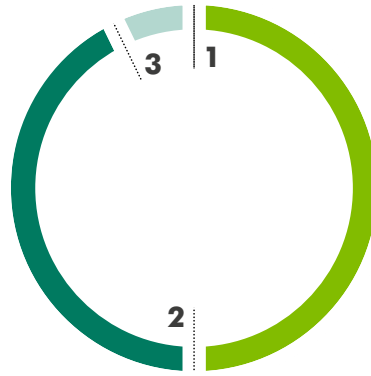
What is the Board's role and how does it operate?

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

In accordance with the Group Operating Model, the Board has delegated its executive powers to the Group Chief Executive, with power to sub-delegate, and also to the Approvals Committee. In his co-ordination and stewardship of the Group, the Group Chief Executive is supported by the Group Executive Committee, a consultative management committee comprising the heads of various Group functions and the Chief Executives of the Group's four major business units. The Board has also delegated specific responsibilities to Board committees, as described in more detail under the heading 'What are the Board's standing committees and what did they do during the year?' later in this report.

In addition to its interaction with the three executive directors, the Board interacts with the other senior executive management (including the most senior executives of the Group's main business units) through their periodic participation in Board meetings, other briefing sessions, Board visits to the Group's main business centres and individual non-executive directors' engagement with subsidiary businesses. The Board also receives minutes of the proceedings of the Group Executive Committee, to help keep it informed

NATIONALITY OF BOARD MEMBERS



1. African **50%**
2. UK & Europe **43%**
3. US **7%**

Note: The position illustrated above is at 1 January 2016, after Trevor Manuel joined the Board. For the purposes of this table, Paul Hanratty is treated as Zimbabwean and Vassi Naidoo as South African.

about the discussions taking place between the Group Chief Executive and the heads of the Group's main businesses and of Group central functions such as Risk, Strategy, Responsible Business and Human Resources.

The executive element of the Board is balanced by an independent group of non-executive directors. The Board as a whole approves the strategic direction of the Group, scrutinises management's performance against agreed goals and objectives, and monitors performance reporting. Procedures are in place to help Board members satisfy themselves about the integrity of the Group's financial information and to ensure that financial controls and systems of risk management are robust and sustainable.

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

The Company also facilitates informal meetings among the non-executive

directors, without the Chairman or any executive present. These meetings include the annual review of the Chairman's own performance – led by the Senior Independent Director, who also obtains whatever input he considers appropriate from the executive directors.

The assignment of responsibilities between Chairman Patrick O'Sullivan and Group Chief Executive Bruce Hemphill is documented to ensure a clear division between running the Board and executive responsibility for running the Company's business. Further details of the respective roles and responsibilities of our Chairman and Group Chief Executive are set out below.

Key roles and responsibilities

Chairman

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

Group Chief Executive

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

What was the directors' attendance record during 2015?

The table on the next page sets out the number of meetings held and individual directors' attendance at meetings of the Board and its principal committees (based on membership of those committees, rather than attendance as an invitee) during 2015.

What did the Board do during 2015?

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

Are the non-executive directors independent?

Of the 10 current non-executive directors (excluding the Chairman, but including Trevor Manuel, whose appointment took effect from 1 January 2016), the Board considers eight to be independent within the criteria set out in the UK Corporate Governance Code 2014; that is, they are independent in character and judgement and have no relationships or circumstances which are likely to affect their judgement, or could appear to affect it. These eight are: Mike Arnold, Zoe Cruz, Alan Gillespie, Danuta Gray, Adiba Ighodaro, Roger Marshall, Nkosana Moyo and Nonkululeko Nyembezi-Heita.

Vassi Naidoo is not considered independent because he chairs the Group's majority-owned subsidiary, Nedbank

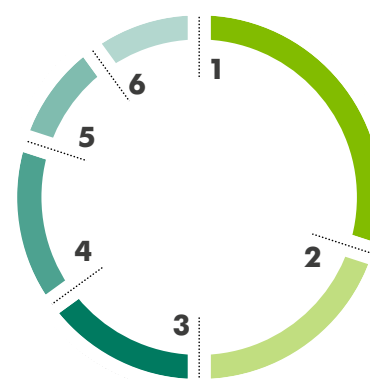
Group Limited, and circumstances may arise where he has to balance the fiduciary duties owed to both parent and subsidiary having regard to minority interests in the latter.

It is anticipated that Trevor Manuel will become Chairman of Old Mutual Group Holdings (OMGH), the South African holding company of both Old Mutual Emerging Markets and the Group's stake in Nedbank Group Limited, during 2016 following Paul Hanratty's retirement. In light of the enhanced role that OMGH is expected to play once South African Twin Peaks regulation comes into effect, the Board has decided that it would not be appropriate to categorise Mr Manuel as an independent non-executive director at plc level.

Who is the Senior Independent Director?

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

ALLOCATION OF BOARD TIME DURING 2015



1. Capital and finance **30%**
2. Strategy **20%**
3. People issues and succession **15%**
4. Regulatory matters, including Solvency II **15%**
5. Culture, responsible business and stakeholder matters **10%**
6. Other **10%**

Attendance record

	Board (scheduled and ad hoc)	Group Audit Committee	Board Risk Committee	Remuneration Committee	Nomination and Governance Committee
	Number of meetings attended/number of meetings eligible to attend				
Mike Arnold	9/9	6/6	8/8	–	–
Zoe Cruz	8/9	–	7/8	6/7	–
Alan Gillespie	9/9	–	–	7/7	6/6
Danuta Gray	7/9*	–	–	6/7*	5/6*
Paul Hanratty	9/9	–	–	–	–
Bruce Hemphill	2/2	–	–	–	–
Adiba Ighodaro	9/9	6/6	–	–	–
Ingrid Johnson	9/9	–	–	–	–
Roger Marshall	7/9	6/6	8/8	7/7	–
Nkosana Moyo	9/9	5/6	–	6/7	–
Vassi Naidoo	6/6	–	5/5	–	–
Nonkululeko Nyembezi-Heita	9/9	–	8/8	–	6/6
Patrick O'Sullivan	9/9	–	–	–	6/6
Former directors					
Reuel Khoza	4/4	–	3/3	–	3/3
Julian Roberts	6/7	–	–	–	–

* One meeting of each missed owing to illness.

Board meetings during 2015

Date of meeting	Location	Principal topics covered
January	London	<ul style="list-style-type: none"> ■ Presentation by the Chief Executive of Old Mutual Wealth on the Old Mutual Wealth business ■ Capital and dividend review ■ Presentation on possible Group strategic actions and update on various strategic projects ■ Approval of final business plan for 2015-17
February	London	<ul style="list-style-type: none"> ■ Update on strategic projects ■ Feedback from the Board effectiveness review for 2014 ■ Approval of the preliminary results for 2014 ■ Approval of the Annual Report and Accounts and the Responsible Business Report for 2014
May	London	<ul style="list-style-type: none"> ■ Review and update of the Group Operating Model ■ Consideration of proposed response to the transition to Twin Peaks regulation in South Africa and associated governance issues ■ Presentation to the Board by representatives from the Prudential Regulation Authority
June/July	Johannesburg	<ul style="list-style-type: none"> ■ Presentation on the Group's strategy for the Rest of Africa ■ Update on various other strategic opportunities ■ Presentation on Group cash and capital in the context of the transition to Solvency II
August	London	<ul style="list-style-type: none"> ■ Update on various strategic projects ■ Update by the Chief Executive of Old Mutual Wealth on the Old Mutual Wealth business and its major IT project ■ Approval of the interim results for 2015
September	London	<ul style="list-style-type: none"> ■ Update on various strategic initiatives ■ Output from the annual strategic target-setting process and implications from this for the strategies of the Group's major businesses
November	London and by telephone	<ul style="list-style-type: none"> ■ Welcome to, and introductory remarks by, the new Group Chief Executive ■ Approval of the Q3 Trading Update
November/December	Cape Town	<ul style="list-style-type: none"> ■ Presentations by Old Mutual Emerging Markets and Nedbank on their respective business and strategy plans for 2016-2018 ■ Briefings on the economic and political outlook for South Africa and the Group's cash and capital position
		<ul style="list-style-type: none"> ■ Presentation on brand, customer and responsible business ■ Pre year-end review of results and the Annual Report and Accounts for 2014 ■ Annual review and clearance of directors' conflicts of interest.
		<ul style="list-style-type: none"> ■ Recommendation of the final dividend for 2014 ■ Feedback by the Senior Independent Director from the annual review of the Chairman.
		<ul style="list-style-type: none"> ■ Update on strategic projects ■ Feedback from the annual independent survey of investors' views on the Group ■ Approval of the Q1 Trading Update.
		<ul style="list-style-type: none"> ■ Presentation by the Chief Risk Officer on stress tests adopted for the purposes of the Group's Own Risk and Solvency Assessment ■ Discussion of Group governance arrangements.
		<ul style="list-style-type: none"> ■ Declaration of an interim dividend ■ Briefings by Group HR on the latest executive talent review and results of the Group culture survey for 2015.
		<ul style="list-style-type: none"> ■ Vassi Naidoo's initial impressions since becoming Chairman of Nedbank ■ Presentation on responsible business and challenges of adapting to the future
		<ul style="list-style-type: none"> ■ Update on Solvency II and SAM
		<ul style="list-style-type: none"> ■ Review of the draft Group business plan for 2016-2018 ■ Update on strategic projects and plans for the Group strategy review ■ Annual review of Board Committee memberships.

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

Under the Directors' Remuneration Policy, the Group Chief Executive is required to build up a holding of shares in the Company equal in value to at least 200% of his annual base salary within five years of appointment. For other executive directors the requirement is 150% of annual base salary within five years of appointment.

The Board has considered adopting a shareholding requirement for non-executive directors, but does not believe a formal requirement is appropriate. Instead, it encourages non-executive directors to build up holdings equal to 50% of their annual base fees within 12 months after appointment and to increase this over time to 100% of their annual base fees. The target for the Chairman was set at 50% of his annual base fee, to be achieved over time.

Details of directors' interests (including interests of their connected persons) in

the share capital of the Company and its quoted subsidiaries, Nedbank Group Limited and OMAM, at the beginning and end of 2015 are set out in the table below. The interests of the executive directors in share options and forfeitable shares awards are described in the section of the Directors' Remuneration Report entitled 'Directors' shareholdings and share interests'. There were no changes to any of the interests between 31 December 2015 and 11 March 2016.

How are directors' conflicts of interest managed?

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

which must be pre-cleared with the Chairman if material.

The Company's procedures for dealing with directors' conflicts of interest continued to operate effectively during 2015 and no director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Additional details of various non-material transactions between the directors and the Group are reported on an aggregated basis, along with other transactions by senior managers of the Group, in Note H3 to the financial statements.

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

Directors' interests	At 31 December 2015 (or date of resignation, if earlier)			At 31 December 2014		
	Old Mutual plc ordinary shares	Nedbank Group Limited shares	OM Asset Management plc shares	Old Mutual plc ordinary shares	Nedbank Group Limited shares	OM Asset Management plc shares
Mike Arnold	26,475	–	–	26,475	–	–
Zoe Cruz	34,500	–	–	–	–	–
Alan Gillespie	13,000	–	–	13,000	–	–
Danuta Gray	14,175	–	–	14,175	–	–
Paul Hanratty	446,578 ¹	–	–	824,547 ¹	–	–
Bruce Hemphill (appointed 1 November 2015)	– ¹	–	–	–	–	–
Adiba Ighodaro	–	–	–	–	–	–
Ingrid Johnson	525 ¹	18,814 ²	–	525	22,913 ²	–
Roger Marshall	45,000	–	–	45,000	–	–
Nkosana Moyo	10,000	–	–	10,000	–	–
Vassi Naidoo (appointed 1 May 2015)	–	43,575	–	–	–	–
Nonkululeko Nyembezi-Heita	13,839	–	–	3,566	–	–
Patrick O'Sullivan	100,000	–	–	100,000	–	–
Former directors						
Reuel Khoza (resigned 14 May 2015)	6,410	14,774	–	3,566	14,774	–
Julian Roberts (resigned 31 October 2015)	2,014,303 ¹	–	–	2,014,303 ¹	–	–

¹ These figures do not include rights to forfeitable shares that have not yet vested, which are described in the Directors' Remuneration Report

² These shares are currently held under the terms of the Nedbank Compulsory Bonus Share Scheme and the Nedbank Voluntary Bonus Share Scheme.

CORPORATE GOVERNANCE CONTINUED

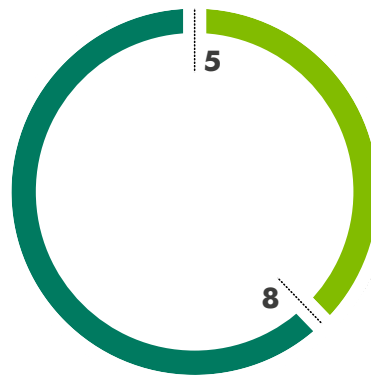
Has the Company granted indemnities to its directors?

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

The indemnities described above were in force throughout 2015 and have remained so up to the date of this report. In respect of those liabilities for which directors may not be indemnified, the Company maintains directors' and officers' liability insurance.

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Our business relies on the commitment, talent and diversity of our employees
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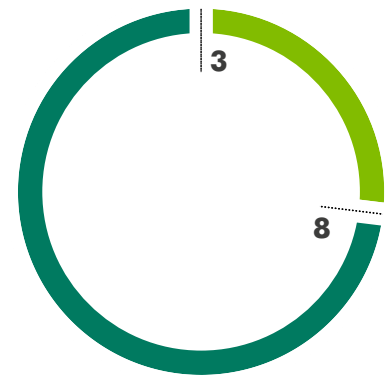
plc BOARD¹ GENDER SPLIT



Female **38%**
Male **62%**
2018 Target = >30%

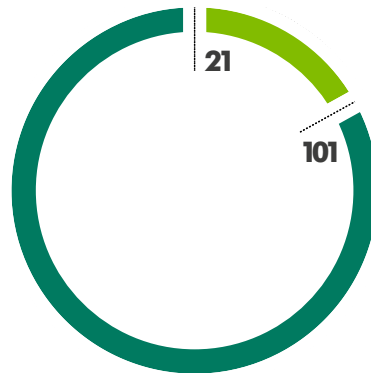
¹ At 31 December 2015, before Trevor Manuel joined the Board.

GROUP EXECUTIVE GENDER SPLIT



Female **27%**
Male **73%**
2018 Target = 30%

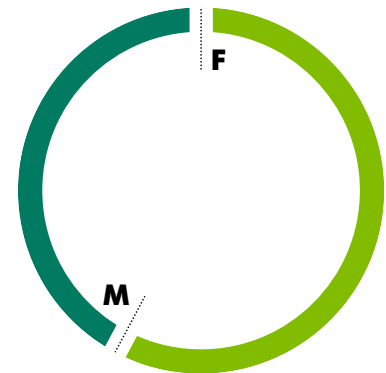
KEY ROLES¹ GENDER SPLIT



Female **17%**
Male **83%**
2018 Target = 30%

¹ Top 122 positions around the Group, at 31 December 2015.

GENDER SPLIT OF PERMANENT STAFF



Female **58% – 35,659**
Male **42% – 25,868**

Leadership and effectiveness

Our business relies on the commitment, talent and diversity of our employees. In order to understand and meet the needs of customers better, we strive to have an employee population that is fully representative of the markets we serve. To attract and retain appropriately skilled employees, managers and executives, we maintain effective HR practices.

To ensure leadership effectiveness at the most senior levels, we developed a new bespoke strategic leadership development programme during 2015 as a successor to the programme that had been in place

for several years. More than 40 of our top leaders participated in a programme to connect them better with the Group's strategy and to learn how to address the challenges of being a business leader in the 21st century.

What is the Company's approach to ensuring diversity?

Each business is required to develop an environment that promotes the benefits of equal opportunities and diversity. Recruitment, promotion, selection for training and other aspects of employee management are free from discrimination – including on grounds of gender, race,

disability, age, marital status, sexual orientation and religious belief. For our business units in South Africa, these imperatives have to be balanced against their Broad-Based Black Economic Empowerment (B-BBEE) requirements.

Some examples of how we have supported and benefited from engaging with those with physical disabilities are included in the 'Meet our People' section of our website.

We recognise that difference in its broadest sense is critical to our success and, while focus varies by country, increasing gender diversity is a priority for all of our businesses. We continue to exceed our diversity target of at least three female members of the Board, with female membership of our Board at 38% (five out of 13) at the end of the year. Also, three of our 11-member Group Executive Committee are women. We remain committed to improving our diversity and continue to strive towards the targets for 2018 that we set in 2013 – see the diagrams on the preceding page. We have invested significantly in our women's networks and mentoring initiatives over the past two years, which we hope will lead to an increase in the number of females in senior roles over the coming years.

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

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

Induction of new non-executive directors

The Company has a structured and comprehensive induction programme for new non-executive directors, which is designed to enable new appointees to the Board to familiarise themselves with the Group's operations, financial affairs and strategic position so that they can make an effective contribution as soon as possible after they have joined the Board. This programme includes sessions with the heads of each of the Group's major businesses, functional heads and the Company's auditor and external legal advisers and includes the role and expectations of a non-executive director,

Group strategy and business unit awareness, business performance and financial management, governance and compliance, and audit. Each new member also completes a behavioural and psychometric assessment to provide awareness of their interpersonal preferences and how these relate to the rest of the Board. This feedback is available to the Chairman, to help him ensure that all members can participate fully in Board discussions.

Training sessions for the Board in 2015 continued to focus principally on how the introduction of Solvency II was likely to impact on the Group.

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

Performance reviews of the Board and its standing committees are conducted annually and are carried out by an external expert at least once every three years. Under its current Chairman, the Board has invested a significant amount of effort in understanding its effectiveness through both internally and externally facilitated reviews using a range of approaches. For further information on the history of such reviews, please see the illustration on the next page.

The feedback from the 2014 review resulted in a number of actions being taken during 2015. These included:

- Widening the scope of the Nomination Committee (now renamed the Nomination and Governance Committee) to include oversight of the effectiveness of the governance structures between the Company and its principal business unit subsidiaries.
- Development of a more structured induction process to facilitate an understanding of the role and expectations of non-executive directors, a shared awareness of the Group's vision, strategy and values, the business strategy, the market for each business unit and the people leading and managing the business.
- A review of Board succession planning, which resulted in more appropriate phasing of non-executive directors' planned retirement dates.
- Coaching, where applicable, to support the transition to being a non-executive director for new appointees to the Board.

The Board effectiveness review for 2015 was conducted internally using an online questionnaire supplemented by one-to-one interviews with each Board member.

The questionnaire sought feedback around a number of different aspects of the Board and its committees, including:

- Expectations
- Agreeing strategy
- Leadership
- External environment
- Line of sight
- Governance and support
- Committee Chairman effectiveness
- Board committee effectiveness

A separate questionnaire was issued to gather feedback on the Chairman.

The feedback was collated and reported back to the Board. The review concluded that:

- The Chairman, the Board and its committees had operated effectively during 2015, with clarity of purpose and appropriate consideration given to stakeholder expectations.
- Responsibilities were soundly delegated to the Board's standing committees and those committees had executed their respective mandates appropriately.

A number of areas where the Board could potentially improve its effectiveness were agreed as a consequence of this year's review, but these will be considered afresh in light of the outcome of the strategic review.

What are the Board's standing committees and what did they do during the year?

The Board has a number of standing committees to which various matters are delegated in line with their terms of reference.

After the significant changes to Board committee memberships in 2014, no further changes were made as a result of the annual review of such memberships that took place towards the end of 2015, other than to confirm that Trevor Manuel would join the Board Risk Committee when he became a director at the start of 2016.

The current membership of the Board's main standing committees is as follows:

Group Audit Committee

Roger Marshall (Chairman) (since 2010)
 Mike Arnold (since 2009)
 Adiba Ighodaro (since 2014)
 Nkosana Moyo (since 2014)
 Secretary to the committee: Martin Murray (since 1999)

Five-year history of Board evaluation at Old Mutual plc

2011	2012	2013	2014	2015
Agreed effectiveness improvements and Board development facilitated both internally and externally				
<p>Led by Helen Pitcher of IDDAS, and including a Governance and Compliance Report and Board Dynamics Review.</p> <p>Board profile reviewed and shared.</p>	<p>Detailed questionnaire supplemented by 1:1 interviews.</p> <p>IDDAS compared the findings from this to the 2011 outputs and commented on where progress had been achieved.</p>	<p>Board profile updated and discussion with IDDAS on the 2012 review findings.</p> <p>Board Risk Committee effectiveness review.</p> <p>Board culture survey.</p> <p>Short questionnaire focused on progress against the action plan and Board values. Supplemented by 1:1 interviews.</p>	<p>Board Governance Review (internally led with external input).</p> <p>Board profile updated and reviewed with the Chairman.</p> <p>Board Intelligence reviewed and made recommendations for improvements on Board information packs.</p> <p>Full Board effectiveness review led by Helen Pitcher of Advanced Board Excellence.</p>	<p>Board profile updated (leavers and joiners) and reviewed with the Chairman.</p> <p>Detailed questionnaire, supplemented by 1:1 interviews with each Board member.</p>
<p>Key</p> <p>External facilitation</p> <p>Internal facilitation</p> <p>Joint facilitation</p>				

Board Risk Committee

Mike Arnold (Chairman) (since 2010)
 Zoe Cruz (since 2014)
 Roger Marshall (since 2010)
 Trevor Manuel (since January 2016)
 Vassi Naidoo (since May 2015)
 Nonkululeko Nyembezi-Heita (since 2013)
 Other member of the committee during part of the year:
 Reuel Khoza (2010 to May 2015)
 Secretary to the committee:
 Colin Campbell (since 2012)

Nomination and Governance Committee

Patrick O'Sullivan (Chairman) (since 2010)
 Alan Gillespie (since 2010)
 Danuta Gray (since 2013)
 Vassi Naidoo (since May 2015)
 Nonkululeko Nyembezi-Heita (since 2013)
 Other member of the committee during part of the year:
 Reuel Khoza (2010 to May 2015)
 Secretary to the committee:
 Martin Murray (since 1999)

Remuneration Committee

For details of the Remuneration Committee, see the Directors' Remuneration Report.

Other committees

The Board establishes special-purpose committees, as required, to deal with particular strategic projects or other matters. In doing so, it specifies a remit, quorum and appropriate mix of executive and non-executive participation.

A number of standing executive committees help the Group Chief Executive with the day-to-day management of the Group. These include the Group Executive Committee mentioned earlier in this report, the Group Executive Risk Committee and the Group Capital Management Committee, whose role is, among other things, to agree capital allocations within certain limits (or make recommendations to the Board regarding any allocations beyond such limits) and to approve the Group's capital plan as part of the annual business planning process.

The Company also operates a Responsible Business Committee, which monitors progress against the Group's commitment to responsible business principles and addresses matters that could impact on the Group's reputation or licence to operate.

Reports from the Board's standing committees

The following reports on the activities of the Group Audit, Board Risk and Nomination and Governance Committees during 2015 have been submitted by their respective Chairmen. The activities of the Remuneration Committee are described in the Directors' Remuneration Report later in this document.

REPORT FROM THE GROUP AUDIT COMMITTEE



Roger Marshall
Chairman of the
Group Audit Committee

The Group Audit Committee (the committee) met six times during 2015. Two meetings were held partly as joint sessions with members of the Board Risk Committee to discuss matters of mutual interest, with particular focus on the Group's cyber-security environment and the credit provisioning methodologies applied by the Group's South African businesses. As far as credit provisioning methodologies are concerned, the committee asked KPMG LLP to carry out a 'deep dive' into this at OMEM and the unsecured retail book of Nedbank as part of its year-end audit. Their report included a number of observations and recommendations which the businesses will be implementing in 2016.

The committee assisted the Board in monitoring the Group's preparations for compliance with the new Solvency II regime and considered the calculations and methodologies used in the reporting of the Group's Solvency II capital position at the

end of 2015 with the benefit of input from the Group Chief Actuary and KPMG LLP.

In addition to our usual role in reviewing the materials submitted to the Board in support of the going concern statement, we also this year addressed for the first time the new requirement for a longer-term viability statement and discussed the appropriate duration of and wording for this for the Board to approve.

Compared to the prior year, issues relating to tax provisioning reduced in significance. A number of tax issues have been agreed with the relevant tax authorities during the year and tax provisioning is no longer a key judgement area.

Set out below is a summary of areas of focus during the year, in addition to the committee's usual oversight responsibilities, which are described in the table on page 115.

Group Audit Committee focus area

Assumptions related to policyholder liabilities recognised by the Group's insurance businesses

The Group recognised insurance policyholder liabilities of £7,714 million at 31 December 2015 (2014: £10,519 million). Estimation of these routinely involves assessment of risk exposures, expense allocations and business persistency.

Loan loss provisions

Loan loss provisioning requires the assessment of recoverable amounts, which requires judgement in the estimation of future payments.

At 31 December 2015, the Group's total advances were £31,724 million, with related provisions of (£759 million) (2014: £35,714 million and (£857 million)). Loans outstanding are principally from Nedbank.

Goodwill

Goodwill and intangible assets amounted to £3,276 million at 31 December 2015 (2014: £2,763 million). These balances principally relate to the Old Mutual Wealth and OM Asset Management businesses.

How the matter was reviewed

The Group Chief Actuary confirmed that appropriate valuation models had been used to determine the value of policyholder liabilities. This included the presentation of results from experience and assumption validation reviews. In areas where significant assumption changes were proposed, the rationale for these changes was explained to the committee.

The committee considered this area in detail, particularly in light of the deterioration in credit conditions and outlook that has taken place in South Africa since the end of Q3 2015. The committee reviewed information related to detailed credit exposures including, in particular, unsecured lending in Nedbank and Old Mutual Finance and Nedbank's large exposure watchlists. The committee was satisfied that adequate provisions were carried at 31 December 2015 under current accounting standards.

The committee reviewed the impairment calculations on a preliminary basis in December 2015 and then reviewed updated calculations at the end of February 2016, reflecting the downturn in markets at the start of 2016. The committee also looked at sensitivity analysis on the basis of declining growth rates and increasing discount rates.

There was a focus on persistency, expense and mortality assumptions proposed for the South African long-term business and on changes to explicit discretionary reserves. The committee was comfortable with the assumptions chosen.

Local governance structures provide assurance on the adequacy of loan loss provisioning and key matters arising were routinely highlighted in discussions with local audit committee chairmen.

This analysis supported the committee in concluding that goodwill and intangible assets were appropriately valued.

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In 2015,
we introduced
a new, externally
facilitated, quality
assurance process
for Internal Audit

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Alternative profit measure

The Group makes a number of adjustments to IFRS profit to derive an Adjusted Operating Profit (AOP) measure. This is common practice among peers. Some of these eliminate IFRS valuations that introduce distorting results, such as recognising gains or losses on own debt. Other adjustments seek to adjust the IFRS result in order to arrive at more normalised profit by, for example, substituting a Long-Term Investment Return for the actual investment returns for the year, and adjusting the IFRS finance cost so that it reflects certain costs of financing otherwise recognised in equity. The committee reviews the appropriateness of the AOP measure on an ongoing basis. It also reviews the Long-Term Investment Return rate annually. The committee seeks to validate that the adjustments made in determining AOP are appropriate to the objective of presenting a measure of the long-term profitability of the business to users of the financial statements.

This year the committee considered again the appropriateness of excluding from AOP the costs related to Old Mutual Wealth's programme to develop new platform capabilities and to outsource its UK business administration. This was pertinent in light of the considerable increase in the project's anticipated cost. The committee has concluded that the treatment remains appropriate.

Audit tender and rotation

A competitive tender for the Group's external audit was carried out in 2014. Further details of the tender process were included in last year's report.

The outcome of the process was that the committee recommended that the Board should retain KPMG LLP as the Group's external auditor from 2016 onwards, subject to the usual annual shareholder approval of their re-appointment at forthcoming AGMs. The Board duly accepted this recommendation. Guidance from the European Parliament will require the rotation of the Group's external auditor no later than 2023.

External auditor effectiveness

During the year, we reviewed KPMG LLP's effectiveness as our current auditor (with support from Group Internal Audit) and confirmed satisfaction with the quality of the audit. The review analysed critical competencies expected of our external auditor and included feedback from key finance personnel from Group and subsidiary entities and audit committee members at subsidiaries and Group level.

The outcome underpins our recommendation to reappoint KPMG LLP in relation to the audit for the year ending 31 December 2016 at this year's AGM.

Non-audit services

The Group operates within a clearly defined policy on the nature and amount of non-audit services that can be provided by the Group's external auditor (see 'Audit arrangements' later in this report). The policy itself is formally reviewed annually. Under the policy now in force, total fees for non-audit services are limited to a maximum of 25% of the total fees for external audit services, although we have recently made some relaxations to the relevant definitions of non-audit services in recognition of the additional work that KPMG LLP will be expected to do as part of the Group's preparations for and compliance with the Solvency II regime in the UK and SAM in South Africa.

As Chairman of the committee, I am notified of expenditure on non-audit services monthly and for certain services I will be consulted for pre-approval. The committee reviews compliance with the non-audit services policy each quarter.

The committee is satisfied that KPMG LLP has been engaged by the Group in accordance with the requirements of this policy during 2015.

Internal Audit

The committee pays close attention to Internal Audit reports and to the progress of management actions to address weaknesses. Internal Audit complies with the recent Financial Services Internal Audit Code and in particular is encouraged to carry out work in advance of or in parallel with developments, rather than intervening after the event.

Internal Audit's overall conclusion for 2015 was that it had not observed any unmitigated material issues that would indicate that the overall control environment in the Group was unsatisfactory.

In 2015, we introduced a new quality assurance process for Internal Audit using an external firm and reporting directly to the committee. We consider that this leading-edge approach will bring increased independence to the process and also enhance Internal Audit's knowledge of best practice.

The Group's Internal Audit Charter remains unchanged from last year and is available on the Company's website.

Primary responsibilities of the Group Audit Committee

Financial and capital reporting

- Monitor the integrity of the Group's financial statements and review the critical accounting policies
- Review and challenge, where necessary, management's critical accounting estimates and judgements in relation to the interim and annual financial statements
- Review the content of the Annual Report and Accounts and interim results and advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable
- Review the going concern and viability statements so as to be able to report the committee's views on these to the Board
- Consider the Group's Solvency II capital calculations and methodologies, with input from the Group Chief Actuary and the external auditor
- Determine whether any training or education sessions are required by the committee on specific issues.

External audit

- Make recommendations concerning the appointment, reappointment and removal of the external auditor
- Be responsible for the Group's audit tender process
- Oversee the relationship with the external auditor, including the terms of engagement (including remuneration) and their effectiveness, independence and objectivity
- Agree the policy for and provision of non-audit services
- Agree the policy on the employment of former employees of the external auditor
- Review the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process
- Approve the annual audit plan, to ensure that it is consistent with the scope of the audit engagement and coordinated with the activities of the Group's Internal Audit function
- Review the findings of audits with the external auditor and consider management's responsiveness to audit findings and recommendations
- Monitor the effectiveness of the external audit by a formal annual assessment and also the results of any reviews published by the Financial Reporting Council's Audit Quality Review.

Internal Audit

- Approve the appointment of the Group Internal Audit Director
- Approve the annual Group Internal Audit plan
- Review results of Internal Audit work and management plans to address issues raised
- Review Internal Audit's annual assessment of controls
- Monitor external effectiveness reviews of Internal Audit.

Internal control and risk management

- Review the effectiveness of systems for internal control, financial reporting and risk management
- Liaise with other business unit audit committees and ensure all relevant issues are communicated to the committee
- Consider the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response.

Whistleblowing

- Review arrangements by which employees may confidentially raise concerns about possible improprieties in financial reporting or other matters.

CORPORATE GOVERNANCE CONTINUED

REPORT FROM THE BOARD RISK COMMITTEE



Mike Arnold
Chairman of the
Board Risk Committee

The Board is responsible for maintaining sound risk management and internal control systems. In order to meet that objective, it has mandated the Board Risk Committee (the committee) to reinforce a strong risk culture by ensuring that the Group fulfils its strategic objectives within the stated risk framework, that poor practice in risk management is challenged, and that sustained improvements in risk management are made. During 2015, the committee continued to meet that objective by overseeing, reviewing and monitoring the Group's risk management and risk culture.

The committee met eight times during the year, with three meetings being additional to the five originally scheduled. The additional meetings were convened to review the implementation of the Solvency II Directive and to consider strategic projects. One of the additional meetings, and part of one of the scheduled meetings, were held jointly with the Group Audit Committee. The Chief Risk Officer and the Group Chief Actuary attended each meeting. The Group Internal Audit Director was invited to attend all the meetings and attended the majority of them. The external auditor was invited to attend all of the meetings.

The Board also held a workshop session on risk which I chaired and which was attended by all members of the committee and the majority of the members of the Board.

The committee received a report from the Chief Risk Officer on risk and regulatory matters at each of its scheduled meetings during 2015, in which changes to the Group's risk profile were identified and discussed. We also reviewed the risk appetite metrics operated by the Group.

Areas of focus

During our meetings in 2015, we focused on:

- The preparations by the Group and individual business units for the implementation of the Solvency II Directive and, in South Africa, the SAM regime.
- The Group's Own Risk and Solvency Assessment (ORSA), under which the Group identifies and assesses its risks and determines the resources necessary to ensure that its solvency needs are met and are sufficient to achieve its business strategy. In the early part of the year, the committee considered a series of scenarios as a means of testing the forward-looking assessment of risk. This included an assessment of the risks of a downturn in the South African macro-economic environment, including a downgrade in the country's sovereign credit rating. The committee reviewed and considered the ORSA before it was approved by the Board.
- The business units' arrangements for managing cyber-risk and information security.
- The continuing development of the Group's risk and control culture.
- Assessments of the Group's capital and solvency position, including the impact of the external macro-economic environment and of market volatility.

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In 2016, in addition to the existing regular items on the committee's agenda, the committee will be closely involved in the review and execution of the Company's strategic review
”

- Proposed acquisitions, disposals and other strategic projects being undertaken by the Group, including the execution of Old Mutual Wealth's outsourcing arrangements with IFDS, the sale of Old Mutual Bermuda to Beechwood and other potential acquisitions and disposals across the Group.
- Changes to the Group Operating Model and to the Group's suite of risk policies and standards, to reflect the Group's developing strategy and the external environment.

I received updates between the scheduled meetings through my regular meetings with the Chief Risk Officer and the Group Chief Actuary. The committee also held a private meeting with the Chief Risk Officer.

In connection with the finalisation of the Group's annual results, the committee reviewed and approved the Chief Risk Officer's report for the Remuneration Committee setting out conclusions drawn from the risk and control indicators used across the Group, in order to assist the Remuneration Committee in its deliberations.

The committee also undertook a review of its performance against its terms of reference. The committee complied with the vast majority of the requirements of the terms of reference and put plans in place to ensure that the remaining items could be addressed.

During 2015, either Roger Marshall or I personally attended meetings of the risk and audit committees of the major subsidiaries of the Group. We have ongoing dialogue with the independent non-executive directors of those subsidiaries who chair their committees and, in addition, the committee as a whole held a meeting with the chairmen of the risk committees of the Group's South African businesses. I plan to continue to attend subsidiary committee meetings in 2016, in order to remain close to the major risk issues in those subsidiaries, and intend to work more collaboratively with those subsidiaries' committees.

Plans for 2016

In 2016, in addition to the existing regular items on the committee's agenda, the committee will be closely involved in the review and execution of the Company's strategic review and, in particular, the required steps to achieve the managed separation. The committee will also enhance its focus on the oversight and governance of credit risk given, among other matters, the planned growth of the emerging markets businesses which take on credit risk.

REPORT FROM THE NOMINATION AND GOVERNANCE COMMITTEE



Patrick O'Sullivan
Chairman of the Nomination
and Governance Committee

Our role as the Nomination and Governance Committee (the committee) is to review and make recommendations to the Board on the appointment of directors, the structure of the Board and the appropriate governance arrangements between Old Mutual plc as the parent company and its underlying major businesses. We also review development and succession plans for the Group's most senior executive management and certain appointments to the boards and standing committees of principal subsidiaries in line with the Group Operating Model. We receive regular updates on the composition of principal subsidiary boards, which include details of the skills represented on such boards and the subsidiary companies' own succession plans. This enables us to ensure that these bodies remain equipped to meet the Group's needs.

In planning for refreshing and renewing the Board's composition, we aim to ensure that changes take place without undue disruption and that there is an appropriate balance of experience and length of service. We also ensure that our process for identifying and recommending candidates as Board directors is formal, rigorous and transparent. Vacancies generally arise in the context of either planned renewal of the Board, replacing directors who are due to retire, or adjusting the Board's balance of knowledge, skills, independence or diversity. In identifying candidates and making recommendations, we pay appropriate regard to the independence of candidates, their ability to meet the expected time commitment involved and their suitability and willingness to serve on Board committees.

During 2015, we dedicated a significant amount of the committee's time to overseeing the succession planning process for the Group Chief Executive. MWM Consulting was engaged to conduct an external search and also to oversee the consideration of potential internal candidates, who were benchmarked alongside the external shortlist. The committee was satisfied with the independence of MWM Consulting, as it did not carry out any other significant work for members of the Group during the year. Following a thorough review and extensive interviews, we recommended to the Board (and the Board confirmed) the selection of Bruce Hemphill as the successor to Julian Roberts as Group Chief Executive, based on his relevant experience of financial services, particularly in South Africa, and his impressive management track record.

On stepping down from the Board, Julian Roberts also ceased to be Chairman of our separately-listed US asset management business, OMAM. The committee agreed a process with OMAM's board for a successor to be identified, leading to the selection of one of OMAM's existing non-executive directors, Jim Ritchie, as its new Chairman.

The committee also considered the consequences flowing from Chief Operating Officer Paul Hanratty's forthcoming departure from the Group and agreed that he would step down from the Board from 12 March 2016 but remain available to the Group until the end of his 12-month notice period, which will expire on 14 September 2016. He has been replaced as Chairman of Old Mutual Wealth by Bruce Hemphill and a process is also under way to appoint his successor as Chairman of Old Mutual Emerging Markets (OMEM). The committee decided that, in light of Bruce Hemphill's appointment as the new Group Chief Executive and the strategic review that he planned to conduct, it was not appropriate to appoint another Chief Operating Officer to replace Paul Hanratty.

Our other major area of focus during the year was planning for the anticipated introduction of Twin Peaks regulation in South Africa and ensuring that Old Mutual Group Holdings (OMGH), the South African holding company for our two domestic systemically important financial institutions, OMEM and Nedbank, had the necessary facilities and governance arrangements in place to fulfil regulatory expectations. We were particularly keen to recruit an independent Chairman of that company with the necessary standing and

gravitas, given the potential importance of the role, and were delighted, following an intensive search, to be able to engage Trevor Manuel for this purpose. He has joined the Old Mutual plc Board from 1 January 2016 and it is intended that he will become Chairman of OMGH later in the year, succeeding Paul Hanratty in this role. While the legislation to implement South African Twin Peaks has taken longer to promulgate than originally envisaged, we are continuing to support Trevor Manuel as he and our colleagues at OMGH establish the appropriate governance protocols.

In addition to our work described above, we continued during the year to monitor talent management and diversity initiatives, progress against action items identified by the previous year's externally-facilitated Board effectiveness review, and the process for conducting the 2015 review.

The committee considers the current Board composition at Old Mutual plc level suitable for the Group's business requirements. However, such matters are kept under active review, considering scheduled retirements of non-executive directors and the Group's future strategy. In last year's report, I described our succession plans for myself as Chairman of the Board/ Nomination and Governance Committee and for the Chairmen of the Board's other standing committees as follows:

- Myself as Chairman of the Board/ Nomination and Governance Committee and Mike Arnold, who is currently Chairman of the Board Risk Committee, to retire at the AGM in 2017
- Roger Marshall, who is currently Chairman of the Group Audit Committee, and Alan Gillespie, as Senior Independent Director, to retire at the AGM in 2018
- Danuta Gray, who is Chairman of the Remuneration Committee, to retire at the AGM in 2019.

We will now review these arrangements afresh in light of the outcome of the Group's strategic review announced on 11 March 2016 and the timetable for its likely implementation.

“
Our objective is to facilitate communication with the global investment community and to keep investors updated on the Group’s performance
 ”

How does the Company conduct its investor relations?

We continue to make significant efforts to educate the public markets and to communicate openly with our global shareholders, institutional debt and equity investors, and sell-side analysts by means of a proactive investor relations (IR) programme run by a small, dedicated IR team based in London and South Africa. The team works closely with the media relations, Responsible Business and public affairs teams around the Group. Old Mutual’s investor base is very diverse in both investor style and geographic location and the Group has around 440,000 retail shareholders.

Our objective is to facilitate communication with the global investment community and to keep investors updated on the Group’s performance. During 2015, we maintained a dialogue with investors and sell-side analysts, through briefings and educational support, to give them a better understanding of the Group’s operations, with particular focus on the Group’s corporate development.

We increased our communication and engagement with the investment community during the year, attending 15 investment conferences in the US, Europe and South Africa. In addition, we conducted investor presentations in London, Cape Town and Johannesburg. We intend to continue using technology to facilitate more effective communication and we explore ways of using it to enhance both interim and full-year results presentations. We also supported the Group’s strategic activities in the period.

We extended the geographical reach of our investor-targeting in 2015, visiting Abu Dhabi, Tokyo and Hong Kong to meet with debt and equity investors, including those who specialise in emerging markets. We held IR meetings with investors in the UK, South Africa, North America and continental Europe, involving 223 individual institutions. Most meetings involved the Group Chief Executive, the Group Finance Director or another member of the senior management team. The Group Finance Director continued to build relationships during 2015, in particular one-to-one meetings with sell-side analysts in Europe and South Africa. Following his appointment in November 2015, the new Group Chief Executive met with some of our major shareholders in London and South Africa. He will undertake a further programme of introductions to investors and sell-side analysts during 2016.

Copies of all investor presentations and, where appropriate, transcripts are posted on the Company’s website so that they are accessible to shareholders generally. Currently 16 sell-side analysts from Europe and South Africa actively publish research on the Company. We encourage sell-side analysts to cover the Company – giving investors their opinions on the Group’s valuation, its performance and the business environment in which it operates – and also to make meaningful comparisons with our peers. During 2015, one South Africa-based research analyst ceased coverage of our stock, but we expect coverage to resume in 2016. We continue to work to maximise the coverage of the stock with two US research houses to increase our reach with global investors.

The Chairman makes contact with major investors and meets them as required. The Senior Independent Director is also available for interaction with shareholders. Matters raised in these governance-focused meetings during 2015 included Group strategy, regulatory developments, remuneration, succession planning, diversity and transformation.

The IR team updates the Board on issues arising from communications with the investment community. It also commissions independent surveys to inform the Board about how major investors see the Company’s management and performance.

Our intranet gives employees easy access to key information about the Group, including its culture, vision, strategy and financial performance. Regular senior management roadshows give employees further opportunities to understand more about the aims of the Group.

Number of investor events during 2015 (excluding sell-side and governance meetings)

- 269 events in total
- 238 with management (31 IR only)
- 223 institutions

What are the arrangements for Annual General Meetings (AGMs)?

The Board uses the AGM, held at the Company's head office in London each year, to comment on the Group's results for the previous year and developments during the current year to date. Shareholders also have the opportunity to ask the Board questions. The AGM is webcast and a record of the proceedings is also made available on the Company's website shortly after the end of the meeting. All formal business items at the AGM are conducted on a poll, rather than by a show of hands. The Company's share registrars ensure that all properly submitted proxy votes are counted, and a senior member of the UK registrar's staff acts as scrutineer to ensure that votes cast are correctly received and recorded.

Each substantially separate issue at the AGM is dealt with by a separate resolution and the business of the meeting always includes a resolution on the receipt and adoption of the Report and Accounts.

The notice of AGM is sent out to shareholders who have elected or are entitled to receive physical documents in time to arrive in the ordinary course of the post at least 20 working days before the date of the meeting.

Who will be standing for election or re-election at this year's AGM?

We anticipate that all the current directors (except for Paul Hanratty, who has stepped down from the Board with effect from 12 March 2016), will stand for election or re-election at this year's AGM and that the Board will recommend that every director who is standing should be elected or re-elected. Brief biographical details of all the directors are contained in the Board of Directors section earlier in this Annual Report. Additional information about them, and further details of the basis on which the Board has assessed each director's performance and recommends their election or re-election, will be set out in the shareholder circular relating to the AGM when this is published later this year.

What is the Company's issued share capital and who are the Company's largest shareholders?

The Company's issued share capital at 31 December 2015 was £563,273,444 divided into 4,928,642,637 ordinary shares of 11 $\frac{3}{7}$ p each (2014: £560,756,596 divided into 4,906,620,219 ordinary shares of 11 $\frac{3}{7}$ p each). The total number of voting rights in the Company's issued ordinary share capital at 31 December 2015 was also 4,928,642,637.

During 2015, the Company issued 2,696,988 ordinary shares of 11 $\frac{3}{7}$ p each under employee share schemes at an average price of £1.2915 per share and 19,325,430 ordinary shares of 11 $\frac{3}{7}$ p each as part of the Group's acquisition of Quilter Cheviot at £2.1864 per share.

At 31 December 2015, shareholder authorities were in force enabling the Company to make market purchases of, and/or to purchase pursuant to contingent purchase contracts relating to each of the overseas exchanges on which its shares are listed, its own shares up to an aggregate of 492,590,000 shares. It bought back no shares during 2015 or during the period up to 11 March 2016.

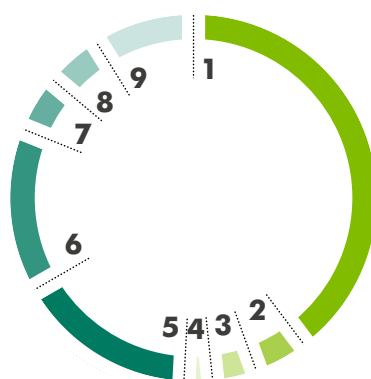
In the period 1 January to 11 March 2016, the Company issued a further 38,982 shares under its employee share schemes at an average price of £1.489 each. As a result, the Company's issued share capital at 11 March 2016 was £563,277,899 divided into 4,928,681,619 ordinary shares of 11 $\frac{3}{7}$ p each. The total number of voting rights at that date was also 4,928,681,619.

On 11 February 2016, Allan Gray Unit Trust Management (RF) Proprietary Limited notified the Company that it now held over 3% of the Company's voting rights and, on 1 March 2016, Coronation Asset Management (Pty) Limited notified the Company that it now held in excess of 5% of the Company's voting rights. There have been no other notifications of disclosable interests by shareholders and no notifications of changes to the interests set out in the table of substantial interests in the Company's shares below between 31 December 2015 and 11 March 2016.

How can I find out about the rights and obligations attaching to the Company's shares?

The rights and obligations attaching to the Company's ordinary shares are those conventional for a publicly-listed UK company. The Corporate Governance section of the Company's website provides a summary of these (along with certain other information relating to dividends, directors and amendments to the Company's articles of association) and the Company's current articles of association.

SHAREHOLDER ANALYSIS



1. South African institutional **41.1%**
2. South African retail **5.0%**
3. BEE **2.1%**
4. Policyholders **1.3%**
5. UK **16.4%**
6. USA **14.7%**
7. Europe **5.1%**
8. Rest of the world **5.2%**
9. Miscellaneous **9.1%**

Source: Nasdaq

Substantial interests in the Company's shares

At 31 December 2015, the following substantial interests in voting rights in relation to the Company's shares had been declared to the Company in accordance with the Disclosure and Transparency Rules:

	Number of voting rights	% of voting rights
Public Investment Corporation of the Republic of South Africa	536,064,427	10.88
BlackRock Inc.	249,751,037	5.09
Coronation Asset Management (Pty) Limited	197,345,256	4.00

CORPORATE GOVERNANCE CONTINUED

What is the Company's dividend policy and what dividend will be paid for 2015?

The Board has previously stated that it would seek to pursue a progressive dividend policy having regard to the Group's overall capital requirements, liquidity and profitability and targeting a dividend cover in the range of 2.0 to 2.25 times AOP earnings, with interim dividends set at about 30% of the prior year's full ordinary dividend.

Consistent with this policy, the Board has declared a second interim dividend for 2015 of 6.25p per share (or its equivalent in other applicable currencies). This, together with the interim dividend of 2.65p per share paid in October 2015, equates to 2.17 times AOP earnings cover for the full year.

This reflects the Group's current capital position and cash resources, and the strong operating performance in 2015.

Further information on the second interim dividend for 2015 (including the currency equivalents) is given in the Shareholder Information section at the back of this Annual Report.

Why is the Company paying a second interim dividend instead of a final dividend?

In a departure from previous years, the final dividend for 2015 has been declared as a second interim dividend. The payment of a second interim dividend does not require shareholder approval at the Annual General Meeting. Consequently, the second interim dividend is revocable by the Board until paid. This means that the Company has been able to set the foreign currency equivalents and bring forward the date for dividend payment from the end of May, as was previously the practice, to the end of April. This also means that, under Solvency II rules, the Company's ordinary shares continue to qualify as eligible regulatory capital.

Why is the Company changing its dividend policy and what is the new policy?

The Company's dividend policy is part of the Group's wider capital management policy. In light of the conclusions of the strategic review, the Group will be adopting a capital management policy which provides appropriate flexibility for the period of the managed separation and the costs of that process, as well as providing for the significant investment required in each of the business units.

Consequently the Board has approved a new dividend policy whereby, during the period of managed separation, the Board intends to pursue a dividend policy reflecting the operational cash generation, investment and liquidity needs of the Group, as well as the capital requirements of the underlying businesses, and will target a dividend cover equivalent to 2.5 to 3.5 times Group AOP earnings for each annual reporting period, with the first interim dividend cover equivalent to 3 times Group AOP earnings for the first interim period.

During the period of the managed separation, the Group also intends to reduce the Group holding company's current debt, mainly through asset disposals. Subsequently and to the extent that excess capital is generated, the Board will consider further returns of capital to shareholders.

What other factors are relevant in determining dividend payments?

In addition to giving specific consideration to the Company's dividend policy, all dividend declarations are assessed by the Board in the context of their impact on the viability of the Group, as described elsewhere in this report.

Dividend declarations must also take account of the distributable reserves of the holding company, Old Mutual plc, which were £2,440m at 31 December 2015. In assessing the distributable reserves of the Company, management also considers its ability to access subsidiary distributable reserves.

The Group capital management policy also takes account of provisions in the OMLAC(SA) demutualisation agreement which restrict the application of South African dividend remittances to the payment of Company dividends.

What dividends were waived during 2015?

During 2015, trustees of the Company's, Quilter Cheviot's and the Company's South African subsidiary employee benefit trusts waived dividends on certain shares in the Company held by them relating to awards where the scheme participants were not entitled to receive dividends pending vesting. The total number of shares concerned was 15,407,092 for the final dividend for 2014 and 19,348,778 for the first interim dividend for 2015.

Audit arrangements

Who is the Company's external auditor and how much is it paid?

KPMG LLP (or, before 2014, its related associated entity KPMG Audit Plc) has been the Company's external auditor since it was originally listed in 1999. We have made arrangements with KPMG LLP for appropriate audit director rotation in line with the requirements of the UK Auditing Practices Board. The current audit engagement director in the UK, Philip Smart, assumed this role in April 2011 and is due to rotate off after completion of the audit for 2015, when he will be replaced by Rees Aronson.

The Group Audit Committee report above describes how that committee satisfies itself about the external auditor's performance and its recommendation to reappoint KPMG LLP (which has expressed its willingness to continue in office) as auditor for 2016 at this year's AGM. The Company has not entered into any contractual restriction preventing it from considering a change of auditor.

During the year ended 31 December 2015, fees paid by the Group to KPMG LLP and its associates totalled £13.8 million for audit services (2014: £13.7 million) and £3.5 million for tax compliance, audit-related assurance, corporate finance transactions and other non-audit services (2014: £3.4 million). In addition to the above, Nedbank Group paid a further £3.1 million (2014: £3.2 million) to Deloitte in respect of joint audit arrangements.

The Group Audit Committee has approved detailed guidelines as part of the Group's policy on non-audit services: a summary of the applicable provisions is available in the Corporate Governance section of our website.

Risk assessment and financial control environment

What is the Company's internal control environment and how is it monitored?

The Group's Finance function actively monitors the quality of the Group's financial reporting controls, by seeking positive affirmation from its principal subsidiary businesses twice-yearly to the effect that key controls safeguarding reliable, accurate and timely Group external IFRS reporting are in place and operating effectively.

Management assessed the effectiveness of this framework at 31 December 2015, based on the criteria described in 'Internal Control – Integrated Framework' issued by the Committee of Sponsoring Organizations of Treadway Commission, and concluded that it was effective. Management reports on the status of these controls to the Group Audit Committee, and this has enabled the committee to support the Board in concluding that it can rely on the operation of these controls as part of its review of internal control effectiveness referred to above.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place for the year ended 31 December 2015 and up to this report's date of approval, as described in more detail below. Further details of the Group's risk and capital management disciplines are described in a dedicated section earlier in this Annual Report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while the implementation of internal control systems is the responsibility of management. Executive management has implemented an internal control system designed to help ensure:

- The effective and efficient operation of the Group and its business units by enabling management to respond appropriately to significant risks to achieving the Group's business objectives
- The safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed
- The quality of internal and external reporting
- Compliance with applicable laws and regulations, and with internal policies on the conduct of business.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's actions to review the effectiveness of the system of internal control include:

- An annual review of the risk assessment procedures, control environment considerations, information and communication and monitoring procedures at Group level and within each business unit. This review covers all material controls including financial, operational and compliance controls and risk management systems
- A certification process, under which all business units are required to confirm that they have undertaken risk management in accordance with the Group risk framework, that they have reviewed the effectiveness of the system of internal controls, that internal policies have been complied with, and that no significant risks or issues are known which have not been reported in accordance with policy
- Regular reviews of the effectiveness of the system of internal control by the Group Audit Committee, which receives reports from the Group Internal Audit function. The committee also receives reports from the external auditor, which include details of significant internal control matters that have been identified during the course of their work.

These activities supplement the regular risk management activities which are performed on an ongoing basis, as described in more detail in the Risk and Capital Management section of this Annual Report.

The certification process described above does not apply to some joint ventures where the Group does not exercise full management control. In these cases, Old Mutual monitors the internal control environment and the potential impact on the Group through representation on the board of the entity concerned.

The Board reviewed the effectiveness of the system of internal control during and at the end of the year. Our annual internal control assessment has not highlighted any material failings. We remain committed to having a robust internal control environment across the Group.

In response to a detailed independent review of the cost and timing overruns experienced in Old Mutual Wealth's outsourcing initiative with IFDS, we have strengthened the governance and oversight of this project by both the Old Mutual Wealth and Old Mutual plc boards. We have also shared key learnings from the review across other Group businesses with similar initiatives.

The Board confirms that, in accordance with the processes described above and in the Risk and Capital Management section of this Annual Report, it has, in conjunction with the Board Risk Committee, carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The relevant risks and the manner in which they are being managed or mitigated are explained in more detail in the Risk and Capital Management section of this Annual Report.

What is the role of Group Internal Audit?

The purpose of Group Internal Audit (GIA) is to help the Board and executive management to protect the assets, reputation and sustainability of the Group. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and executive management; assessing whether they are adequately controlled; and challenging executive management to improve the effectiveness of governance, risk management and internal controls.

GIA's work is focused on the areas of greatest risk, both current and emerging, to the Group as determined by a comprehensive risk-based planning process. The Group Audit Committee approves the annual Internal Audit plan and any subsequent material amendments to it and also satisfies itself that GIA has adequate resources to discharge its function. The Board is able to confirm that this was the case for 2015.

There are Internal Audit teams in each of our major businesses. The heads of Internal Audit in the Group's wholly-owned subsidiaries report directly to the Group Internal Audit Director (GIAD). Heads of audit in majority-owned subsidiaries have a dual reporting line to the GIAD, in line with the Group Operating Model.

CORPORATE GOVERNANCE CONTINUED

During 2015, the GIAD reported functionally to the Chairman of the Group Audit Committee and administratively to the Group Chief Executive. The GIAD attends all meetings of the Group Audit Committee, and has unrestricted access to the Group Chief Executive and the Chairman of the Board, as well as open invitations to attend any meetings of the business unit audit committees, the Board Risk Committee and the Group Executive Risk Committee.

Internal Audit teams across the Group use a single audit methodology which meets the international standards set by the Institute of Internal Auditors. Issues raised by Internal Audit in the course of its work are discussed with management, who are responsible for implementing agreed actions to address the issues identified within an appropriate and agreed timeframe.

The GIAD submits formal reports to each meeting of the Group Audit Committee, summarising the results of Internal Audit activity, management's progress in addressing issues and other significant matters.

Can you confirm that the Company is a going concern?

The Group's financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial review and risk section of this Annual Report. In addition, Note E1 to the financial statements includes the Group's objectives, policies and processes for managing its capital (solvency risk) and liquidity risks, and sets out details of the principal risks related to financial instrument market risk, credit risk and insurance risks as well as their sensitivities.

The preceding sections of the Annual Report referred to above also explain the basis on which the Group generates and preserves value over the longer term and the strategy for delivering its objectives. The Financial Groups Directive surplus capital and cash flow are stress tested and are within the limits described in the Risk and Capital Management section in order to identify those risks that would threaten the Group's solvency and liquidity. As a consequence, the directors believe that the Group is in a strong financial position and is well placed to manage its business risks successfully.

Based on its enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next twelve months. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

The Board's assessment of going concern is underpinned by the enquiries and assessments it has made in the course of its assessment of the Group's viability, which is set out in further detail below.

Is the Board satisfied that the Group is viable in the longer term?

The Board routinely assesses the reasonableness of the expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. In addition to enabling the Board to conclude that the Company is a going concern, this assessment has enabled the Board to confirm that the parent Company and wider Group will remain viable, such that they are able to settle their liabilities as they fall due in the longer term, meaning for this purpose, the period up to the end of 2018.

In reaching this conclusion, the Board has assessed projections covering the period from 2016 to 2018, as set out in the Group's rolling three-year business plan, which was formally approved by the Board. These projections include analysis of the Group's current and prospective financial performance and cash flows on which forecasts of its regulatory capital, liquidity and financial positions have been based. The Group's current financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial Review and the Risk and Capital Management sections of this Annual Report.

The Board considers a three-year outlook when considering the longer-term viability of the Group. This is the period for which the Group prepares its detailed business plan which sets out the Group's prospective operating performance and financial position, including its capital position.

Some Group businesses write business that is very long term in nature, especially in the area of life assurance and pensions. This is accounted for appropriately, applying well established actuarial principles. In adopting a three-year time horizon for this viability statement (which is a requirement under the UK Corporate Governance Code 2014), no inference should be drawn about a lack of viability of the Group in relation to such longer-term commitments.

As this is the first year of the Group's reporting under the new Solvency II regime, the process for preparing the business plan gave specific focus to anticipated Solvency II outcomes over the period, in addition to the existing Financial Groups Directive solvency measure and the capital strength of the underlying businesses.

The Board has also given consideration to the revised Group strategy for the managed separation of the Group's operations announced on 11 March 2016. This has been addressed by overlaying the financial impacts of a number of managed separation scenarios on to the business plan. Although the means of giving effect to the managed separation strategy are yet to be fully determined, the Board has taken into consideration the adequacy of the Group's capital and resources to enable it to achieve the desired strategic outcome.

As the Group's ongoing viability is subject to certain factors that are beyond the control of its directors, such as future macro-environmental conditions and the political situation of the countries in which it operates, further analysis has been performed to ensure that, barring unforeseen circumstances, these do not pose a material threat to the viability of the Group. As a consequence, the business plan and related managed separation scenarios have been subject to stress testing and risk assessment. The principal risks considered in these scenarios are consistent with those set out elsewhere in this report. In addition to the more severe stress tests and scenarios, management and the Board also consider milder downside sensitivities as part of routine Board reports. The Group and Company also maintain contingency plans and resources to deal with potential adverse developments, which have been reviewed by the Board.

Has all relevant information been disclosed to the auditor?

The directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Other Directors' Report matters

As an international business active in many countries, the Group operates through subsidiaries, branches, joint ventures and associated companies established in, and subject to the laws and regulations of, many different jurisdictions.

Does the Company have any significant agreements involving change of control?

The following significant agreement to which the Company is a party contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company:

- £800 million Revolving Credit Facility dated 22 August 2014 between the Company, various syndicate banks (the Banks) and Bank of America Merrill Lynch International Limited as agent (the Agent). If a person or group of persons acting in concert gains control of the Company, the Company must notify the Agent. The Agent and the Company will negotiate with a view to agreeing terms and conditions acceptable to the Company and all of the Banks for continuing the facility. If such negotiations fail within 30 days of the original notification to the Agent by the Company, the Banks become entitled to declare any outstanding indebtedness repayable by giving notice to the Agent within 15 days of the 30-day period mentioned above. On receiving notice for payment from the Agent, the Company shall pay the outstanding sums within three business days to the relevant Bank(s).

What is the Group's approach to being a responsible business?

Responsible business practices are core components of the Old Mutual Group risk management strategy, which is underpinned by the Group's four values of integrity, respect, accountability and pushing beyond boundaries. At local level, we have a network of people who manage and monitor our responsible business approach. Each business unit has named a senior executive with overall responsibility for these issues. At Group level, this is overseen by the Head of Responsible Business and our Responsible Business Committee, which coordinates the delivery of our Positive Futures Plan, as well as overseeing social and environmental risks. The Responsible Business Committee is chaired by the Group Customer Director and Responsible Business Lead.

The Board Risk Committee and the Group Executive Committee receive regular updates from the Responsible Business Committee on material responsible business issues that affect the Group and updates on actions that are being taken to address them.

Where can I find the other matters required to be included in the Directors' Report?

The Company has taken advantage of paragraph 1A of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to disclose certain information that must be disclosed as part of its Directors' Report either elsewhere in this document or on our website as set out below:

- Important events relating to the Group since the end of the financial year are included in the Strategic Report as well as in Note H9 to the financial statements
- A description of likely future developments of the business of the Company and its subsidiaries is contained in the Strategic Report and the Financial Review and Risk section
- The Group's involvement in research and development, insofar as relevant to its operations, is given in the Strategic Report and the Financial Review and Risk section
- Our financial risk management objectives and policies are described in the Risk and Capital Management section of this Annual Report. Along with Notes E1 to E11 to the financial statements, this also addresses the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk
- Information about the Group's greenhouse gas emissions is given in the Key Performance Indicators section of this Annual Report
- The Company's compliance with the UK Human Rights Act 1998 and the UK Modern Slavery Act 2015 are addressed under Stakeholder Relationships in the Strategic Review.

Did the Group make any political donations during 2015?

The Group made no EU or other political donations during the year.

How did the Board approve this Annual Report?

The Board approved this Annual Report at its meeting on 10 March 2016. It confirmed that it considered the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, it took into account input from the Group Audit, Remuneration and Board Risk Committees, which had previously had the opportunity to review and comment on drafts of the sections falling within their respective remits.

Governing law

The Strategic Report, Financial Review and Risk section, and this Corporate Governance report collectively comprise the directors' report for the purposes of section 463(1)(a) of the Companies Act 2006. The Directors' Remuneration Report contained in this Annual Report is the directors' remuneration report for the purposes of section 463(1)(b) of that Act. English law governs the disclosures contained in and liability for the Directors' Report and the Directors' Remuneration Report.

Martin Murray

Group Company Secretary
11 March 2016

DIRECTORS' REMUNERATION REPORT

In this section, we describe the Directors' Remuneration Policy and how our directors were paid during 2015.

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Danuta Gray
Chairman of the
Remuneration Committee

Annual Statement

On behalf of the Remuneration Committee (referred to in the rest of this report as the committee), I am pleased to present the Directors' Remuneration Report (DRR) for 2015, my second since becoming Chairman of the committee in May 2014.

2015 was a year of significant change for the Group, which had a major impact on the areas of focus for the committee. Solvency II finally came into force from 1 January 2016, which required the committee to review the Group's remuneration principles and policies to ensure alignment to the remuneration guidelines arising from that new regime. And, of course, there was the Group Chief Executive succession and the review of the Group's strategy that ensued.

In this statement, I will explain how the committee has reacted to support the Group through these very significant changes.

Review of performance and plan outcomes in 2015

The Group delivered strong results in 2015, despite the volatility of equity markets and the increasingly challenging economic environment in South Africa, with 14.9% adjusted operational profit (AOP) growth, 15.7% growth in AOP EPS to 19.3 pence (growth stated on a constant currency basis) and RoE of 14.2%.

The Group's Total Shareholder Return continued to outperform the main equity market indices in both the UK and South Africa over the year. This continued a sustained period of excellent returns for our investors of 29.2% on the LSE and 99.7% on the JSE ALSI over the last three years (using a three-month average at the beginning and end of the periods).

The metrics described in the preceding paragraph are the principal financial measures that the committee considers in the incentive plans for executives, and the strong results are therefore reflected in the incentive outcomes measured against performance periods ended 31 December 2015. This is consistent with our commitment to align executive remuneration to company performance and shareholder value creation.

The short-term incentive (STI) plan has two components, a financial component and a personal performance component. The committee approved an adjusted outcome of 85% of maximum for the financial element of the STI, reflecting the significant outperformance under the EPS and RoE metrics. The outcome of the personal element, which is based on an assessment of each executive against a personal scorecard, is contained in the detailed report that follows this statement. In this year's DRR, we have included details of the performance assessment for each of our executive directors, which we believe improves transparency of how the total incentive outcomes have been determined.

The awards under the long-term incentive plan (LTIP) originally granted in 2013 will vest at 71.5% of maximum. The 2013 LTIP scorecard was based on a combination of financial and strategic objectives determined at the beginning of the performance period, which ended on 31 December 2015. The strategic component represented 40% of the total scorecard and was split between stretching growth objectives for Old Mutual Emerging Markets and Old Mutual Wealth, which were disclosed at the beginning of the period, and restructuring, risk, governance, culture and reputation objectives, which we agreed would be fully disclosed at the end of the period to avoid commercial disadvantage to the Group. Full disclosure of each of these objectives and the committee's assessment of delivery are contained in this DRR.

The committee reviews risk management and controls across the Group annually, taking into account input from the Board Risk Committee and the Group's Chief Risk Officer, to ensure that financial results and strategic projects over a one- and three-year period have been achieved in an acceptable manner, within the risk framework and appetite limits established for the Group. The Group operated within the expected risk framework and policies; however, the committee exercised its discretion in one important area in order to ensure that it maintained its overriding

objective to align reward with performance. We determined that it was appropriate to make a downward adjustment to the outcome of both the financial component of the STI and the strategic component of the LTIP, to take consideration of the projected time and cost overruns of the Old Mutual Wealth initiative for outsourcing technology and administration to IFDS.

The STI outcome was higher than in recent years, whilst the LTIP was broadly flat to the previous year's vesting, following a period of declining outcomes. The committee was satisfied, taking consideration of the factors discussed above, that the outcomes reflected the performance delivered and value created for shareholders.

As always, the committee was mindful to ensure overall pay was appropriate given the performance of the Group and in relation to its peers wherever located. We were satisfied that this was the case for 2015, and will continue to monitor pay closely against relevant performance and market benchmarks in the future.

“
The Group delivered strong results in 2015, despite the volatility of equity markets and the increasingly challenging economic environment in South Africa
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DIRECTORS' REMUNERATION REPORT CONTINUED

Key decisions taken by the committee in 2015

- Remuneration aspects of Group Chief Executive succession and of other executive director changes
- Consideration of requirements arising under Solvency II
- Update of the Group Remuneration Standard and the committee's Terms of Reference
- Implementation of updated malus and claw back provisions for variable pay
- Approval of business unit variable pay deferral structures and STI pool metrics
- Review of the Directors' Remuneration Policy in light of the strategic review

Key areas of focus during the year

Executive director changes

In April 2015, we announced that Julian Roberts would be standing down as Group Chief Executive and from the Board later in the year. He left the Board at the end of October 2015, and Julian began a period of garden leave which runs to the end of his 12-month notice period in April 2016. As disclosed at the time, the principal terms of Julian's exit were in accordance with his contract; however, the committee did exercise its discretion to grant good leaver status to his unvested share awards, in recognition of his track record of performance over a long period of service.

At the same time, we announced that Bruce Hemphill would succeed Julian Roberts as Group Chief Executive, and he commenced employment with the Group on 1 November 2015. Full detail of his buy-out awards and 2015 incentive are contained within this DRR. In accordance with the Directors' Remuneration Policy (DRP), the committee gave careful consideration to the structure and quantum of his awards relative to those that were forfeited as a result of joining the Group to ensure that they represented fair, but not excessive, compensation. In addition,

and also in accordance with the DRP, the Company covered the cost of certain items related to his relocation to the UK as detailed in this report.

In September 2015, we announced that Paul Hanratty would be leaving the Board in 2016. The committee similarly exercised its discretion to grant good leaver status to his unvested share awards, in recognition of his track record of performance over a period of more than 30 years of service with the Group.

Solvency II and remuneration principles for the Group

The Solvency II regime includes a detailed set of remuneration guidelines to which certain businesses within the Group, including the Group Head Office in London, must align. The committee was pleased at how closely aligned our remuneration principles and practices already were with Solvency II requirements. Key areas of review included:

- Quantitative and qualitative approaches to reflecting risk metrics and risk management in the outcome of our incentive plans, whilst further strengthening collaboration with the Board Risk Committee
- Incentive structures for those in control functions to ensure they mitigate any risk of a conflict of interest
- Oversight of the remuneration structure for impacted employees
- Sales incentive plan structures to ensure alignment to the principle of 'Treating Customers Fairly'.

The committee agreed that these principles reflected best practice and should be adopted across the Group as a whole, not just in those businesses subject to Solvency II. The updated policies have been implemented for 2016.

Looking forward to 2016

As explained elsewhere in this report, since joining the Board in November, Bruce Hemphill has embarked on a review of the Group's strategy. The outcome of this review was announced together with our results on 11 March 2016. It is critical for the successful execution of this strategy, and to ensure that incentive outcomes reflect the value delivered to shareholders through its execution, that our remuneration policies and incentive structures are aligned with these new, and fundamentally different, objectives.

The committee believes that the current DRP which was predicated on a continuation of the Group in broadly

its current form, does not provide the necessary framework to make incentive awards that align executives to the newly announced strategy. Executives are now being asked to undertake the managed separation of the Group in a short time frame. In order to incentivise executives to deliver business performance and fulfilment of the strategic objectives during this period, the committee believe that we need to introduce a policy that reflects the particular time frames and objectives set.

While a base pay and STI structure will generally remain appropriate, the committee is of the view that a conventional LTIP structure with rolling annual awards no longer aligns with, and does not incentivise, the most timely and cost-effective execution of the strategy. Instead, the committee intends to grant one-off LTIP awards, replacing normal annual awards, to key individuals, including Bruce Hemphill and Ingrid Johnson, with metrics relating to execution of the new strategy, performance of our four constituent businesses, and the unlocking of value for shareholders.

The committee will grant LTIP awards to the executive directors in March 2016, at the maximum level of 400% of base pay, within the current policy framework, and also commence a period of consultation with our major shareholders, with a view to presenting a new DRP to shareholders for approval in General Meeting later in 2016. This policy will encompass the March 2016 and additional awards, to provide a long-term incentive framework that retains and motivates executives through the business transformation, while enabling the Group to attract any further key individuals required to execute the strategy. The committee believes that the new policy will give it the flexibility required to align executives effectively to the strategic objectives of the Group and, ultimately, shareholder value creation, and I look forward to discussing this on behalf of the committee with our major shareholders very shortly.

I hope that you find this report helpful and a clear indication of the committee's commitment to aligning executive compensation to the delivery of performance that drives shareholder value. I look forward to your support, both for this DRR, and the upcoming review of the DRP.

Danuta Gray

Chairman of the Remuneration Committee

Our remuneration at a glance

Alignment of executive remuneration to our strategy and shareholder value

Our approach to remuneration across the Group is designed to align our executives to the delivery of our strategy and long-term shareholder value creation. We do this through:

- Short- and long-term financial and risk measures that incentivise the delivery of stretching business performance goals in a sustainable manner
- Executive scorecards that closely align their objectives and performance to the delivery of key priorities
- Long-term strategic objectives that are embedded in the metrics for our LTIPs
- A significant portion of executive remuneration being delivered in shares which are restricted from sale for up to four years from the award date. Our most senior executives must also build up and then maintain a minimum shareholding in the Company
- Malus and claw back provisions that ensure that executives are accountable in the long term for delivering performance in a responsible and sustainable way.

Performance against targets in 2015

2015 STI awards

Executive director	RoE		EPS in constant currency		Personal objectives		Weighted outcomes		£000
	Metric Weight	% of Metric Achieved	Metric Weight	% of Metric Achieved	Metric Weight	% of Metric Achieved	% of maximum	% of Base pay	
Paul Hanratty	30%	87%	30%	83%	40%	80%	83%	124.5%	803
Ingrid Johnson	30%	87%	30%	83%	40%	85%	85%	127.5%	784
Former executive director									
Julian Roberts	39%	87%	39%	83%	22%	91%	86.3%	124.1%	1,154

LTI awards granted in 2013

	Weighting	% of maximum achieved
Financial metrics	60%	53.3%
Strategic objectives	40%	77.5%
Total weighted outcome (A)		63.0%
TSR multiplier – % achieved (B)		113.5%
Vesting – % of maximum award (A x B)		71.5%

Single total figures of remuneration for 2015

Executive director	Base pay £000	Taxable benefits £000	STI £000	LTI £000	Pension- related benefits £000	Items in the nature of remuneration £000	Total £000
Bruce Hemphill ¹	150	1,540	950	–	52	2,119	4,811
Paul Hanratty	645	9	803	802	220	4	2,483
Ingrid Johnson	615	104	784	137	215	13	1,868
Former executive director							
Julian Roberts ²	775	64	1,154	–	271	6	2,270

1 Bruce Hemphill joined the Board on 1 November 2015. Figures for 2015 represent remuneration paid for the period from that date. On joining the Group, Bruce Hemphill received buy-out awards, and those not subject to the achievement of performance targets are included in the 'Items in the nature of remuneration' figure. The STI represents a guaranteed bonus for 2015

2 Julian Roberts ceased to be an executive director of the Company on 31 October 2015. Figures for 2015 represent remuneration paid for the period up to that date (including the full STI payable for 2015). Remuneration paid for the period 1 November 2015 to 31 December 2015 is set out in the 'Payments to past directors' section of this report.

Implementation of policy in 2016

Element	Summary description	Maximum as % of base pay	Change to policy in 2016
Fixed	Base pay	Linked to agreed market benchmarks – normal annual increases are kept in line with employees of the executive's home country	Not applicable
	Benefits including pension-related benefits	Fixed allowance equal to 35% of base pay for pension and other elective benefits. Core insurance and other agreed benefits are also provided	Not applicable
Variable	STI and LTI	See the 'Implementation of remuneration policy in 2016' section of this report	

In respect of incentive targets contained within this report, EPS and RoE are calculated on a post-tax AOP basis.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy described in this section was approved by shareholders at the Company's AGM on 15 May 2014. The policy can be found in each of the Directors' Remuneration Reports from 2013 onwards, which are available from the reporting centre of the Investor Relations part of the Company's website.

The committee will consider the Directors' Remuneration Policy annually, to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. The Directors' Remuneration Policy must be put before shareholders for approval at least every three years.

Market benchmarks

We benchmark total potential remuneration against remuneration packages paid by peer group companies. Two peer groups are used for this purpose, namely: (i) FTSE 100 companies of a similar size by market capitalisation; and (ii) large European insurers. The peer groups are kept under review to take into account different companies that enter the market or those that change their size or the main characteristics of their business.

We also look at remuneration arrangements in other types of UK-based financial sector companies.

Balancing short- and long-term remuneration

Based on our view of current market practice and our remuneration principles, we have established the remuneration policy set out in this report. Fixed annual elements, including base pay and benefits, recognise the status of our executives and ensure current and future market competitiveness. STI and LTI arrangements are designed to motivate and reward them for making the Company successful on a sustainable basis.

Executive directors are also expected to retain sufficient of the vested shares from LTI and deferred STI share incentive awards, over a five-year period from the time of their appointment, to meet their respective shareholding requirements. The shareholding linkage cements the relationship between the executive directors' personal returns and those of the Company's investors.

The committee has discretion to amend the weighting of STI and LTI measures from year to year, in order to ensure that the executive directors are incentivised to drive performance in line with the Company's core strategic objectives.

Directors' Remuneration Policy table (executive directors)

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Base pay			
Recognises the role and the responsibility for delivery of strategy and results	<ul style="list-style-type: none"> ■ Paid in 12 monthly instalments ■ Reviewed annually with any changes becoming effective from 1 January. 	<ul style="list-style-type: none"> ■ Base pay is set in the range of peer benchmark groups. The maximum is the top of the range of large European insurers ■ Maximum annual increases will not normally exceed the average increase for the home country workforce. Larger increases may be awarded in certain circumstances, such as an increase in scope or responsibility of the role, or salary progression for a newly appointed director. 	<ul style="list-style-type: none"> ■ None

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Benefits allowance for retirement provision and other elective benefits			
Designed to provide appropriate, market-aligned benefits consistent with the role	<ul style="list-style-type: none"> ■ The Company provides a benefit allowance to fund contributions to retirement funding arrangements and other elective benefits ■ Otherwise paid monthly in cash. 	<ul style="list-style-type: none"> ■ A fixed allowance of 35% of base pay. 	<ul style="list-style-type: none"> ■ None
	<p>Other benefits</p> <ul style="list-style-type: none"> ■ Benefits common to employees of the home employer, health assessments and the opportunity to participate in Sharesave ■ Travel from home to work, and travel for partners to certain Board meetings or corporate events of the Company and its major subsidiaries ■ For overseas appointments, flexibility to provide benefits in line with those of the executive's home country and relocation costs for internal or external appointments of executive directors. 	<ul style="list-style-type: none"> ■ The cost of core insured benefits is determined by the insurance provider based on experience factors in the pool of employees covered and so may vary from year to year ■ The Company offers the opportunity to participate in a HMRC-approved Sharesave scheme ■ All other benefits are direct costs borne by the Company based on policy agreed by the committee ■ A summary of key items normally paid for on relocation is set out in the 'Approach to remuneration in connection with recruitment' section of this report. 	<ul style="list-style-type: none"> ■ None
Short-term incentive (STI)			
Incentivises achievement of annually agreed business objectives and strategic priorities	<ul style="list-style-type: none"> ■ Determined annually following the finalisation of annual results ■ 50% of the award vests immediately ■ 50% is deferred for a period of three years into a share incentive award. Dividends are paid during the restricted period and malus applies to the shares held under award prior to vesting ■ The committee has the discretion to amend deferred STI awards under the rules of the plan, to adjust deferred STI awards in the event of any variation of the share capital of the Company, and to adjust or vest deferred STI awards on a demerger, special dividend or other similar event, which affects the market price of the shares to a material extent. 	<ul style="list-style-type: none"> ■ The maximum opportunity is 150% of base pay ■ Vesting against targets is 0% at threshold and 100% at stretching targets, with interpolation between the points ■ The committee has discretion: <ul style="list-style-type: none"> – to amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, divestment or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – to adjust the outcome, if it is not aligned to the overall performance of the Company ■ Any use of the discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders. 	<p>Annual measures include:</p> <ul style="list-style-type: none"> ■ Financial (minimum 50%): <ul style="list-style-type: none"> – EPS in constant currency – RoE <p>Strategic and operational:</p> <ul style="list-style-type: none"> ■ measures of individual performance (set out in the director's personal scorecard) ■ The committee has discretion to vary the weighting of the performance measures over the life of the Directors' Remuneration Policy <p>The committee has discretion to reduce STI outcomes based on assessment of risk exposures.</p>

DIRECTORS' REMUNERATION REPORT CONTINUED

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Long-term incentive (LTI)			
<p>Incentivises attainment of long-term objectives and strengthens the alignment of interests between executive directors and shareholders</p>	<ul style="list-style-type: none"> ■ Annual grants of share incentive awards or options over Old Mutual plc shares ■ Vesting is subject to the achievement of performance targets measured after a three-year period ■ Vesting occurs 50% after three years and 50% after four years. Malus applies to the shares held under option or award prior to vesting <p>The committee has discretion:</p> <ul style="list-style-type: none"> ■ before the grant of an award, to decide that a participant shall be entitled to receive dividend equivalents ■ to amend awards under the rules of the plan, to adjust awards in the event of any variation of the share capital of the Company, and to adjust or vest awards on a demerger, special dividend or other similar event which affects the market price of the shares to a material extent. 	<ul style="list-style-type: none"> ■ Maximum annual grants will not normally exceed a face value of 250% of base pay, inclusive of the maximum TSR multiplier being applied ■ In exceptional circumstances, or on recruitment, the committee may grant awards with a face value of up to 400% of base pay, inclusive of the maximum TSR adjuster being applied. This is in addition to the buying out of unvested awards from a previous employer ■ Vesting is 0% at threshold and 100% at stretching targets, with interpolation between the points <p>The committee has discretion:</p> <ul style="list-style-type: none"> ■ to amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, divestment or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy ■ to adjust the outcome, if it is not aligned to the overall performance of the Company ■ Any use of the discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders. 	<p>Awards granted in 2015:</p> <ul style="list-style-type: none"> ■ Financial (70%) ■ Strategic (30%) ■ TSR multiplier against FTSE 100 Index (50%) and the JSE ALSI (50%) <p>Awards granted in 2013 and 2014:</p> <ul style="list-style-type: none"> ■ Financial (60%) ■ Strategic (40%) ■ TSR multiplier against the FTSE 100 Index (50%) and the JSE ALSI (50%) <p>Awards granted in 2012:</p> <ul style="list-style-type: none"> ■ Cumulative growth over three years in post-tax AOP on a constant currency basis ■ TSR multiplier against the FTSE 100 Index (50%) and the JSE ALSI (50%) ■ The committee has discretion to vary the weighting of performance measures over the life of the Directors' Remuneration Policy.
Shareholding requirement			
<p>To strengthen alignment of interests between executive directors and shareholders</p>	<p>The minimum shareholding requirement as a percentage of base pay is to be achieved within five years of appointment to the role as follows:</p> <ul style="list-style-type: none"> ■ Group Chief Executive – 200% ■ Other executive directors – 150% <p>Unvested and vested but unexercised share awards or options are not taken into account in the calculation.</p>	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ None
Provisions of previous policy that will continue to apply			
<p>Any commitment made before: (i) 27 June 2012; or (ii) the individual becoming an executive director of the Company; and any vesting of outstanding share incentive awards, will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled or such vesting occurs.</p>			
Malus provision			
<p>All LTI and deferred STI awards contain a malus provision, which gives the committee the power to reduce awards if the results on which they were based were misleading or materially incorrect or were subsequently found to have relied on poor risk management or material misrepresentation of performance.</p>			

Notes to the Directors' Remuneration Policy table (executive directors)

Performance measures and targets

The committee selects performance measures that are central to the Company's overall strategy and are used by the executive directors and Board in overseeing the operation of the business. The performance targets for STI are determined annually by the committee and are set in a range around the business plan for the year, as agreed by the Board.

External directorships

Executive directors are, subject to prior clearance by the Board, permitted to hold one external non-executive directorship of a listed company and are entitled to retain the fees payable to them for doing so.

Treatment of incentive awards on termination or change of control

For all deferred short- and long-term incentives, the share incentive plan rules provide for automatic 'Good Leaver' status on termination of employment in the event of: (i) death; (ii) retirement; (iii) injury or disability; (iv) redundancy; (v) the employing company or business ceasing to be a subsidiary or business of Old Mutual plc; and (vi) certain takeovers and other corporate events. In addition, the committee has discretion to award Good Leaver status for any other reason (discretionary Good Leavers). In these circumstances, the committee has discretion to apply less generous terms than would apply under the automatic Good Leaver reasons. The committee's determination will take into account the particular circumstances of the executive director's departure and the recent performance of the Company.

Component	Automatic Good Leaver	Other leaver*	Change of control
STI	<ul style="list-style-type: none"> ■ Pro-rata payment for the period worked in the performance year, based on agreed performance criteria ■ Paid in cash. 	<ul style="list-style-type: none"> ■ No award will be made. 	<ul style="list-style-type: none"> ■ At the discretion of the committee.
Deferred STI	<ul style="list-style-type: none"> ■ Vesting of all awards on termination. 	<ul style="list-style-type: none"> ■ Outstanding awards are forfeit. 	<ul style="list-style-type: none"> ■ Vest automatically except in the case of internal re-organisations or mergers, as defined in the rules, where there may be an automatic surrender and replacement of awards in the new/acquiring company.
LTI	<ul style="list-style-type: none"> ■ Vest on the normal vesting date (except in the event of death or where other exceptional compassionate reasons apply, when vesting may be immediate), subject to achievement of performance targets, calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period ■ The committee has discretion to disapply time-based pro-rating of awards when appropriate. 	<ul style="list-style-type: none"> ■ Outstanding awards are forfeit. 	<ul style="list-style-type: none"> ■ Vest subject to the achievement of performance measures and pro-rated from grant date to the anniversary of grant date following change of control, but the committee may disapply pro-rating if it considers it appropriate to do so ■ For internal reorganisations or mergers, as defined in the rules, there may be an automatic surrender and replacement of awards in the new/acquiring company.
Sharesave	<ul style="list-style-type: none"> ■ In line with HMRC rules and the rules of Sharesave. 	<ul style="list-style-type: none"> ■ In line with HMRC rules and the rules of Sharesave. 	<ul style="list-style-type: none"> ■ In line with HMRC rules and the rules of Sharesave.

* Anyone who is not a Good Leaver or a discretionary Good Leaver.

Consideration of employment conditions elsewhere in the Group

The Company's approach to executive director and wider employee remuneration is based on a common set of remuneration principles and a governance structure, which have been implemented across all major subsidiaries. This includes subsidiary remuneration committees with agreed terms of reference, who have oversight over local matters and ensure that the remuneration principles and policies are implemented consistently.

Although the committee does not consult directly with employees on executive director remuneration policy, it reviews proposals in the context of a detailed understanding of remuneration for the broader employee population. The structure of total remuneration packages for executive directors, and for the broader employee population, is similar, comprising base pay, pension and benefits and eligibility for a discretionary STI based on performance in the financial year. The level of STI and the portion deferred are determined by role and responsibility. The Group LTI plan applies to executive directors and senior executives based at the Group's head office in London, and other LTI plans are in place for senior executives in subsidiary companies.

Annual base pay increases for the executive directors are limited to the average pay increase for employees in their home country, unless there has been a change in role or salary progression for a newly appointed director.

DIRECTORS' REMUNERATION REPORT CONTINUED

Approach to remuneration in connection with recruitment

The committee's approach to remuneration in connection with recruitment is to pay no more than is necessary to attract appropriate candidates to the role. It should be noted that the Company operates in a specialised sector and many of its competitors for talent are from outside the UK. Remuneration terms for any new executive directors will be based on the approved remuneration policy and would include the same elements, and be subject to the same constraints, as those of the existing executive directors as shown below:

Element of remuneration	Maximum percentage of base pay
Base pay	
Benefit allowance (for retirement, elective benefits or in cash)	35%
Other benefits	Dependent on circumstances and location
STI	150%
LTI	250% (400% in exceptional circumstances)

When it is necessary to 'buy out' an individual's unvested awards from a previous employer, the committee will seek to match the expected value of the awards by granting awards that vest over a time frame similar to those given up, with a commensurate reduction in quantum where the new awards will be subject to performance conditions that are not as stretching as those applicable to the awards given up. Existing annual incentive given up may be bought out on an expected value basis or, at the discretion of the committee, through a guaranteed STI award for the first performance year only.

Where appropriate, the committee will agree reasonable costs of relocation in line with the Group's mobility policy which, based on individual circumstances, provides for a settling-in allowance and costs incurred such as travel, shipping, immigration and tax advice, temporary housing, transaction costs on home sale/purchase, home/school search and school fees and, if in relation to a temporary assignment, tax equalisation and a housing allowance. All of these costs will be covered gross of tax incurred by the executive, where applicable.

Service agreements and payment for loss of office

Executive directors' service agreements are designed to provide an appropriate level of protection for the executive and the Company by: (i) setting out individual entitlements to elements of remuneration consistent with policy; (ii) summarising notice periods and compensation on termination of employment by the Company; and (iii) describing the obligations in relation to confidentiality, data protection, intellectual property and restraint on certain activities. Service agreements for the current executive directors are available on the Company's website www.oldmutual.com.

In the event that the employment of an executive director is terminated, any compensation payable will be determined in accordance with the terms of the service agreement between the Company and the executive director, as well as the rules of any incentive plans. The Company's policy is to make payments in accordance with pre-established contractual arrangements, but with consideration of individual circumstances. These circumstances may include the reason for termination and, for deferred STI and LTI share incentive awards, some discretion in the determination of Good Leaver status for vesting of such awards. The policy in this respect is set out in the following table:

Standard provision	Policy	Details	Other provisions in contract
Notice	<ul style="list-style-type: none"> ■ Policy is to provide a maximum of 12 months' notice. 	<ul style="list-style-type: none"> ■ In certain cases, executive directors will not be required to work their notice period and, depending on the circumstances, may be put on 'garden leave' or granted pay in lieu of all or part of their notice period (PILON). PILON, including base pay, benefits and pension-related benefits, would normally be paid monthly and be subject to mitigation when alternative employment is secured but may also be paid as a lump sum ■ Executive directors are generally subject to annual re-election at the Company's Annual General Meeting. 	<ul style="list-style-type: none"> ■ Current contractual terms for Julian Roberts were agreed before 27 June 2012 and, in the absence of certain conditions relating to ill health or accident, provide Julian Roberts with notice by the Company of 12 months and notice to the Company of 12 months.

Standard provision	Policy	Details	Other provisions in contract
Treatment of STI awards	<ul style="list-style-type: none"> ■ STI awards will be made to Good Leavers based on an overall assessment of corporate and personal performance and pro-rated for the period worked in the performance year of termination. 	<ul style="list-style-type: none"> ■ Paid in cash. 	<ul style="list-style-type: none"> ■ In the event of termination by the Company with PILON, or on garden leave, Julian Roberts' contract (agreed before 27 June 2012), provides for payment of STI for the notice period. The value to be paid will be determined by the committee based on the terms set out in the contract.
Treatment of unvested LTI and deferred STI share incentive awards	<ul style="list-style-type: none"> ■ All awards lapse except for Good Leavers. 	<ul style="list-style-type: none"> ■ LTI vesting for Good Leavers* is based on the achievement of performance conditions. The number of shares to vest would be calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period ■ Deferred STI awards for Good Leavers* vest fully on termination. 	
Compensation for loss of office	<ul style="list-style-type: none"> ■ Settlement agreements with executive directors may provide for, as appropriate: <ul style="list-style-type: none"> – Incidental costs related to the termination, such as legal fees for advice on the settlement agreement – Provision of outplacement services – Payment in lieu of accrued, but untaken, holiday entitlements – Exit payments in relation to any legal obligation or damages arising from such obligation – Settlement of any claim arising from the termination – Continuation or payment in lieu of other incidental benefits – In the case of redundancy, two weeks' base pay per year of service. 	<ul style="list-style-type: none"> ■ Terms are subject to the signing of a settlement agreement. 	<ul style="list-style-type: none"> ■ There are no other contractual provisions for compensation for loss of office.
Non-executive directors	<ul style="list-style-type: none"> ■ One month's notice (12 months for the Chairman) ■ Appointed for an initial three-year term ■ Normally expected to serve two three-year terms, subject to annual re-election at the Company's Annual General Meeting ■ A third term (of up to three years) may be offered on a year by year basis after completion of the first two terms. 	<ul style="list-style-type: none"> ■ Non-executive directors are subject to annual re-election at the Company's Annual General Meeting. 	<ul style="list-style-type: none"> ■ No compensation is payable on termination of appointment as a non-executive director.

* Subject to further adjustments which may be applied to discretionary Good Leavers as set out in the 'Treatment of incentive awards on termination or change of control' section of this report.

DIRECTORS' REMUNERATION REPORT CONTINUED

Dates of directors' service contracts and letters of appointment

Executive director	Commencement date in current role	Continuous service date	Notice period	
Bruce Hemphill	1 November 2015	1 November 2015	12 months	
Paul Hanratty	1 July 2014	16 January 1984	12 months	
Ingrid Johnson	1 July 2014	1 September 1993	12 months	

Non-executive director	Date of original appointment	Date of current appointment	Current term as director	Date current appointment terminates
Patrick O'Sullivan	1 January 2010	1 January 2016	3rd (First period)	1 January 2017
Mike Arnold	1 September 2009	1 September 2015	3rd (First period)	1 September 2016
Zoe Cruz	6 January 2014	6 January 2014	1st	6 January 2017
Alan Gillespie	3 November 2010	3 November 2013	2nd	3 November 2016
Danuta Gray	1 March 2013	1 March 2016	2nd	1 March 2019
Adiba Ighodaro	6 January 2014	6 January 2014	1st	6 January 2017
Trevor Manuel	1 January 2016	1 January 2016	1st	1 January 2019
Roger Marshall	5 August 2010	5 August 2013	2nd	5 August 2016
Nkosana Moyo	1 September 2013	1 September 2013	1st	1 September 2016
Vassi Naidoo	1 May 2015	1 May 2015	1st	1 May 2018
Nonkululeko Nyembezi-Heita	9 March 2012	9 March 2015	2nd	9 March 2018

Directors' service contracts and letters of engagement for the non-executive directors are available on the Company's website at www.oldmutual.com

Directors' Remuneration Policy table (non-executive directors)

How the element supports our strategic objectives	Operation of the elements (fees and benefits)	Maximum potential payout	Performance measures used, weighting and time period applicable
To attract non-executive directors who have the broad range of experience and skills required to oversee the implementation of the strategy.	<ul style="list-style-type: none"> ■ Fees for non-executive directors (other than the Chairman) are set by the Board and paid in 12 monthly instalments ■ The Chairman's fees are set by the committee and paid in 12 monthly instalments ■ Travel for partners to a limited number of Board meetings or corporate events of the Company and its major subsidiaries. 	<ul style="list-style-type: none"> ■ Fees are set within the range of comparative board and committee fees, benchmarked against an appropriate group of FTSE 100 companies. Average increases will not normally exceed the average increase for the UK workforce, except where: <ul style="list-style-type: none"> – committee roles or responsibilities change significantly; or – market fees in relation to certain roles change significantly ■ Non-executive directors may hold positions on the boards of subsidiary companies and are entitled to retain the fees payable to them for doing so. 	<ul style="list-style-type: none"> ■ Non-executive directors are not eligible to participate in performance-related incentive plans.

Annual Report on Remuneration

The Annual Report on Remuneration sets out the payments made and awards granted to the directors in 2015 and how the Company intends to implement the Directors' Remuneration Policy in 2016. This, along with the Chairman's Annual Statement, is subject to an advisory shareholder vote at the 2016 AGM.

Market benchmarks

The primary peer group for benchmarking executive remuneration comprises large European insurers and, for 2015 and 2016, includes Prudential plc, Aviva plc, RSA Insurance Group plc, Legal & General Group plc, Standard Life plc, Allianz Group and Axa Group.

For non-executive directors, benchmarking is performed against non-executive directors' remuneration in FTSE100 companies using the whole of the FTSE100 population as well as an extract of companies by market capitalisation.

Single total figures of remuneration for executive directors (audited)

	Base pay		Taxable benefits		STI		LTI		Pension-related benefits		Items in the nature of remuneration		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Executive director														
Bruce Hemphill ¹	150	–	1,540	–	950	–	–	–	52	–	2,119	–	4,811	–
Paul Hanratty ²	645	315	9	–	803	384	802	940	220	101	4	13	2,483	1,753
Ingrid Johnson ²	615	300	104	1,284	784	353	137	200	215	105	13	2	1,868	2,244
Former executive director														
Julian Roberts ³	775	910	64	89	1,154	1,079	–	2,036	271	318	6	12	2,270	4,444

1 Bruce Hemphill joined the Board on 1 November 2015. Figures for 2015 represent remuneration paid for the period from that date

2 Paul Hanratty and Ingrid Johnson joined the Board on 1 July 2014. Figures for 2014 represent remuneration paid in 2014 for the period from that date

3 Julian Roberts ceased to be an executive director of the Company on 31 October 2015. Figures for 2015 represent remuneration paid for the period up to that date (including the full STI payable for 2015).

Element	Description
Taxable benefits	<ul style="list-style-type: none"> These amounts represent the gross value of benefits that are paid for by the Company and are chargeable to UK income tax. They cover such items as tax advice, spouse's travel, use of a car and driver and, for Bruce Hemphill and Ingrid Johnson, relocation costs from South Africa to the UK. In accordance with the approved Directors' Remuneration Policy, the Company paid for certain costs of relocating, such as a settling-in allowance, relocation agents' costs, moving costs, transport of household items, temporary housing and transaction costs, indirect costs of purchasing a house in the UK and, for Bruce Hemphill, cost of travel for his family. The committee applied caps to certain elements of Bruce Hemphill's relocation package to ensure that controls were in place to manage the total costs incurred. The total value of the costs covered was £825,931 in 2015 for Bruce Hemphill and £709,338 in 2014 for Ingrid Johnson. The Company accounted for the tax due on these costs directly, resulting in gross costs of £1,467,310 (2015) and £1,272,793 (2014) respectively. It is these values that are included in the single total figures.
STI	<ul style="list-style-type: none"> STI awarded in relation to performance in the year, including 50% that is deferred for three years in the form of a share award. In accordance with the payment structure agreed when Ingrid Johnson was appointed as Group Finance Director, an amount equal to 50% of her total 2014 STI, inclusive of the amount paid for service with Nedbank up to 30 June 2014, was deferred for three years in the form of a share award. As part of Bruce Hemphill's recruitment arrangements in relation to the buy-out of existing awards, it was agreed that for 2015, Bruce Hemphill will receive a guaranteed STI award to the value of £950,000, 50% of which will be deferred for three years in the form of a share award. Vesting of the share awards is not subject to the achievement of performance targets but requires the director to remain in office during the vesting period. Malus applies to the shares held under award prior to vesting and claw back applies to the cash element.
LTI	<ul style="list-style-type: none"> The 2014 Directors' Remuneration Report reflected the value of LTI vesting based on the average Old Mutual plc share price over the final quarter of 2014 (188.3p), as the options granted in 2012 had not vested at the time of publication. The values have been updated to reflect the actual market value of 50% of the award that vested in April 2015, namely 236.8p per share, while the balance of 50% (which is due to vest in April 2016) is valued as it was in 2014 The 2015 LTI value has been calculated using the average Old Mutual plc share price over the final quarter of 2015 (198.04p) and, for the 50% of the options that are due to vest in April 2016, the value will be restated in the 2016 Directors' Remuneration Report. Malus and claw back apply to the shares held under option In respect of Ingrid Johnson, the LTI value for 2014 has been updated to reflect the actual market value of the awards that vested or were matched in 2015 (namely R253 per share in respect of the Nedbank Restricted Share Award over 9,365 Nedbank shares, and R239.42 per share in respect of the matching award of 5,239 Nedbank shares) converted to sterling using the exchange rate for each vesting date (namely R18.27 and R17.75 to £1 respectively) In respect of Ingrid Johnson, the 2015 LTI value represents the value of her Nedbank awards which are due to vest in 2016, calculated using the average Nedbank share price over the final quarter of 2015 (R213.37), converted to sterling using the average exchange rate over the final quarter of 2015 (R21.90 to £1).

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Description
Pension-related benefits	■ This represents the benefit allowance of 35% of base pay less any amounts sacrificed for the purchase of other benefits. The Company currently contributes 9% (up to the Annual Allowance) of the 35% to the Old Mutual Group Personal Pension Plan.
Items in the nature of remuneration	■ This includes: (i) non-taxable benefits, including those paid for through the sacrifice of pension-related benefits, which are not considered to be significant in value; (ii) the value of the discount applied to Ingrid Johnson's tax-advantaged share option granted under the Old Mutual plc 2008 Sharesave Plan; and (iii) the face value, at the time of award, of Bruce Hemphill's buy-out awards not subject to performance conditions, as described in detail later in this report.

Additional requirements in respect of the single total figure table (audited)

2015 STI outcomes

The following charts illustrate the outcome for each element of the 2015 STI performance targets, followed by the underlying detail of achievement against those targets:

Executive directors

Paul Hanratty

Actual	26%	25%	32%	£803,025
% of maximum opportunity	30%	30%	40%	£967,500

Ingrid Johnson

Actual	26%	25%	34%	£784,125
% of maximum opportunity	30%	30%	40%	£922,500

Former executive director

Julian Roberts

Actual	34%	32%	20%	£1,153,991
% of maximum opportunity	39%	39%	22%	£1,336,875

- RoE
- EPS in constant currency
- Personal scorecard objectives

The percentages of maximum opportunity in relation to personal scorecard and financial metrics for Julian Roberts were adjusted in accordance with the terms of his termination agreement, which determined the way in which his STI would be calculated, as explained in the 'Payments for loss of office' section of this report.

Group Financial performance achievement

Performance measure	Threshold	Target	Maximum	Actual	% of maximum achieved
RoE	11.5%	12.8%	14.1%	14.2%	100.0%
EPS in constant currency	15.9p	17.7p	19.5p	19.3p	94.4%
Weighted outcome					97.2%
Adjusted actual outcome					85.0%

The Group operated within the expected risk framework and policies during 2015; however, the committee exercised its discretion in one important area in order to ensure that it maintained its overriding objective to align reward with performance. The committee determined that it was appropriate to make a downward adjustment to the outcome of the financial component of the STI to take consideration of the projected time and cost overruns of the Old Mutual Wealth initiative for outsourcing technology and administration to IFDS.

Personal performance achievement

The table below provides details of achievement against personal objectives during 2015:

Executive director	Maximum % of opportunity	Key achievements in the year	% of maximum achieved
Paul Hanratty	40%	<ul style="list-style-type: none"> ■ Strong growth at Old Mutual Wealth and Old Mutual Emerging Markets ■ Establishment of the South African holding company ■ Contribution to the development of the new strategy 	80%
Ingrid Johnson	40%	<ul style="list-style-type: none"> ■ Solvency II readiness ■ Successful £450m bond offering ■ Contribution to the development of the new strategy 	85%
Former executive director			
Julian Roberts	22%	<ul style="list-style-type: none"> ■ Effective management of the Group to the end of October and handover to the new Group Chief Executive 	91%

1 The committee determined that it was appropriate to make a downward adjustment to the outcome of the personal scorecard component of the STI for all executive directors, to take consideration of the projected time and cost overruns of the Old Mutual Wealth initiative for outsourcing technology and administration to IFDS. The adjustment was proportionate to each of the executive directors' relative accountability for the project.

Details of Bruce Hemphill's guaranteed STI for 2015 can be found in the section of this report entitled 'Appointment of executive director during 2015'.

Outcomes for LTI awards over Old Mutual plc shares granted in 2013 (for the performance period 2013 to 2015)

The award made to Paul Hanratty, before he became an executive director of the Company, had a face value of 200% of base pay (inclusive of the TSR multiplier) at the time of grant. Vesting is due to occur 50% on the third anniversary of the date of grant (8 April 2016) and 50% on the fourth anniversary of the date of grant (8 April 2017). As the option had not vested at the date of this report, the average share price for the final quarter of 2015 (198.04p) has been used to determine the value for the purposes of the single total figure. The underlying details of achievement against objectives are set out below:

Overall outcome	Weighting	% of maximum achieved
Financial metrics	60.0%	53.3%
Emerging Markets – Africa expansion (excluding banking)	15.0%	73.3%
Old Mutual Wealth	7.5%	84.0%
Simplify/de-risk the Group, Risk Management, Governance, Culture and Reputation	17.5%	78.3%
Total weighted outcome (A)		63.0%
TSR multiplier – % achieved (B)		113.5%
Vesting – % of maximum award (A x B)		71.5%

Financial Objectives – achievement

	Threshold ¹	Target	Maximum	Outcome	Weight	Weighted outcome
EPS (p) (IFRS AOP-based CAGR ²) post-tax	5%	7.5%	10%	3.3%	15%	0%
EPS (c) (IFRS AOP-based CAGR ²) post-tax	5%	7.5%	10%	18.3%	15%	15%
RoE (IFRS-AOP based averaged over three years)	12%	13.5%	15%	13.7%	30%	17%
						32%

Strategic Objectives – achievement

	Threshold ¹	Target	Maximum	Outcome	Weight	Weighted outcome
(1) Emerging Markets – Africa expansion (excluding banking)						
Customer growth in Africa (excluding SA) (CAGR ²)	10%	15%	20%	49.2%	10%	10%
Profit (AOP) growth in Africa (excluding SA) (CAGR ²) (pre-tax including LTIR)	10%	15%	20%	12.0%	5%	1%
						11%
(2) Old Mutual Wealth						
Profit (AOP) growth UK and International (CAGR ²) (pre-tax)	10%	15%	20%	18.4%	7.5%	6.3%

1 Vesting is 0% at threshold with straight-line interpolation between threshold and maximum

2 Compound annual growth over the three-year performance period.

DIRECTORS' REMUNERATION REPORT CONTINUED

(3) Simplify/de-risk the Group, Risk Management, Governance, Culture and Reputation

An outcome of 78.3% of maximum was agreed by the committee, on the basis of an assessment of performance against this objective. Over the period, the Company successfully delivered on a number of strategic objectives identified as key priorities by the committee at the beginning of the performance period, namely:

- A significant restructuring of the Group's South African entities to align to the requirements of South African regulators
- Significant progress in managing down the exposure to closed-book businesses in Europe through successful sales of these businesses
- Excellent progress in building an asset management brand and market share in the UK
- Preparing the US asset management business for IPO.

Throughout the period, management continued to manage down the risk in the Old Mutual Bermuda business effectively, and completed the sale of Old Mutual (Bermuda) Ltd in December 2015.

The Company monitors culture through a number of KPIs, which were stable or improving over the period. The committee noted that, although the Group's culture survey scores compared favourably to stretching external benchmarks, a small number of businesses within the Group had not achieved the target ranges set.

The committee received input from the Board Risk Committee, which confirmed that the Group had achieved its objectives within the risk policies and risk appetite limits established for the period. However, the committee exercised its discretion in one important area in order to ensure that it maintained its overriding objective to align reward with performance. The committee determined that it was appropriate to make a downward adjustment to the outcome of this component of the long-term incentive, to take consideration of the projected time and cost overruns of the Old Mutual Wealth initiative for outsourcing technology and administration to IFDS.

TSR multiplier

A TSR multiplier was used to adjust the outcome of the LTI scorecard in the tables above. TSR was averaged at the start (Q4 2012) and end (Q4 2015) of the three-year performance period.

	Weighting	4% or more below index ¹	Equal to index ¹	4% or more above index ¹	Outcome	Multiplier	Weighted outcome
Annualised relative TSR growth (£)	50%	85%	100%	115%	3.2%	112%	56.0%
Annualised relative TSR growth (R)	50%				16.3%	115%	57.5%
Weighted total							113.5%

¹ Straight-line interpolation between the points.

2013 LTI awards over Old Mutual plc shares due to vest to the executive directors (audited)

Executive director	Old Mutual shares under option at grant	Achievement of performance targets	Old Mutual shares under option to vest in 2016	Old Mutual shares under option to vest in 2017	Average Old Mutual plc share price over Q4 2015	Value of share options to vest in 2016 £000	Value of share options to vest in 2017 £000	Total value of LTI as shown in the single figure table £000 ¹
Paul Hanratty	565,844	71.5%	202,289	202,289	198.04p	401	401	802

¹ The LTI value has been calculated using the average price of Old Mutual plc shares over the final quarter of 2015 (198.04p), and for the 50% of the option that will vest in April 2016, will be restated in the 2016 Directors' Remuneration Report, once actual values on vesting are known. These figures do not reflect the fact that the option due to vest in 2017 will be pro-rated as a result of Paul Hanratty's cessation of employment with the Group in September 2016.

Outcomes for LTI awards over Nedbank shares granted in 2013 (for the performance period 2013 to 2015)

A restricted share award over 42,126 Nedbank shares was granted to Ingrid Johnson when she worked for Nedbank in March 2013. The shares held under award were subject to forfeiture provisions during a three-year vesting period, which required her to remain in employment with Nedbank and, for 50% of the award, the achievement of Nedbank corporate performance targets. It was agreed with Nedbank that Ingrid Johnson would retain eligibility in relation to the employment condition provided she remained in employment with the Old Mutual Group. The element of the award subject to the achievement of Nedbank corporate performance targets is set out below:

Nedbank shares under award at grant	Nedbank measure	Weighting	Range	Achieved	% of award vesting	Number of shares vesting in 2016	Value of LTI included in the single figure table £000 ²
21,063 ¹	Average RoE (excluding goodwill) equal to or in excess of the average cost of equity over the performance period	50%	0% to 8%	3.95%	79%	8,320	81
	Nedbank share price against						
	Fini15 Index over the performance period	50%	-20% to +30%	-39.4%	0%		

¹ The number of shares under award was subject to a potential 30% uplift in the event that Nedbank met or exceeded the top of the range of the targets. There was no uplift in 2015.

² The value has been calculated using the average price of Nedbank shares over the final quarter of 2015 (R213.37), converted into sterling using the average exchange rate over the final quarter of 2015 (R21.90 to £1). The value shown in the single figure table will be restated in the 2016 Directors' Remuneration Report once the actual value on vesting is known.

A deferred STI award over 9,966 Nedbank shares was granted to Ingrid Johnson under the Nedbank Compulsory Bonus Share Scheme when she worked for Nedbank in March 2013. The shares held under award were subject to forfeiture provisions which ended, in equal proportions, six months, 18 months and 30 months after the date of award. A matching award was offered (on a one-for-one basis) on any of the shares which were held voluntarily in the scheme until the third anniversary of the date of award. In addition to this, Ingrid Johnson pledged 1,533 Nedbank shares under the Nedbank Voluntary Bonus Share Scheme, under which a matching award was offered (on a one-for-one basis) on any of the shares which were held voluntarily in the scheme until the third anniversary of the date of award. The matching awards were subject to Ingrid Johnson remaining in employment with Nedbank during that three-year vesting period and, for 50% of the award, the achievement of Nedbank corporate performance targets. It was agreed with Nedbank that Ingrid Johnson would retain eligibility in relation to the employment condition provided she remained in employment with the Old Mutual Group. The element of the matching awards subject to the achievement of Nedbank corporate performance targets is set out below:

Nedbank measure	Target	Achieved	% of award vesting	Maximum number of matching shares to be awarded in 2016	Actual number of matching shares to be awarded in 2016	Value of LTI included in the single figure table £000 ¹
Average RoE (excluding goodwill) excess over average cost of equity over the performance period	2%	3.95%	100%	5,750	5,750	56

1 The value has been calculated using the average price of Nedbank shares over the final quarter of 2015 (R213.37), converted into sterling using the average exchange rate over the final quarter of 2015 (R21.90 to £1). The value shown in the single figure table will be restated in the 2016 Directors' Remuneration Report, once the actual value on vesting is known.

Single total figures of remuneration for non-executive directors (audited)

Non-executive directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits, other than those described in footnote 1 to the table below. This table shows the single total figures for both 2014 and 2015 for the Chairman and the other non-executive directors:

Non-executive director	Fees		Taxable benefits ¹		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Patrick O'Sullivan	380	370	22	17	402	387
Mike Arnold	99	97	–	–	99	97
Zoe Cruz	79	77	–	–	79	77
Alan Gillespie	89	94	–	–	89	94
Danuta Gray	94	88	–	–	94	88
Adiba Ighodaro ²	69	67	–	–	69	67
Roger Marshall	109	107	–	–	109	107
Nkosana Moyo	79	77	–	–	79	77
Vassi Naidoo ³	205	–	–	–	205	–
Nonkululeko Nyembezi-Heita	74	72	–	–	74	72
Former non-executive director						
Reuel Khoza (resigned May 2015) ⁴	111	315	10	–	121	315

1 Neither the Chairman nor any of the other non-executive directors received any pension-related benefits, short- or long-term incentives or any other items in the nature of remuneration in 2014 or 2015. The amounts included in the Taxable benefits columns for the Chairman relate to the provision of travel to and from the Company's office in London

2 Fees payable to Adiba Ighodaro were paid to Actis LLP rather than to her personally

3 Includes fees of £156,000 in respect of Nedbank Group Limited. Vassi Naidoo joined the Boards of the Company, Nedbank Group Limited and Nedbank Limited on 1 May 2015 and the figure represents remuneration paid from that date

4 Includes fees of £83,000 (£243,000 in 2014) in respect of Nedbank Group Limited. The amount included in the taxable benefits column relates to spouse's travel costs.

**DIRECTORS'
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Scheme interests awarded during 2015 (audited)

The following tables show share incentive awards granted to the executive directors during 2015. STI and LTI awards were granted in accordance with the grant policies set out above and, other than in respect of Bruce Hemphill's buy-out awards, the number of shares under award or option was calculated using the middle market quotation (MMQ) of Old Mutual plc shares on the business day preceding the date of grant. The Sharesave exercise price was set at a 20% discount to the average Old Mutual plc share price over a three day period immediately preceding the invitation date.

The Directors' Remuneration Policy on recruitment of an executive director states that, "where it is necessary to buy out an individual's unvested awards from a previous employer, the committee would seek to match the expected value of the awards by granting awards that vest over a time frame similar to those given up, with a commensurate reduction in quantum where the new awards will be subject to performance conditions that are not as stretching as those applicable to the awards given up." The committee assessed the outstanding awards and options from Bruce Hemphill's previous employment, and the timescale and likelihood of vesting, and determined that the buy-out awards shown below represented appropriate replacement to those being forfeited.

Date of grant	Award type	Basis of award	Old Mutual shares held under option or award	Share price at date of award	Face value at date of grant £000	% receivable if minimum performance is achieved	Vesting date	The end of the period over which the performance targets have to be fulfilled
Bruce Hemphill								
5 Nov 2015	Nil-cost share option	Buy-out	1,509,686	213.5p ¹	3,223	0%	50% – 5 Nov 2018 50% – 5 Nov 2019	31 Dec 2017
5 Nov 2015	Forfeitable shares award	Buy-out	546,789	213.5p ¹	1,167	100%	33.3% – 5 Nov 2016 33.3% – 5 Nov 2017 33.3% – 5 Nov 2018	N/A
Paul Hanratty								
17 Apr 2015	Nil-cost share option	LTI (250% of base pay)	671,036	240.3p	1,612	0%	50% – 17 Apr 2018 50% – 17 Apr 2019	31 Dec 2017
17 Apr 2015	Forfeitable shares award	Deferred STI (50% of STI)	166,731	240.3p	401	100%	17 Apr 2018	N/A
Ingrid Johnson								
17 Apr 2015	Nil-cost share option	LTI (250% of base pay)	639,824	240.3p	1,537	0%	50% – 17 Apr 2018 50% – 17 Apr 2019	31 Dec 2017
17 Apr 2015	Forfeitable shares award	Deferred STI (50% of STI)	126,204	240.3p	303	100%	17 Apr 2018	N/A
5 May 2015	Sharesave	SAYE	16,068	186.7p ²	30	100%	1 Jun 2020	N/A
Former executive director								
Julian Roberts								
17 Apr 2015	Forfeitable shares award	Deferred STI (50% of STI)	224,589	240.3p	540	0%	17 Apr 2018	N/A

1 The number of shares placed under award or option was calculated using the Old Mutual plc, Liberty Holdings and Standard Bank share prices on the date preceding the announcement, by the Company, that Bruce Hemphill would succeed Julian Roberts as Group Chief Executive. The table above reflects the Old Mutual plc share price at the date of award

2 The Sharesave exercise price was set at a 20% discount to the average Old Mutual plc share price over a three day period immediately preceding the invitation date.

Performance measures for LTI awards over Old Mutual plc shares granted in 2015 (audited)

	LTI scorecard	Threshold ¹	Target	Maximum	Weight
Financial	EPS (p) (IFRS AOP-based CAGR ²) post-tax	5%	7.5%	10%	17.5%
	EPS (c) (IFRS AOP-based CAGR ²) post-tax	5%	7.5%	10%	17.5%
	RoE (IFRS-AOP based averaged over three years)	12%	13.5%	15%	35.0%
Strategic objectives	1. In Africa, build a financial services champion				
	In assessing performance against this objective, the committee will consider: (i) the quantum and quality/sustainability of synergy value achieved against the R1 billion target over the period; and (ii) growth in the Rest of Africa, considering the quality of investment made, the effectiveness of delivering integration plans and building market presence				12.5%
	2. In the UK, build the leading retail investment business				
	In assessing performance against this objective, the committee will consider the effectiveness of transforming the business, integrating acquisitions and delivering key strategic projects				10.0%
Strategic objectives	3. Delivery of our culture and Responsible Business objectives				
	In assessing performance against this objective, the committee will have particular focus on the effectiveness of key culture initiatives and KPI targets across the Group, along with success of Old Mutual's Financial Wellbeing campaigns and responsible investment objectives				7.5%
Total					100.0%

1 Vesting is 0% at threshold with straight-line interpolation between threshold and maximum

2 Compound annual growth over the three-year performance period.

The committee will apply its discretion in determining the final outcomes in relation to the 2015 LTI, and in this regard:

- It will receive a report from the Chief Risk Officer to confirm whether the performance of the Group has been achieved within the stated risk appetite. Where the risk appetite has been breached, the committee will have discretion to reduce the level of vesting accordingly
- It will exercise its discretion to make adjustments where there is a significant negative impact on underlying financial performance which is not adequately reflected in AOP results (for example, where LTIR adjustments create any inconsistency between AOP and IFRS basic earnings).

Where the Group undergoes a significant change, such as a large disposal, acquisition or restructuring, the committee will review the targets to assess whether they need to be adjusted to reflect the change, or whether they should be replaced altogether.

TSR multiplier¹

A TSR multiplier will be used to adjust the weighted average outcome of the LTI scorecard in the table shown above. TSR will be averaged at the start (Q4 2014) and end (Q4 2017) of the three-year performance period.

	Relative TSR vs index	Multiplier
Threshold	4% or more below index	0.85
Target	equal to index	1.00
Maximum	4% or more above index	1.15

1 Relative TSR performance (calculated 50% against the FTSE 100 Index and 50% against the JSE ALSI) against the above ranges, with a multiplier being set on a linear basis between the points.

As a result of the outcome of the strategic review, it is intended to review, and possibly amend, the performance measures for LTI awards granted in 2015. Consultation in this respect will take place with our major shareholders prior to implementation, and full disclosure will be provided in the Directors' Remuneration Report for 2016.

DIRECTORS' REMUNERATION REPORT CONTINUED

Appointment of executive director during 2015

The Company announced the appointment of Bruce Hemphill as Group Chief Executive on 15 April 2015, and he joined the Board on 1 November 2015. Details of his remuneration package were announced at the time, and are set out below:

Element	Description
Base pay	£900,000
Fixed Benefits including pension-related benefits	Fixed allowance equal to 35% of base pay for pension and other elective benefits. Core insurance and other agreed benefits are also paid. 9% (up to the Annual Allowance) of the fixed allowance is contributed to the Old Mutual Group Personal Pension Plan on behalf of Bruce Hemphill. Other taxable benefits include: (i) spouse's travel to certain Board meetings and corporate events of the Company and its major subsidiaries, (ii) the use of a car and driver; and (iii) costs in relation to Bruce Hemphill's relocation from South Africa to the UK, such as family travel costs, relocation agents' costs, moving costs, transport of household items, temporary housing and transaction costs, and indirect costs of purchasing a house in the UK
Variable STI for 2016 onwards	Maximum of 150% – subject to Group financial performance (75%) and personal scorecard performance (25%), 50% deferred for three years in the form of a forfeitable shares award
LTI for 2016 onwards	Maximum of 250% of base pay granted in the form of a nil-cost share option, 50% vesting after three years and 50% vesting after four years, subject to the achievement of performance targets over a three-year performance period. As a result of the outcome of the strategic review, the committee intends to present a new Directors' Remuneration Policy to shareholders for approval in General Meeting later in 2016. Further information is provided in the 'Implementation of remuneration policy in 2016' section of this report
Other Settling-in allowance	A payment equal to one month's gross base pay (£75,000, equal to £140,000 gross) was paid to Bruce Hemphill in 2015, paid partly in cash and partly by the Company settling certain expenses on his behalf related to his relocation to the UK.

On leaving Standard Bank, Bruce Hemphill forfeited awards and options under various plans granted by Liberty Holdings and Standard Bank, some of which were subject to performance conditions. The committee determined that it was appropriate to buy out these awards based on the value of the Old Mutual plc, Liberty Holdings and Standard Bank share prices on 14 April 2015, that being the date preceding the Company's announcement that Bruce Hemphill would succeed Julian Roberts as Group Chief Executive.

Element	Value at date of award	Description
Cash	£950,972	Paid in November 2015
Forfeitable shares award	£1,167,395	A forfeitable shares award over 546,789 Old Mutual plc shares was granted on 5 November 2015. This award will vest in equal thirds on the first, second and third anniversaries of the date of award. The award is subject to malus provisions during the vesting period
Nil-cost share option	£3,223,179	A nil-cost share option over 1,509,686 shares was granted on 5 November 2015. This option will vest 50% on the third anniversary of the date of grant and 50% on the fourth anniversary of the date of grant, subject to the achievement of the performance targets applicable to LTI awards granted in 2015. Malus and claw back provisions apply to this option
STI for 2015	£950,000	A guaranteed STI totalling £950,000 will be paid in March 2016 (50% deferred for three years in the form of a forfeitable shares award). Malus and claw back apply to the cash element and malus applies to the deferred element.

Payments to past directors (audited)

Julian Roberts

Julian Roberts ceased to be a director of the Company on 31 October 2015 and has been on garden leave since that date. He has continued to receive base pay and benefits since then and will continue to do so until the end of his 12-month notice period, which ends on 14 April 2016. The value of base pay and benefits paid to Julian Roberts between 1 November and 31 December 2015 is set out below:

Element	Value
Base pay	£155,000
Benefits including pension-related benefits	£54,250 (plus other core benefits)

Philip Broadley

Certain LTI awards granted to the former Group Finance Director, Philip Broadley, vested and were exercised during 2015 as set out below:

	Date of grant	Shares under option at grant	Shares forfeited in respect of time-based pro-rating and partial achievement of performance targets	Shares vested in 2015	Share price on date of vesting	Value of share options vested in 2015 £000
Philip Broadley	11 April 2011	488,079	140,258	347,821	235.3p	818
	10 April 2012	461,490	206,884	254,606	236.8p	603

Payments for loss of office (audited)**Julian Roberts**

Julian Roberts stepped down from the Company's Board and his role as Group Chief Executive on 31 October 2015. Julian Roberts will leave the Group on 14 April 2016 at the end of his 12-month notice period. In line with the Directors' Remuneration Policy, the committee considered the overall circumstances of his departure as well as his performance and contribution to the Company over the 15 years he worked for the Group. The committee's determinations, which were consistent with the Directors' Remuneration Policy, are set out below:

Element	Description
Pay in lieu of notice	None
Base pay	Paid until the end of the notice period on 14 April 2016. No increase in 2016.
Pension-related and other benefits	Benefits and pension-related benefits continue until the end of the notice period on 14 April 2016. Legal fees totalling £7,500 relating to the termination of employment were also paid.
STI	In accordance with Julian Roberts' service agreement, he is eligible for a short-term incentive award for performance years 2015 and 2016, to be calculated on a pro-rata basis: (i) in respect of the Group financial target element (78% of the maximum award for 2015) for the period employed during each performance period (whether or not on garden leave); and (ii) in respect of the personal scorecard element (22% of the maximum award for 2015), for the period employed and not on garden leave. The 2015 STI award will be paid 50% in cash and 50% in the form of a forfeitable shares award with a three-year vesting period. The 2016 STI will be paid in cash without deferral in 2017.
LTI	No awards in 2015 or 2016
Existing deferred STI and LTI awards	Deferred STI awards and LTI awards will vest on their normal vesting dates. Vesting of LTI awards will remain subject to: (i) the achievement of performance targets; and (ii) time-based pro-rating reflecting the period of employment during the vesting period.

Julian Roberts' LTI awards that will be unvested at the date of cessation of his employment with the Group are set out below:

	Date of grant	Shares under option ¹	Performance targets to be met	Date of vesting
Julian Roberts	8 April 2013	406,877	Tested	8 April 2017
	8 April 2014	561,451	Yes	8 April 2017
	8 April 2014	561,451	Yes	8 April 2018

¹ These figures do not reflect the fact that the options will be pro-rated as a result of Julian Roberts' cessation of employment with the Group.

Paul Hanratty

Paul Hanratty will step down from the Company's Board and his role as Chief Operating Officer on 12 March 2016. Mr. Hanratty's employment with the Group is scheduled to end on 14 September 2016, at the end of his 12-month notice period. In line with the Directors' Remuneration Policy, the committee considered the overall circumstances of his departure as well as his performance and contribution to the Group over more than 30 years. The committee's determinations, which were consistent with the Directors' Remuneration Policy, are set out below:

Element	Description
Pay in lieu of notice	None
Base pay	Paid until the end of the notice period on 14 September 2016. No increase in 2016.
Pension-related and other benefits	Benefits and pension-related benefits continue until the end of the notice period on 14 September 2016. Legal fees totalling £7,500 relating to the termination of employment and outplacement fees totalling £50,000 were also paid.
STI	Eligible for a short-term incentive award for performance years 2015 and 2016, to be calculated on a pro-rata basis for the period employed and not on garden leave during each performance period. The 2015 STI award will be paid 50% in cash and 50% in the form of a forfeitable shares award with a three-year vesting period. The 2016 STI will be paid in cash without deferral in 2017.
LTI	No award in 2016.
Existing deferred STI and LTI awards	Deferred STI awards and LTI awards will vest on their normal vesting dates. Vesting of LTI awards will remain subject to: (i) the achievement of performance targets; and (ii) time-based pro-rating reflecting the period of employment during the vesting period.

**DIRECTORS'
REMUNERATION REPORT
CONTINUED**

Paul Hanratty's LTI awards that will be unvested at the date of cessation of his employment with the Group are set out below:

	Date of grant	Shares under option ¹	Performance targets to be met	Date of vesting
Paul Hanratty	8 April 2013	202,289	Tested	8 April 2017
	8 April 2014	278,875	Yes	8 April 2017
	8 April 2014	278,875	Yes	8 April 2018
	8 August 2014	57,844	Yes	8 August 2017
	8 August 2014	57,844	Yes	8 August 2018
	17 April 2015	335,518	Yes	17 April 2018
	17 April 2015	335,518	Yes	17 April 2019

¹ These figures do not reflect the fact that the options will be pro-rated as a result of Paul Hanratty's cessation of employment with the Group.

Shares in trust and shareholder dilution

At 31 December 2015, there were 109,765,947 shares held in employee share ownership trusts (ESOTs) for the purposes of collateralising some of the obligations under the Group's employee share incentive schemes. The usual strategy is to ensure that, with the exception of Black Economic Empowerment-related ESOTs, at least sufficient shares are held to satisfy restricted share/forfeitable shares awards. In calculating dilution limits, any awards that are satisfied by transfer of pre-existing issued shares (such as shares acquired by market purchase through ESOTs) and any shares comprised in any share option or share award that has lapsed or has been cash-settled are disregarded. At 31 December 2015, the Company had 4.52% of share capital available under the 5%-in-10-years limit applicable to discretionary share incentive schemes and 8.63% of share capital available under the 10%-in-10-years limit applicable to all share incentive schemes. The Company has complied with these limits at all times.

Directors' shareholdings and share interests (audited)

Within a period of five years of appointment to the role, the Group Chief Executive is required to build up a holding of shares in the Company equal in value to 200% of base pay, and the equivalent figure for other executive directors is 150% of base pay.

Unvested share awards or share options and vested but unexercised share options are excluded for the purposes of the calculations. There is no requirement for executive directors to hold shares or share interests in the Company once they have ceased employment with the Group.

The current and former executive directors' interests in Old Mutual plc shares are set out in the table below.

Shares have been valued for these purposes at the year-end price, which was 178.9p per share, other than for Julian Roberts, whose shares have been valued at the date he ceased to be a director of the Company (212.3p per share). There have been no changes to the directors' shareholdings between 31 December 2015 and 11 March 2016; however, certain of the nil-cost share options granted in 2013 lapsed on 11 March 2016 due to the partial achievement of performance targets.

	Share ownership requirement (% of base pay)	Number of shares required to be held	Number of shares owned outright (including by connected persons)	Share ownership requirement met	Vested but unexercised share options	Forfeitable shares awards not subject to performance targets	Nil-cost share options subject to performance targets	Sharesave share options not subject to performance targets
Executive director								
Bruce Hemphill	200%	1,006,149	–	No	–	546,789	1,509,686	–
Paul Hanratty	150%	540,805	446,578	No	–	633,519	2,131,441	–
Ingrid Johnson	150%	515,651	525	No	–	126,204	1,426,813	16,068
Former executive director								
Julian Roberts	200%	876,119	2,014,303	Yes	–	797,545	2,740,046	11,076

Paul Hanratty's connected persons disposed of a number of Old Mutual plc shares during 2015. At the time of the transaction, this did not result in his holding falling below the requirements; however, the subsequent reduction in the Old Mutual plc share price has resulted in him not meeting the shareholding requirement at 31 December 2015. He retains a substantial interest in the Company's share price performance through his remaining holding, and his unvested forfeitable shares awards and nil-cost share options, as set out in the tables above and below.

Share awards outstanding at 1 January 2015 and 31 December 2015

Award type	Performance targets to be met	Grant Date	Market value per share at grant (p)	At 1 Jan 15	Granted	Exercised or released	Lapsed	At 31 Dec 15	Date from which exercisable or releasable	Expiry date ¹
Bruce Hemphill										
Forfeitable Shares	No	05-Nov-15	213.50	–	182,263	–	–	182,263	05-Nov-16	05-Nov-16
– Buy-out	No	05-Nov-15	213.50	–	182,263	–	–	182,263	05-Nov-17	05-Nov-17
– Buy-out	No	05-Nov-15	213.50	–	182,263	–	–	182,263	05-Nov-18	05-Nov-18
Nil-cost share options	Yes	05-Nov-15	213.50	–	754,843	–	–	754,843	05-Nov-18	04-Nov-25
– Buy-out	Yes	05-Nov-15	213.50	–	754,843	–	–	754,843	05-Nov-19	04-Nov-25
Total				–	2,056,475	–	–	2,056,475		
Paul Hanratty										
Forfeitable Shares	No	10-Apr-12	157.10	237,074	–	237,074 ²	–	–	–	–
– DSTI	No	08-Apr-13	194.40	229,222	–	–	–	229,222	08-Apr-16	08-Apr-16
	No	08-Apr-14	202.60	237,566	–	–	–	237,566	08-Apr-17	08-Apr-17
	No	17-Apr-15	240.30	–	166,731	–	–	166,731	17-Apr-18	17-Apr-18
Nil-cost share options – LTI	Tested	11-Apr-11	144.70	287,696	–	287,696 ²	–	–	–	–
	Tested	10-Apr-12	157.10	319,542	–	221,123 ²	98,419	–	–	–
	Tested	10-Apr-12	157.10	319,542	–	–	98,419	221,123	10-Apr-16	13-Sep-17
	Yes	08-Apr-13	194.40	282,922	–	–	–	282,922	08-Apr-16	13-Sep-17
	Yes	08-Apr-13	194.40	282,922	–	–	–	282,922	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	278,875	–	–	–	278,875	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	278,875	–	–	–	278,875	08-Apr-18	07-Apr-19
	Yes	08-Aug-14	190.60	57,844	–	–	–	57,844	08-Aug-17	07-Aug-18
	Yes	08-Aug-14	190.60	57,844	–	–	–	57,844	08-Aug-18	07-Aug-19
	Yes	17-Apr-15	240.30	–	335,518	–	–	335,518	17-Apr-18	16-Apr-19
	Yes	17-Apr-15	240.30	–	335,518	–	–	335,518	17-Apr-19	16-Apr-20
Sharesave ³	No	19-Apr-12	128.00	7,031	–	7,031 ²	–	–	–	–
Total				2,876,955	837,767	752,924	196,838	2,764,960		
Ingrid Johnson										
Forfeitable Shares – DSTI	No	17-Apr-15	240.30	–	126,204	–	–	126,204	17-Apr-18	17-Apr-18
	Yes	08-Aug-14	190.60	393,494	–	–	–	393,494	08-Aug-17	07-Aug-24
Nil-cost share options – LTI	Yes	08-Aug-14	190.60	393,495	–	–	–	393,495	08-Aug-18	07-Aug-24
	Yes	17-Apr-15	240.30	–	319,912	–	–	319,912	17-Apr-18	16-Apr-25
	Yes	17-Apr-15	240.30	–	319,912	–	–	319,912	17-Apr-19	16-Apr-25
Sharesave ³	No	05-May-15	186.70	–	16,068	–	–	16,068	01-Jun-20	30-Nov-20
Total				786,989	782,096	–	–	1,569,085		

1 The expiry date is determined by the rules of the plans under which the awards and options were granted, and for Paul Hanratty, reflects his date of cessation of employment

2 In respect of the nil-cost share options and the forfeitable shares that were exercised or released during 2015, the value of Old Mutual plc shares on the date of exercise or release was 240.35p per share. In respect of the exercise of the Sharesave option, the value of Old Mutual plc shares on the date of exercise was 210.2p per share

3 The market value per share at grant represents the exercise price of the options granted under the Old Mutual plc 2008 Sharesave Plan, which were set at a 20% discount to the average Old Mutual plc share price over a three day period immediately preceding the dates of invitation.

**DIRECTORS'
REMUNERATION REPORT
CONTINUED**

Award type	Performance targets to be met	Grant Date	Market value per share at grant (p)	At 1 Jan 15	Granted	Exercised or released	Lapsed	At 31 Dec 15	Date from which exercisable or releasable	Expiry date ¹
Former executive director										
Julian Roberts										
	No	10-Apr-12	157.10	325,775	–	325,775 ²	–	–	–	–
Forfeitable Shares – DSTI	No	08-Apr-13	194.40	295,874	–	–	–	295,874	08-Apr-16	08-Apr-16
	No	08-Apr-14	202.60	277,082	–	–	–	277,082	08-Apr-17	08-Apr-17
	No	17-Apr-15	240.30	–	224,589	–	–	224,589	17-Apr-18	17-Apr-18
	Tested	11-Apr-11	144.70	617,528	–	617,528 ²	–	–	–	–
Nil-cost share options – LTI	Tested	10-Apr-12	157.10	692,235	–	479,026 ²	213,209	–	–	–
	Tested	10-Apr-12	157.10	692,235	–	–	213,209	479,026	10-Apr-16	13-Apr-17
	Yes	08-Apr-13	194.40	569,059	–	–	–	569,059	08-Apr-16	13-Apr-17
	Yes	08-Apr-13	194.40	569,059	–	–	–	569,059	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	561,451	–	–	–	561,451	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	561,451	–	–	–	561,451	08-Apr-18	07-Apr-19
	Sharesave ³	No	30-Apr-14	162.50	11,076	–	–	–	11,076	–
Total				5,172,825	224,589	1,422,329	426,418	3,548,667		

- 1 The expiry date is determined by the rules of the plans under which the awards and options were granted, based on the date of cessation of employment for Julian Roberts
- 2 In respect of the nil-cost share options and the forfeitable shares that were exercised or released during 2015, the value of Old Mutual plc shares on the date of exercise or release was 240.35p per share
- 3 The market value per share at grant represents the exercise price of the option granted under the Old Mutual plc 2008 Sharesave Plan, which was set at a 20% discount to the average Old Mutual plc share price over a three day period immediately preceding the date of invitation.

There are no share ownership requirements for the non-executive directors. Shares owned by the Chairman and the other non-executive directors holding office at 31 December 2015 (including holdings by connected persons) are shown below:

Non-executive director	Old Mutual plc shares held at 31 December 2015
Patrick O'Sullivan	100,000
Mike Arnold	26,475
Zoe Cruz	34,500
Alan Gillespie	13,000
Danuta Gray	14,175
Adiba Ighodaro	–
Roger Marshall	45,000
Nkosana Moyo	10,000
Vassi Naidoo	–
Nonkululeko Nyembezi-Heita	13,839

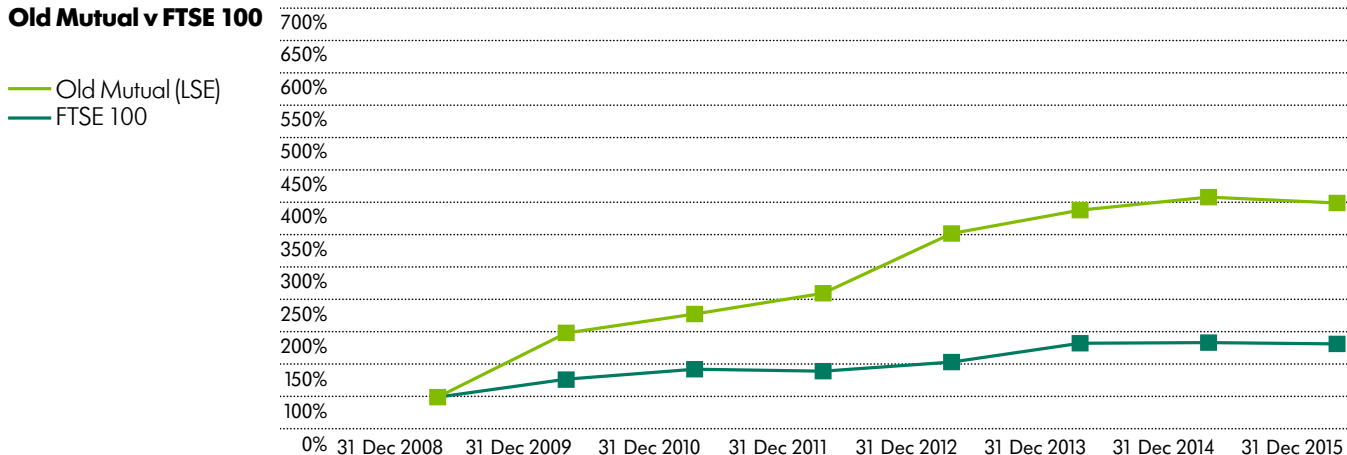
There have been no changes to the interests in shares owned by the Chairman and the other non-executive directors between 31 December 2015 and 11 March 2016.

Performance graphs

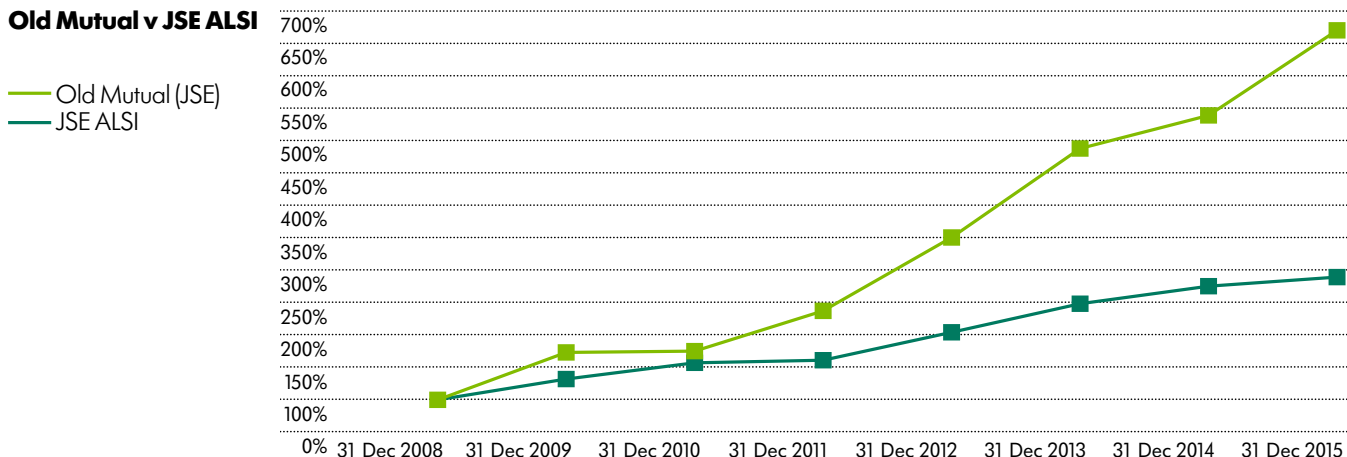
The charts below show the Company's seven-year annual TSR performance against the FTSE 100 Index and JSE ALSI. These indices were selected because: (i) the Company is part of those indices; and (ii) due to the international structure and diversity of the Group's businesses, the two broad market indices shown are the only relevant market comparators available.

The charts show the value of TSR (assuming dividends reinvested) at each year end from 31 December 2008 to 31 December 2015 on £100/R100 invested in Old Mutual plc shares compared with the TSR (calculated on the same basis) on £100/R100 invested in the FTSE 100 Index and the JSE ALSI at the same dates.

Old Mutual v FTSE 100



Old Mutual v JSE ALSI



Source: Datastream

Group Chief Executive's remuneration over the last seven years

		2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Single figure	Julian Roberts	2,163	2,447	8,521	7,881	4,817	4,444	2,270
	Bruce Hemphill	-	-	-	-	-	-	4,811
STI payout against maximum opportunity	Julian Roberts	77%	98%	92%	88%	85%	79%	86.3%
	Bruce Hemphill	-	-	-	-	-	-	-
LTI vesting against maximum opportunity	Julian Roberts	0%	0%	100%	80%	84%	69%	71.5%
	Bruce Hemphill	-	-	-	-	-	-	-

DIRECTORS' REMUNERATION REPORT CONTINUED

Percentage change in the remuneration of the Group Chief Executive

The table below shows the percentage change in the remuneration of the Group Chief Executive (from 2014 to 2015) compared to that for UK-based employees of the Old Mutual Group. The committee has selected employees in the UK, as the executive directors are employed in the UK and have a similar remuneration structure to those employees.

Element	Group Chief Executive % change	Average UK-based employee ¹ % change
Base pay ²	2.2%	3.1%
Taxable benefits ²	(14.5%)	3.4%
STI ²	6.9%	10.9%

1 UK-based employees excluding employees in Nedbank, Old Mutual Global Investors (UK) Limited and Institutional Asset Management

2 Reflects (i) the base pay increase received by Julian Roberts in 2015; (ii) the taxable benefits paid to Julian Roberts for the period 1 January to 31 October 2015, calculated on an annualised basis; and (iii) Julian Roberts' STI for 2014 and 2015.

Relative importance of spend on pay

The table below illustrates the Group's spend on pay compared with distributions to shareholders:

	2015 £m	2014 £m	Year-on-year change	
			£m	%
Dividends paid to ordinary equity holders	422	394	28	7.1
Dividends paid to Nedbank minority equity holders	128	119	9	7.6
Remuneration paid to all Group employees	1,895	1,860	35	1.9

Implementation of remuneration policy in 2016

The Directors' Remuneration Policy will be implemented in 2016 as follows:

Base pay

The table below shows the changes to base pay for 2016, which, for the one executive director who received an increase, was below the average increase of 3.1% received by other employees in the UK:

Executive director	2016 £000	2015 £000	% increase
Bruce Hemphill	900	900	–
Paul Hanratty	645	645	–
Ingrid Johnson	630	615	2.44

STI and LTI

The committee has reviewed the Directors' Remuneration Policy in light of the outcome of the strategic review, and has concluded that the current policy is no longer appropriate.

While a base pay and annual STI structure will generally remain appropriate, the committee is of the view that a conventional LTIP structure with rolling annual awards no longer aligns with the Group strategy, and does not incentivise the most timely and cost-effective execution of the strategy. Instead, the committee intends to grant one-off LTIP awards during 2016, replacing normal and future annual awards, to key individuals, including Bruce Hemphill and Ingrid Johnson, with metrics relating to execution of the new strategy, performance of our four constituent businesses, and unlocking of value for shareholders.

The committee will grant LTIP awards to Bruce Hemphill and Ingrid Johnson on an exceptional basis in line with the current Directors' Remuneration Policy in March 2016, at the maximum level of 400% of base pay, and also commence a period of consultation with the Company's major shareholders, with a view to presenting a new Directors' Remuneration Policy to shareholders for approval in General Meeting later in 2016.

Claw back and malus

In response to the implementation of the revised UK Corporate Governance Code, the Company has updated its malus provisions and introduced claw back on cash STI and vested LTI awards in respect of performance periods beginning on or after 1 January 2015, as follows:

	Criteria	Awards impacted and period applicable (net of statutory deductions basis for claw back)
Malus	<ul style="list-style-type: none"> ■ Misleading or misstated financial results ■ Loss due to failure to observe risk management policies ■ Gross misconduct ■ Actions leading to reputational damage 	<ul style="list-style-type: none"> ■ Cash STI – during the period between the end of the performance period and the payment date ■ Unvested deferred STI awards – during the three-year performance period ■ Unvested LTI awards – three or four years matching the vesting period
Claw back	<ul style="list-style-type: none"> ■ Misleading or misstated financial results ■ Loss due to failure to observe risk management policies ■ Gross misconduct 	<ul style="list-style-type: none"> ■ Cash STI – for a three-year period following the payment date ■ Vested LTI awards – for two years, if three-year vesting, and for one year, if four-year vesting

Retirement – share incentive awards

The committee decided that, in view of regulations in the UK relating to age discrimination, retirement would no longer be an automatic good leaver provision for share awards granted to employees based in the UK from 2015 onwards. The committee accordingly amended the rules of the Old Mutual plc Share Reward Plan – Restricted Shares and the Old Mutual plc Performance Share Plan – Restricted Shares prior to the grant of awards in 2015. Retirement may still qualify for good leaver status if the committee exercises its discretion accordingly.

Post-employment holding periods

The committee has chosen not to require executive directors to hold shares for a period after vesting or exercise, or after leaving the Group. However: (i) the committee has introduced the shareholding guidelines described earlier in this report; and (ii) the long-term incentive awards vest 50% three years after the date of grant and 50% four years after the date of grant; are subject to malus and claw back as described above; and will not normally vest before their prescribed vesting dates, irrespective of whether the executive remains in employment with the Group until vesting. The committee believes the combination of these requirements to be sufficient to ensure that the remuneration of executive directors remains substantially linked to Old Mutual plc share price performance, both before and for a sufficient period of time after cessation of employment with the Group.

Non-executive directors' fees

The annual fees payable to the Chairman and to the other non-executive directors in 2015 and 2016, by role, are set out below:

Role	2016 £	2015 £
Chairman	380,000	380,000
Senior Independent Director	17,500	15,000
Board fee	60,000	59,000
Chairman of the Board Risk Committee	30,000	30,000
Member of the Board Risk Committee	10,000	10,000
Chairman of the Group Audit Committee	30,000	30,000
Member of the Group Audit Committee	10,000	10,000
Member of the Nomination and Governance Committee	7,000	5,000
Chairman of the Remuneration Committee	30,000	30,000
Member of the Remuneration Committee	10,000	10,000
Average payment per non-executive director (excluding the Chairman) based on the Board and Board committee structure in place at 31 December 2015	87,000	85,000

DIRECTORS' REMUNERATION REPORT CONTINUED

Consideration by the directors of matters relating to directors' remuneration

Committee meetings and members

The following, all of whom are or were at the relevant time independent non-executive directors of the Company, served as members of the committee during the year:

Non-executive director	Position	Period on the committee	Meetings attended	Meetings not attended
Danuta Gray	Chairman	March 2013 to date (Chairman since May 2014)	6	1 ¹
Zoe Cruz	Member	January 2014 to date	6	1
Alan Gillespie	Member	November 2010 to date (Chairman from May 2013 to May 2014)	7	–
Roger Marshall	Member	May 2013 to date	7	–
Nkosana Moyo	Member	January 2014 to date	6	1

¹ Danuta Gray was taken ill on the morning of the meeting held in December 2015, and was therefore unable to attend.

The committee Chairman has access to and regular contact with the Group Human Resources Department independently of the executive directors. During 2015, the committee met seven times. The Board accepted the recommendations made by the committee during the year without amendment. Paul Forsythe, Deputy Group Company Secretary, acted as Secretary to the committee.

Advisers to the committee

A review of the committee's independent adviser was undertaken in 2014 and, following a competitive tender process, the committee appointed PwC as its independent adviser. PwC provides wide-ranging advice and services across the Group on matters including transactions, tax, Internal Audit and IT security. In its capacity as adviser to the committee, PwC works with management to prepare recommendations for the committee's consideration and provides advice to the committee on benchmarking of total remuneration packages for the executive directors and other senior employees, the design of short-term and long-term incentive arrangements (including for employees of subsidiary companies), updating the committee on corporate governance best practice, advice in relation to the measurement of performance for incentive purposes and other matters within the committee's terms of reference. PwC also provides advice to management on remuneration matters.

The committee undertakes a review of the advice it receives to assess whether it is objective and independent; it also satisfies itself that there are no conflicts of interest arising between it, the advisers and the Company. PwC is a signatory to the Remuneration Consultants' Group Code of Conduct.

Work undertaken by PwC for the committee is charged on a time basis and for 2015 was £208,991 (2014 £26,420) excluding VAT.

Don Schneider, Ian Luke and Kevin Stacey of Group Human Resources assisted the committee during the year. Group Human Resources provided supporting materials for matters that came before the committee, including comparative data and justifications for proposed base pay, benefits, annual incentive plans, share awards and criteria for performance targets and appraisals against those targets. Patrick O'Sullivan, Julian Roberts and Bruce Hemphill, and Sue Kean, the Chief Risk Officer, gave advice to the committee in assessing the performance of the Group Chief Executive, other members of the Group Executive Committee and the assessment of risk, respectively.

Voting at General Meetings

A new Directors' Remuneration Policy will be presented to shareholders for approval in General Meeting later in 2016. The voting results at AGMs on resolutions relating to our Directors' Remuneration Reports and the Directors' Remuneration Policy over the last three years were as follows:

Year of report	Type	Date of AGM	Votes for	Votes for %	Votes against	Votes against %	Total votes cast (excluding votes withheld)	Votes withheld
2014	Directors' Remuneration Report	14 May 2015	3,166,003,379	94.21	194,559,265	5.79	3,360,562,644	11,506,850
2013	Directors' Remuneration Policy	15 May 2014	3,280,532,172	97.17	95,664,621	2.83	3,376,196,793	27,097,233
2013	Directors' Remuneration Report	15 May 2014	3,253,282,521	97.04	99,343,587	2.96	3,352,626,108	50,669,930
2012	Directors' Remuneration Report	9 May 2013	2,933,771,399	97.94	61,752,305	2.06	2,995,523,704	123,524,253

Consideration of shareholder views

The committee considers shareholder feedback in relation to the Directors' Remuneration Report for the prior year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of remuneration arrangements for the following year. Where any significant changes are proposed, the Chairman of the committee will inform major shareholders in advance, and will offer a meeting to discuss these.

Financial solutions for schools

Working in partnership with Opportunity International, Old Mutual is helping to increase the access to capacity building loans and training for Kenya's growing number of low-cost schools. Through Faulu, the loan product will be launched in 2016 to fuel the growth of Kenya's schooling market. Over the course of the long-term partnership, over 900 schools will access loans resulting in improved access to quality education for over 400,000 children.

 www.oldmutual.com



In this section, we present the results of the Group and the Parent Company in accordance with International Financial Reporting Standards (IFRS). The IFRS results are also presented on an adjusted basis to reflect management's view of the underlying long-term performance of the Group.

FINANCIALS

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A school receiving financial solutions from Opportunity International

GROUP FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- The strategic report includes a fair review of the development and performance of the business and the position of Old Mutual plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

11 March 2016

GROUP FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY

For year ended 31 December 2015

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Old Mutual plc for the year ended 31 December 2015, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes which include the reconciliation of adjusted operating profit to profit after tax. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as discussed below. We have continued to perform procedures over taxation. However, following the settlement of a number of tax exposures across the Group during 2015, we have not assessed taxation as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

(a) Policyholder liabilities £75,909 million (2014: £79,679 million) Risk vs 2014: ◀▶

Refer to page 113 (Group Audit Committee Report), pages 224 to 227 (accounting policy) and the disclosures in notes A3, E and G6 to the financial statements.

- **The risk** – The main risk associated with policyholder liabilities is in respect of the insurance contracts within the life businesses in Emerging Markets and Old Mutual Wealth. Judgement is required over the variety of uncertain future outcomes, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions, such as expense, mortality and persistency and the policy for creating and releasing discretionary margins held within the South African business.
- **Our response** – Our procedures included testing the design, implementation and operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of insurance liabilities and evaluating the appropriateness of methodologies and assumptions used. We involved our own internal actuarial specialists to assist us in challenging the assumptions used and the process followed for setting and updating these assumptions, particularly around investment return, persistency, expense and mortality and morbidity assumptions. This included checking the appropriateness of the data used in management's analysis prepared to set the assumptions, in the context of our own industry knowledge, external data and our views of experience to date, an understanding of which was enhanced through our attendance at the Group's own Independent Review Committee meetings.

(b) Loans and advances £31,724 million, provisions for impairment £759 million (2014: £35,714 million, £857 million) Risk vs 2014: ◀▶

Refer to page 113 (Group Audit Committee Report), page 216 and pages 276 to 280 (accounting policy) and the disclosures in notes A3, E and G1 to the financial statements.

- **The risk** – The Group's loans and advances impairment assessment requires the exercise of judgement and the use of subjective assumptions. Due to the significance of loans and advances and the related estimation uncertainty, this is considered to be a key audit risk within the banking divisions of the Group particularly on the unsecured and commercial lending portfolios at Nedbank and Old Mutual Finance within Emerging Markets.
- **Our response** – Our procedures included testing the design, implementation and operating effectiveness of key controls over the loan approval, administration and monitoring processes. We involved our own internal valuation specialists to assist us in assessing each of the portfolio loan loss provisioning models employed by the Group and comparing the Group's assumptions to externally available data in relation to key inputs such as historical default rates, recovery rates, collateral valuation, and economic growth rates. We also performed detailed testing over the specific provisions held against loans and advances, by inspecting latest correspondence and Credit Committee minutes, challenging assumptions where relevant and assessing collateral values. We also attended the Nedbank Credit Committee meetings.

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF OLD MUTUAL PLC ONLY CONTINUED

For year ended 31 December 2015

Opinions and conclusions arising from our audit continued

2. Our assessment of risks of material misstatement continued

(c) Goodwill and intangibles £3,276 million (2014: £2,763 million) Risk vs 2014: ◀▶

Refer to page 113 (Group Audit Committee Report), pages 239 to 240 and 242 to 243 (accounting policy) and the disclosures in notes A3 and H1 to the financial statements.

- **The risk** – Goodwill and intangible assets (both acquired and internally generated) represent 2.5% of total assets of the Group and the determination of their recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows and the discount rate applied in the value-in-use valuation models.
- **Our response** – Our procedures included challenging the cash flow forecasts and the corresponding assumptions, such as discount rates and growth rates, applied by the Group in the consideration of potential impairment of intangible assets, based on our understanding of the relevant business and the industry and economic environment in which it operates. Sensitivity analyses were also performed on the key assumptions in Old Mutual Wealth and the OMSEA cash generating unit in Emerging Markets. We compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting and considered the appropriateness of the scenarios used, in the context of our wider business understanding. We involved our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to discount rates, and growth rates, with reference to our own independent expectations, which were based on our industry knowledge and experience.

For all of the risk areas set out above, we assessed whether the Group's disclosures about the sensitivity of the relevant financial statement items to changes in the respective key assumptions appropriately reflect the associated risks and comply with the requirements of relevant accounting standards.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £84 million (2014: £80 million), determined with reference to a benchmark of normalised Group profit before taxation of £1,663 million (2014: £1,605 million). This represents the Group's earnings before taxation from continuing operations excluding the effects of short-term market volatility, the impact of strategic choices and inorganic activity, and returns on significant one-off investments. Materiality represents 5% (2014: 5%) of normalised Group profit before tax.

We reported to the Group Audit Committee any corrected and uncorrected identified misstatements exceeding £4 million (2014: £4 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Each of the Group's six business units, being Emerging Markets, Old Mutual Wealth, Nedbank, Institutional Asset Management, Bermuda and Group Head Office businesses, were subjected to audits for Group reporting purposes. The component audit teams at each of the business units undertook their own scoping exercises, with oversight from the Group team, to gain sufficient audit coverage to support their own reporting to the Group team. The component teams performed procedures on those items excluded from normalised Group profit before tax. Our work covered 96% (2014: 93%) of total Group revenues; 98% (2014: 99%) of Group profit before tax; and 94% (2014: 92%) of total Group assets.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved each component materiality, which ranged from £30 million to £50 million (2014: £32 million to £65 million), having regard to the mix of size and risk profile of the Group across the components.

To support the audit instructions sent to our component teams, the Group audit team visited five (2014: five) component locations in South Africa, the US, Bermuda and elsewhere in the UK for planning and risk assessment meetings and maintained regular communication with the auditors at these locations throughout the audit cycle to discuss work progress and identify matters of relevance to our audit of the Group financial statements. At these visits and meetings, the status of any issues being reported to the Group audit team was discussed in detail, and any further work required by the Group audit team was then performed by the component auditor. The Senior Statutory Auditor, in conjunction with other senior staff in the Group audit team, also attended Audit Committee meetings held at the significant components to understand key risks and audit issues at a component level which may affect the Group financial statements.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The Directors' viability statement on page 122, concerning the principal risks, their management and, based on that, the Directors' assessment and expectations of the Group continuing in operation over the three years to 31 December 2018; or
- The disclosures in note A1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The Group Audit Committee Report does not appropriately address matters communicated by us to the Group Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statements, set out on page 122, in relation to going concern and longer-term viability; and
- The part of the Corporate Governance Statement relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 154, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Smart (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

11 March 2016

GROUP FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015		£m	
	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Revenue			
Gross earned premiums	B2	3,589	3,209
Outward reinsurance		(335)	(308)
Net earned premiums		3,254	2,901
Investment return (non-banking)	D2	3,795	6,304
Banking interest and similar income	D3	3,320	3,057
Banking trading, investment and similar income	D4	213	197
Fee and commission income, and income from service activities	D5	3,027	2,894
Other income		86	125
Total revenue		13,695	15,478
Expenses			
Claims and benefits (including change in insurance contract provisions)		(3,450)	(4,098)
Reinsurance recoveries		279	215
Net claims and benefits incurred		(3,171)	(3,883)
Change in investment contract liabilities		(2,203)	(3,544)
Credit impairment charges	G1(d)	(307)	(252)
Finance costs	D6	(49)	(54)
Banking interest payable and similar expenses	D7	(1,924)	(1,672)
Fee and commission expenses, and other acquisition costs	D8	(786)	(863)
Change in third-party interest in consolidated funds		(208)	(322)
Other operating and administrative expenses	D9	(3,759)	(3,548)
Total expenses		(12,407)	(14,138)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	67	26
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	(36)	(2)
Profit before tax		1,319	1,364
Income tax expense	D1	(374)	(462)
Profit from continuing operations after tax		945	902
Discontinued operations			
Loss from discontinued operations after tax	K1	(21)	(50)
Profit after tax for the financial year		924	852
Attributable to			
Equity holders of the parent		614	582
Non-controlling interests			
Ordinary shares	H10(a)(i)	291	252
Preferred securities	H10(a)(ii)	19	18
Profit after tax for the financial year		924	852
Earnings per ordinary share			
Basic earnings per share based on profit from continuing operations (pence)		13.2	13.5
Basic earnings per share based on profit from discontinued operations (pence)		(0.5)	(1.1)
Basic earnings per ordinary share (pence)	C2(a)	12.7	12.4
Diluted basic earnings per share based on profit from continuing operations (pence)		12.6	12.5
Diluted basic earnings per share based on profit from discontinued operations (pence)		(0.4)	(1.0)
Diluted basic earnings per ordinary share (pence)	C2(b)	12.2	11.5
Weighted average number of ordinary shares (millions)	C2(a)	4,641	4,485

GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015		£m	
	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Profit after tax for the financial year		924	852
Other comprehensive income for the financial year			
Items that will not be reclassified subsequently to profit or loss			
Fair value movements			
Property revaluation		18	28
Measurement movements on defined benefit plans		20	2
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	(4)	(7)
		34	23
Items that may be reclassified subsequently to profit or loss			
Fair value movements			
Net investment hedge		13	(9)
Available-for-sale investments			
Fair value (losses)/gains		(7)	21
Recycled to profit or loss		(5)	(20)
Exchange difference recycled to profit or loss on disposal of business		(71)	(85)
Shadow accounting		(10)	(5)
Currency translation differences on translating foreign operations		(1,106)	(68)
Other movements		(24)	(18)
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	—	(5)
		(1,210)	(189)
Total other comprehensive income for the financial year		(1,176)	(166)
Total comprehensive income for the financial year		(252)	686
Attributable to			
Equity holders of the parent		(232)	434
Non-controlling interests			
Ordinary shares		(39)	234
Preferred securities		19	18
Total comprehensive income for the financial year		(252)	686

GROUP FINANCIAL STATEMENTS
RECONCILIATION OF ADJUSTED OPERATING
PROFIT TO PROFIT AFTER TAX

For the year ended 31 December 2015		£m	
	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Core operations			
Emerging Markets	B3	615	617
Nedbank	B3	754	770
Old Mutual Wealth	B3	307	227
Institutional Asset Management	B3	149	131
		1,825	1,745
Finance costs		(83)	(78)
Long-term investment return on excess assets		21	24
Interest payable to non-core operations		(4)	(5)
Corporate costs		(57)	(55)
Other net shareholder expenses		(39)	(26)
Adjusted operating profit before tax	B3	1,663	1,605
Adjusting items	C1(a)	(344)	(301)
Discontinued and non-core operations	B3	(31)	1
Profit before tax (net of policyholder tax)		1,288	1,305
Income tax attributable to policyholder returns		31	59
Profit before tax		1,319	1,364
Total tax expense	D1(a)	(374)	(462)
Profit from continuing operations after tax		945	902
Loss from discontinued operations after tax	K1	(21)	(50)
Profit after tax for the financial year		924	852

Adjusted operating profit after tax attributable to ordinary equity holders of the parent

		£m	
	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Adjusted operating profit before tax	B3	1,663	1,605
Tax on adjusted operating profit	D1(d)	(403)	(439)
Adjusted operating profit after tax		1,260	1,166
Non-controlling interests – ordinary shares	H10(a)(iii)	(310)	(280)
Non-controlling interests – preferred securities	H10(a)(ii)	(19)	(18)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	B3	931	868
Adjusted weighted average number of shares (millions)	C2(a)	4,813	4,845
Adjusted operating earnings per share (pence)	C2(c)	19.3	17.9

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-IFRS 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, the 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, cost of hedging equity instruments and costs related to the development of the new Old Mutual Wealth platform capability and outsourcing of UK business administration. AOP includes dividends declared to holders of perpetual preferred callable securities. Old Mutual Bermuda is treated as a non-core operation in the AOP disclosure and is therefore 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 and non-controlling interests attributable to AOP. It excludes income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015		£m	
	Notes	At 31 December 2015	At 31 December 2014
Assets			
Goodwill and other intangible assets	H1	3,276	2,763
Mandatory reserve deposits with central banks		716	829
Property, plant and equipment	H2(a)	700	765
Investment property	H2(b)	1,233	1,678
Deferred tax assets	H7	284	283
Investments in associated undertakings and joint ventures	I2	514	518
Deferred acquisition costs	H3	784	862
Reinsurers' share of policyholder liabilities	G6	2,661	2,314
Loans and advances	G1	30,965	34,857
Investments and securities	G2	82,601	87,547
Current tax receivable		88	92
Trade, other receivables and other assets	H4	2,007	2,362
Derivative financial instruments	G4	3,076	1,227
Cash and cash equivalents		4,520	4,944
Assets held for sale	K2	123	1,475
Total assets		133,548	142,516
Liabilities			
Long-term business insurance policyholder liabilities	G6	7,714	10,519
Investment contract liabilities	G6	67,854	68,841
Property & casualty liabilities	G6	341	319
Third-party interests in consolidated funds		4,661	5,986
Borrowed funds	G7	3,524	3,044
Provisions and accruals	H5	199	284
Deferred revenue	H6	274	330
Deferred tax liabilities	H7	417	454
Current tax payable		186	189
Trade, other payables and other liabilities	H8	3,787	4,276
Amounts owed to bank depositors	G8	32,328	36,243
Derivative financial instruments	G4	3,317	1,201
Liabilities held for sale	K2	12	1,285
Total liabilities		124,614	132,971
Net assets		8,934	9,545
Shareholders' equity			
Equity attributable to equity holders of the parent		6,680	7,406
Non-controlling interests			
Ordinary shares	H10(b)(i)	1,982	1,867
Preferred securities	H10(b)(ii)	272	272
Total non-controlling interests		2,254	2,139
Total equity		8,934	9,545

The consolidated financial statements on pages 158 to 297 were approved by the Board of directors on 11 March 2016.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015	£m	
Notes	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities		
Profit before tax	1,319	1,364
Non-cash movements in profit before tax	4,204	2,058
Net changes in working capital	566	739
Taxation paid	(399)	(402)
Net cash inflow from operating activities	5,690	3,759
Cash flows from investing activities		
Net acquisitions of financial investments	(4,868)	(2,873)
Acquisition of investment properties	(146)	(48)
Dividends received from associated undertakings	7	5
Proceeds from disposal of investment properties	41	115
Acquisition of property, plant and equipment	(151)	(154)
Proceeds from disposal of property, plant and equipment	7	14
Acquisition of intangible assets	(102)	(76)
Acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments ¹	(796)	(429)
Disposal of a non-controlling interest in OM Asset Management plc	163	184
Proceeds from the disposal of interests in subsidiaries, associated undertakings, joint ventures and strategic investments	88	95
Net cash outflow from investing activities	(5,757)	(3,167)
Cash flows from financing activities		
Dividends paid to		
Ordinary equity holders of the Company	(422)	(394)
Non-controlling interests and preferred security interests	(190)	(177)
Interest paid (excluding banking interest paid)	(51)	(48)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)	2	12
Net (acquisition)/disposal of treasury shares	(19)	72
Sale of shares held by BEE trusts	175	–
Proceeds from issue of subordinated and other debt	1,615	584
Subordinated and other debt repaid	(827)	(290)
Net cash inflow/(outflow) from financing activities	283	(241)
Net increase in cash and cash equivalents	216	351
Effects of exchange rate changes on cash and cash equivalents	(746)	(193)
Cash and cash equivalents at beginning of the year	5,786	5,628
Cash and cash equivalents at end of the year	5,256	5,786
Consisting of		
Cash and cash equivalents	4,520	4,944
Mandatory reserve deposits with central banks	716	829
Cash and cash equivalents included in assets held for sale	20	13
Total	5,256	5,786

¹ Of the acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments, £734 million relates to the acquisition of subsidiaries as described in note J8. The remainder relates to the acquisition of associated undertakings, joint ventures and strategic investments.

Except for mandatory reserve deposits with central banks of £716 million (2014: £829 million) and £1,643 million (2014: £1,639 million) cash and cash equivalents of managed funds that the Group consolidates, management does not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations. Mandatory reserve deposits are, however, included in cash and cash equivalents for the purposes of the statement of cash flows in line with market practice in South Africa.

GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015		Millions			
	Notes	Number of shares issued and fully paid	Share capital	Share premium	Merger reserve
Shareholders' equity at beginning of the year		4,907	561	856	1,342
Total comprehensive income for the financial year					
Profit after tax for the financial year		–	–	–	–
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains					
Property revaluation	H2(a)	–	–	–	–
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 (losses)/gains ¹		–	–	–	–
Recycled to profit or loss		–	–	–	–
Exchange differences recycled to profit or loss on disposal of business ²		–	–	–	–
Shadow accounting		–	–	–	–
Currency translation differences on translating foreign operations ¹		–	–	–	–
Other movements		–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	–	–	–	–
		–	–	–	–
Total comprehensive income for the financial year		–	–	–	–
Transactions with the owners of the Company					
Contributions and distributions					
Dividends for the year	C3	–	–	–	–
Tax relief on dividends paid		–	–	–	–
Equity share-based payment transactions		–	–	–	–
Proceeds from BEE transactions	A2	–	–	141	–
Merger reserve released ³		–	–	–	(90)
Preferred securities repurchased		–	–	–	–
Other movements in share capital		3	–	3	–
Total contributions and distributions		3	–	144	(90)
Changes in ownership					
Shares issued for the acquisition of Quilter Cheviot		19	2	40	–
Share of movement in associate reserves		–	–	–	–
Disposal of a non-controlling interest in OM Asset Management plc	A2	–	–	–	–
Non-controlling interests in subsidiaries acquired	J8(b)	–	–	–	–
Change in participation in subsidiaries		–	–	–	–
Total changes in ownership		19	2	40	–
Total transactions with the owners of the Company		22	2	184	(90)
Shareholders' equity at end of the year		4,929	563	1,040	1,252

1 Included in other reserves is a loss of £7 million relating to Economic Transactional Bank (ETI) available-for-sale reserve. Currency translation differences on translating foreign operations include £24 million relating to foreign exchange gains on translation of ETI

2 Following the disposal of Old Mutual Wealth's European businesses foreign currency translation reserves of £71 million were recycled to profit or loss

3 On disposal of Old Mutual Wealth's European businesses merger reserves of £90 million was released directly to retained earnings. The merger reserve arose from when businesses were acquired using ordinary shares of the entity and is non-distributable. It is released to distributable reserves upon subsequent realisation of value for the businesses acquired. Refer to note A2 for further information

4 Retained earnings were reduced in respect of own shares held in policyholders' funds, ESOP trusts, Black Economic Empowerment trusts and other undertakings at 31 December 2015 by £243 million (2014: £338 million).

									£m
Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings ⁴	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
48	178	337	37	(1,370)	4,891	526	7,406	2,139	9,545
–	–	–	–	–	590	24	614	310	924
–	18	–	–	–	(5)	–	13	5	18
–	–	–	–	–	13	–	13	7	20
–	(3)	–	–	–	(1)	–	(4)	–	(4)
–	15	–	–	–	7	–	22	12	34
–	–	–	–	13	–	–	13	–	13
–	–	–	(7)	–	3	–	(4)	(3)	(7)
(5)	–	–	–	–	–	–	(5)	–	(5)
–	–	–	–	(71)	–	–	(71)	–	(71)
–	(10)	–	–	–	–	–	(10)	–	(10)
–	–	–	–	(780)	–	–	(780)	(326)	(1,106)
(3)	1	–	(3)	–	(6)	–	(11)	(13)	(24)
–	–	–	–	–	–	–	–	–	–
(8)	6	–	(10)	(838)	594	24	(232)	(20)	(252)
–	–	–	–	–	(422)	(30)	(452)	(160)	(612)
–	–	–	–	–	–	6	6	–	6
–	–	30	–	–	5	–	35	4	39
–	–	–	–	–	34	–	175	–	175
–	–	–	–	–	90	–	–	–	–
–	–	–	–	–	(11)	(253)	(264)	–	(264)
–	–	–	–	–	(19)	–	(16)	–	(16)
–	–	30	–	–	(323)	(277)	(516)	(156)	(672)
–	–	–	–	–	(42)	–	–	–	–
–	–	–	3	–	–	–	3	–	3
–	–	–	–	(35)	84	–	49	114	163
–	–	–	–	–	–	–	–	105	105
–	–	–	–	–	(30)	–	(30)	72	42
–	–	–	3	(35)	12	–	22	291	313
–	–	30	3	(35)	(311)	(277)	(494)	135	(359)
40	184	367	30	(2,243)	5,174	273	6,680	2,254	8,934

GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015		Millions			
Year ended 31 December 2014	Notes	Number of shares issued and fully paid	Share capital	Share premium	Merger reserve
Shareholders' equity at beginning of the year		4,897	560	845	1,717
Total comprehensive income for the financial year					
Profit after tax for the financial year		–	–	–	–
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains					
Property revaluation	H2(a)	–	–	–	–
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		–	–	–	–
Recycled to profit or loss ¹		–	–	–	–
Exchange differences recycled to profit or loss on disposal of business ¹		–	–	–	–
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)	–	–	–	–
Total comprehensive income for the financial year		–	–	–	–
Transactions with the owners of the Company					
Contributions and distributions					
Dividends for the year	C3	–	–	–	–
Tax relief on dividends paid		–	–	–	–
Equity share-based payment transactions		–	–	–	–
Merger reserve released ¹		–	–	–	(375)
Expiry of Skandia AB shareholder claims		–	–	–	–
Other movements in share capital		10	1	11	–
Total contributions and distributions		10	1	11	(375)
Changes in ownership					
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–
Non-controlling interests in subsidiaries acquired		–	–	–	–
Change in participation in subsidiaries		–	–	–	–
Total changes in ownership		–	–	–	–
Total transactions with owners of the Company		10	1	11	(375)
Shareholders' equity at end of the year		4,907	561	856	1,342

¹ Following the disposal of Old Mutual Wealth's European businesses, 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 were released directly to retained earnings.

£m									
Available-for-sale reserve	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
52	161	316	37	(1,234)	4,290	526	7,270	1,767	9,037
-	-	-	-	-	557	25	582	270	852
-	28	-	-	-	(5)	-	23	5	28
-	-	-	-	-	2	-	2	-	2
-	(6)	-	-	-	(1)	-	(7)	-	(7)
-	22	-	-	-	(4)	-	18	5	23
-	-	-	-	(9)	-	-	(9)	-	(9)
21	-	-	-	-	-	-	21	-	21
(20)	-	-	-	-	-	-	(20)	-	(20)
-	-	-	-	(85)	-	-	(85)	-	(85)
-	(5)	-	-	-	-	-	(5)	-	(5)
-	-	-	-	(45)	-	-	(45)	(23)	(68)
-	-	-	-	3	(21)	-	(18)	-	(18)
(5)	-	-	-	-	-	-	(5)	-	(5)
(4)	17	-	-	(136)	532	25	434	252	686
-	-	-	-	-	(394)	(32)	(426)	(145)	(571)
-	-	-	-	-	-	7	7	-	7
-	-	21	-	-	(3)	-	18	4	22
-	-	-	-	-	375	-	-	-	-
-	-	-	-	-	11	-	11	-	11
-	-	-	-	-	72	-	84	1	85
-	-	21	-	-	61	(25)	(306)	(140)	(446)
-	-	-	-	-	52	-	52	163	215
-	-	-	-	-	-	-	-	53	53
-	-	-	-	-	(44)	-	(44)	44	-
-	-	-	-	-	8	-	8	260	268
-	-	21	-	-	69	(25)	(298)	120	(178)
48	178	337	37	(1,370)	4,891	526	7,406	2,139	9,545

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

A: Significant accounting policies

A1: Basis of preparation

Statement of compliance

Old Mutual plc (the Company) is a company incorporated in England and Wales.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and joint ventures (other than those held by life assurance funds which are accounted for as investments at fair value through profit or loss). The Parent Company financial statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with IFRS as adopted by the EU. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies adopted by the Company and Group, unless otherwise stated, have been applied consistently to all periods presented in these consolidated financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and liabilities designated as fair value through profit or loss or as available-for-sale, owner-occupied property and investment property, cash-settled share based payments, pension scheme assets and insurance and investment contract liabilities. Assets and disposal groups held for sale are stated at the lower of the previous carrying amount and the fair value less costs to sell.

The Parent Company financial statements are prepared in accordance with these accounting policies, other than for investments in subsidiary undertakings and associates, which are stated at cost less impairments in accordance with IAS 27.

The Company and Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate, having taken into consideration the points as set out in the Directors' Report in the section headed Going Concern.

The Group has prepared the financial statements in accordance with its detailed accounting policies which can be found at <http://reports2015.oldmutual.com/index.html#downloads>. The significant accounting policies are contained in the financial statements and are included in the specific notes to which they relate. The accounting policies on financial assets and liabilities are included in note L. Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note A3.

Accounting policy elections

The following significant accounting policy elections have been made by the Group:

Property and equipment	<ul style="list-style-type: none"> ■ Land and buildings are stated at revalued amounts. Revaluation surpluses are recognised directly in equity, through other comprehensive income.
Investment in venture capital divisions and insurance funds	<ul style="list-style-type: none"> ■ In venture capital divisions and insurance funds, the Group has elected to carry associate and joint venture entities at fair value through profit or loss.
Financial instruments	<ul style="list-style-type: none"> ■ The Group has elected to designate certain fixed rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ■ Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.
Investment properties	<ul style="list-style-type: none"> ■ The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss for the year.
Investments in subsidiaries, associate companies and joint arrangements	<ul style="list-style-type: none"> ■ The Group has elected to recognise these investments at cost in the Company financial statements.

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 for the year. Other than in respect of cumulative translation gains and losses up to 1 January 2004, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to net investments, is recognised in profit or loss. Cumulative translation gains and losses up to 1 January 2004, being the effective date of the Group's conversion to IFRS, were reset to zero.

The exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to pounds sterling are:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Rand	19.5223	22.8183	17.8712	17.9976
US dollars	1.5285	1.4734	1.6474	1.5581
Euro	1.3765	1.3560	1.2399	1.2877

A2: Significant corporate activity and business changes during the year

Acquisitions completed during the year

Acquisition of Quilter Cheviot

On 25 February 2015, the Group completed the acquisition of 100% of Quilter Cheviot, a leading UK-based discretionary investment manager, for a total consideration of £585 million, comprising of £543 million cash and £42 million of deferred consideration that will be settled in Old Mutual plc shares. An additional £23 million was paid to the seller to compensate for the increase in the net asset value of Quilter Cheviot between the date at which the acquisition was agreed and the completion of the transaction. The purchase consideration for the acquisition of Quilter Cheviot was the total cash paid of £566 million.

Goodwill of £292 million and other intangible assets of £288 million (£273 million customer relationships and £15 million brand) were recognised as a result of the transaction.

Acquisition of UAP Holdings Limited

On 24 June 2015, the Group obtained control of UAP Holdings Limited (UAP) through the acquisition, in two tranches, of a 60.7% ownership interest in UAP for £152 million. UAP is an East African financial services group that mainly operates in East Africa.

An initial stake of 23.3% was acquired on 1 February 2015, while the remaining 37.3% stake was acquired on 24 June 2015. The results and movements in reserves were equity accounted from 1 February 2015 to the date that control was obtained. Subsequently, from 24 June 2015, the financial results and financial position were consolidated in the Group financial statements. The purchase price per share did not vary between the acquisition of the two tranches.

Goodwill of £150 million and other intangible assets of £20 million (£17 million brand and £3 million customer relationships) were recognised as a result of the transaction.

Acquisition of an additional stake in Credit Guarantee Insurance Corporation of Africa Limited (CGIC)

On 1 October 2015, the Group acquired an additional 33.6% stake in Credit Guarantee Insurance Corporation of Africa Limited (CGIC) for £26 million.

The transaction increased the Group's total holding in CGIC to 86.1%. The transaction resulted in a decrease in equity attributable to the equity holders of the parent of £15 million and a decrease in non-controlling interests of £11 million.

Acquisition of African Infrastructure Investment Managers (Pty) Limited

On 10 December 2015, the Group acquired an additional 50% stake in African Infrastructure Investment Managers (Pty) Limited (AIIM) for £16 million. As the Group now has a controlling shareholding of 100%, the financial results and position of AIIM have been consolidated with effect from 10 December 2015.

The accounting related to the step up in ownership from 50% to 100% which effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 100% of the business. Consequently a profit of £15 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.

Work is currently being undertaken to determine the purchase price allocation of the fair value of 100% of the AIIM business. Provisional goodwill of £25 million has been recognised on this transaction.

Disposals completed during the year

Disposal of Skandia Luxembourg and Skandia France

On 2 February 2015, the Group completed the sale of Skandia Luxembourg and Skandia France, part of Old Mutual Wealth. The Group recognised a loss on disposal of £1 million. Merger reserves of £68 million relating to these businesses were released directly to retained earnings.

Disposal of Skandia Switzerland

On 30 September 2015, the Group completed the sale of Skandia Leben AG, part of Old Mutual Wealth. The Group recognised a loss on disposal of £51 million. Merger reserves of £22 million relating to this business were released directly to retained earnings.

Disposal of Old Mutual (Bermuda) Limited (OMB) and certain related obligations to Beechwood Bermuda Limited

On 31 December 2015, the Group completed the sale of Old Mutual (Bermuda) Limited (OMB) to Beechwood Bermuda Limited (Beechwood). In anticipation of the sale, OMB's remaining variable annuity guaranteed minimum accumulation benefits (GMAB obligations), which mature in 2017 and 2018, were reinsured to another of the Group's subsidiaries. A loss on this transaction of £0.4 million was recognised in profit or loss.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

A: Significant accounting policies continued

A2: Significant corporate activity and business changes during the year continued

As part of the transaction, the Group has agreed to provide Beechwood with administration services for three years. Except for the GMAB obligations referred to above, all other guarantees and responsibilities for the remaining policyholder administration were transferred to the buyer. Refer to note J8 for further information.

Unwinding of Black Economic Empowerment (BEE) Schemes

The majority of the Group's South African BEE schemes, established in 2005, have unwound during 2015. The total value of cash that Group businesses have received in relation to this is £175 million. The BEE schemes comprise business partner and community schemes in Nedbank and Emerging Markets (OMEM).

All the schemes involved the granting of shares to various BEE vehicles in 2005. In 2015, participants' access to these shares has become unrestricted following the settlement of funding provided to them by Group companies and the meeting of vesting criteria in H1 2015. The notional funding associated with the OMEM schemes was settled with proceeds from the sale of shares by the trusts. The notional funding associated with the Nedbank schemes has been settled by calling back sufficient shares to settle the amount due to Nedbank.

Shares held by the BEE schemes were previously classified as treasury shares, but are now recognised as issued for Group financial reporting purposes.

OM Asset Management plc (OMAM) further public share offering

On 22 June 2015, the Group disposed of a further 13.3 million OMAM shares for a consideration of \$257 million (£163 million). A profit of £49 million was recognised directly in equity reflecting the excess of the consideration over the share of net assets disposed. Additional non-controlling interests of £114 million were recognised in the statement of financial position.

Disposals announced, but not yet completed

Disposal of Rogge Global Partners PLC

On 8 February 2016, the Group announced that it has agreed to sell Rogge Global Partners PLC (Rogge) to Allianz Global Investors GmbH. The transaction is expected to complete in the second quarter of 2016. The assets and liabilities of Rogge were classified as held for sale at 31 December 2015. Refer to note K2 for further information.

Financing activities during the year

Old Mutual plc (the Company)

On 3 November 2015, the Company issued £450 million Dated Tier 2 Subordinated Notes under its existing £5,000 million Euro Note Programme. The notes have a maturity date of 3 November 2025 and pay interest biannually on 3 May and 3 November at a fixed rate of 7.88% per annum up to and including the maturity date.

On 4 November 2015, being the First Call Date, the Company redeemed the outstanding €374 million (£253 million) Upper Tier 2 perpetual notes at their nominal value, together with accrued and unpaid interest. A loss of £11 million on the repurchase was recognised directly in equity and represents the difference between the historical cost and the settlement amount of these instruments.

Emerging Markets

On 19 March 2015, OMLAC(SA) issued R2,061 million (£90 million) of floating and fixed rate instruments, which have been classified as subordinated debt. These instruments have maturity dates ranging from 2025 to 2030.

On 11 September 2015, OMLAC(SA) issued R2,479 million (£109 million) of floating and fixed rate instruments which has been classified as subordinated debt. These instruments have maturity dates ranging from 2015 to 2030.

On 27 October 2015, OMLAC(SA) redeemed R3 billion notes, together with interest accrued to this date. These notes were issued on 27 October 2005, under OMLAC(SA)'s Unsecured Subordinated Callable Note Programme dated 25 October 2005.

On 3 November 2015, OMLAC(SA) issued a R460 million (£20 million) fixed rate instrument which has been classified as subordinated debt. The final maturity date of this instrument is 19 March 2030.

All of the new instruments were issued through the existing ZAR Unsecured Subordinated Callable Note Programme.

Nedbank

Nedbank issued and redeemed debt instruments in the normal course of its funding programme.

A3: Critical accounting estimates and judgements

In the preparation of these financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, statement of financial position, other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions. There have been no significant methodology changes to the critical accounting estimates and judgements that the Group applied at 31 December 2014. The significant accounting policies are described in the relevant notes.

The key areas of the Group's business that typically require such estimates and the relevant accounting policies and notes are as follows:

Area	Policy note	More detail
Loans and advances	G1	G1
Life assurance contract provisions	G6	G6
Intangible assets and goodwill	H1	H1
Consolidation	I1	I3
Tax	D1	D1/H7

A4: Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'. In order to satisfy the requirements of IAS 1, the following analysis is given to describe how the statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

The following statement of financial position captions are generally classified as current – cash and cash equivalents, non-current assets held for sale, current tax receivable, third-party interests in the consolidation of funds, current tax payable, liabilities under acceptances and non-current liabilities held for sale. The following balances are generally classified as non-current – goodwill and other intangible assets, mandatory reserve deposits with central banks, property, plant and equipment, investment property, deferred tax assets, investments in associated undertakings and jointly controlled operations, deferred acquisition costs, deposits held with reinsurers, provisions, deferred revenue and deferred tax liabilities.

The following balances include both current and non-current portions – reinsurers' shares of life assurance and property & casualty business policyholder liabilities, loans and advances, investments and securities, other assets, derivative financial assets and liabilities, life assurance and property & casualty policyholder liabilities, borrowed funds, amounts owed to bank depositors and other liabilities. The split between the current and non-current portions for these assets and liabilities is given either by way of a footnote to the relevant note to the accounts or by way of a maturity analysis (in respect of major financial liability captions).

A5: Standards, amendments to standards, and interpretations adopted in the 2015 annual financial statements

During the year, there were no new standards implemented that had a material effect on the financial statements of the Group.

A6: Future standards, amendments to standards and interpretations not early-adopted in the 2015 annual financial statements

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, which are relevant to the Group, have been issued by the International Accounting Standards Board (IASB).

■ IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of 'own credit' with respect to issued debt liabilities that are designated at fair value, replaces the current rules for impairment of financial assets and amends the requirements for hedge accounting.

Classification and measurement of financial assets and liabilities

IFRS 9 requires that an entity's business model and a financial instrument's contractual cash flows will determine its classification and therefore its measurement in the financial statements. Upon assessment each financial asset will be classified as either fair value through profit or loss (FVTPL), amortised cost, or fair value through Other Comprehensive Income (FVOCI). As these requirements are different than the assessments under the existing IAS 39 rules, some differences to classification and measurement of financial assets are to be expected.

The classification and measurement of financial liabilities remain largely unchanged under IFRS 9 from current requirements. However, where issued debt liabilities are designated at fair value, the fair value movements attributable to an entity's own credit risk will be recognised in Other Comprehensive Income rather than in the consolidated income statement under IFRS 9.

Impairment of financial assets

The impairment rules under IFRS 9 will apply to those financial assets that are measured at amortised cost and debt instruments measured at FVOCI. Impairment will move from a model whereby credit losses are recognised when a 'trigger' event occurs under IAS 39 to an expected loss model, where provisions are taken upon initial recognition of the financial asset based on expectations of potential credit losses at that time.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

A: Significant accounting policies continued

A6: Future standards, amendments to standards and interpretations not early-adopted in the 2015 annual financial statements continued

The allowance for credit losses provided for on initial recognition will be based on a 12-month expected credit loss basis. Subsequently, should the probability of default of the issuer increase significantly, the expected credit loss of the financial asset over its lifetime (lifetime expected losses) will be recognised as an additional provision. As a result of the changes to impairment rules, IFRS 9 will result in an increase in subjectivity as provisions will be based on forward-looking, probability-weighted information that is continuously monitored and incorporated over the life of the financial asset. This is in contrast to impairment recognition that is based on credit events that have already occurred under IAS 39. IFRS 9 is expected to result in an increase in the overall level of impairment allowances, due to the likelihood that there will be a larger population of financial assets to which lifetime expected losses applies as compared to the population of financial assets for which credit events have already occurred under IAS 39.

Hedge accounting

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. Generally, some restrictions under current rules have been removed and a greater variety of hedging instruments and hedged items become available for hedge accounting.

IFRS 9 allows the deferral of the requirements relating to hedge accounting, permitting continuation with IAS 39 principles until the IASB's macro-hedging project is completed, so as to ensure that reporting entities do not have to comply with interim measures before macro-hedging rules are finalised. The Group, like most financial institutions, is considering adopting the deferral option. Accordingly, the new hedging model is not expected to have a significant impact on the micro-hedge accounting of the Group.

Effective date

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 9 which is expected to have the largest impact on the Group's banking operations. The standard has not yet been endorsed by the EU.

■ IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which specifies how and when revenue is recognised, but does not impact income recognition related to financial instruments in scope of IFRS 9 or IAS 39. IFRS 15 replaces several other IFRS standards and interpretations that currently govern revenue recognition under IFRS and provides a single, principles-based five-step model to be applied to all contracts with customers. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. The implementation of the standard will primarily impact the Group's asset management business. The treatment of revenue relating to financial instruments and insurance contracts will be dealt with according to the specific standard.

Effective date

IFRS 15 will be effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 15. The standard has not yet been endorsed by the EU.

■ IFRS 16 'Leases'

The IASB issued IFRS 16 'Leases' in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 'Leases', and related Interpretations.

The Group as lessee

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Group as lessor

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The most significant effect of the new requirements in IFRS 16 will be an increase in lease assets and financial liabilities. The Group is in the process of quantifying the aforementioned increase in lease assets and financial liabilities.

Effective date

IFRS 16 will be effective for accounting periods beginning on or after 1 January 2019. The standard has not yet been endorsed by the EU. Early application is permitted for companies that also apply IFRS 15 'Revenue from Contracts with Customers'.

B: Segment information

B1: Basis of segmentation

Segment presentation

There have been no changes to the presentation of segment information for the year ended 31 December 2015.

The Group's reported segments are Emerging Markets, Nedbank, Old Mutual Wealth and Institutional Asset Management. The Other segment includes central activities. For all reporting periods, these businesses have been classified as continuing operations in the IFRS income statement and as core operations in determining the Group's adjusted operating profit (AOP).

For all reporting periods, Old Mutual Bermuda is classified as a continuing operation in the IFRS income statement, but as non-core in determining the Group's AOP.

For the year ended 31 December 2015, discontinued operations related to the sale of US Life in 2011. For the year ended 31 December 2014, discontinued operations related to the disposals of Nordic in 2012 and US Life in 2011. Refer to note K1 for further information.

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.

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 reflect 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.

The Group is primarily engaged in the following business activities from which it generates revenue: 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. An analysis of segment revenues and expenses and the Group's revenues and expenses is shown in note B3.

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

B2: Gross earned premiums and deposits to investment contracts

Year ended 31 December 2015	£m		
	Emerging Markets	Old Mutual Wealth	Total
Life assurance – insurance contracts	1,469	154	1,623
Life assurance – investment contracts with discretionary participation features	1,221	–	1,221
General insurance	745	–	745
Gross earned premiums	3,435	154	3,589
Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits	4,039	7,988	12,027
Year ended 31 December 2014	£m		
	Emerging Markets	Old Mutual Wealth	Total
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 – unit-linked and similar contracts and other investment contracts recognised as deposits	1,981	6,442	8,423

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2015

	Notes	Emerging Markets
Revenue		
Gross earned premiums	B2	3,435
Outward reinsurance		(253)
Net earned premiums		3,182
Investment return (non-banking)	D2	2,445
Banking interest and similar income	D3	235
Banking trading, investment and similar income	D4	5
Fee and commission income, and income from service activities	D5	560
Other income		70
Total revenue		6,497
Expenses		
Claims and benefits (including change in insurance contract provisions)		(3,294)
Reinsurance recoveries		184
Net claims and benefits incurred		(3,110)
Change in investment contract liabilities		(1,142)
Credit impairment charges	G1(d)	(62)
Finance costs	D6	(15)
Banking interest payable and similar expenses	D7	(93)
Fee and commission expenses, and other acquisition costs	D8	(323)
Change in third-party interest in consolidated funds		–
Other operating and administrative expenses	D9	(1,121)
Income tax attributable to policyholder returns		(30)
Total expenses		(5,896)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	14
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–
Adjusted operating profit/(loss) before tax and non-controlling interests		615
Income tax expense	D1	(173)
Non-controlling interests		(24)
Adjusted operating profit/(loss) after tax and non-controlling interests		418
Adjusting items after tax and non-controlling interests	C1(a)	(56)
Profit/(loss) after tax from continuing operations		362
Loss from discontinued operations after tax	K1	–
Profit/(loss) after tax attributable to equity holders of the parent		362

1 Consolidation adjustments comprise the consolidation of investment funds and inter-company eliminations

2 Non-core operations for the year ended 31 December 2015 relate to Old Mutual Bermuda and US Life. Old Mutual Bermuda loss after tax for the year ended 31 December 2015 was £31 million. Expenses of £21 million were incurred in relation to the disposal of US Life in 2011. Further information on discontinued operations is provided in note K1.

								£m
Nedbank	Old Mutual Wealth	Institutional Asset Management	Other	Consolidation adjustments ¹	Adjusted operating profit	Adjusting items (note C1)	Discontinued and non-core operations ²	IFRS Income statement
–	154	–	–	–	3,589	–	–	3,589
–	(82)	–	–	–	(335)	–	–	(335)
–	72	–	–	–	3,254	–	–	3,254
–	1,158	–	17	283	3,903	(73)	(35)	3,795
3,085	–	–	–	–	3,320	–	–	3,320
208	–	–	–	–	213	–	–	213
894	1,140	491	–	(39)	3,046	(19)	–	3,027
12	13	5	–	(21)	79	–	7	86
4,199	2,383	496	17	223	13,815	(92)	(28)	13,695
–	(169)	–	–	–	(3,463)	–	13	(3,450)
–	95	–	–	–	279	–	–	279
–	(74)	–	–	–	(3,184)	–	13	(3,171)
–	(1,061)	–	–	–	(2,203)	–	–	(2,203)
(245)	–	–	–	–	(307)	–	–	(307)
–	–	(2)	(83)	–	(100)	51	–	(49)
(1,833)	–	–	–	–	(1,926)	2	–	(1,924)
(9)	(416)	(6)	(4)	(57)	(815)	32	(3)	(786)
–	–	–	–	(208)	(208)	–	–	(208)
(1,403)	(524)	(347)	(92)	42	(3,445)	(301)	(13)	(3,759)
–	(1)	–	–	–	(31)	31	–	–
(3,490)	(2,076)	(355)	(179)	(223)	(12,219)	(185)	(3)	(12,407)
45	–	8	–	–	67	–	–	67
–	–	–	–	–	–	(36)	–	(36)
754	307	149	(162)	–	1,663	(313)	(31)	1,319
(180)	(43)	(30)	23	–	(403)	29	–	(374)
(272)	–	(33)	–	–	(329)	19	–	(310)
302	264	86	(139)	–	931	(265)	(31)	635
7	(222)	(20)	26	–	(265)	265	–	–
309	42	66	(113)	–	666	–	(31)	635
–	–	–	–	–	–	–	(21)	(21)
309	42	66	(113)	–	666	–	(52)	614

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2014

	Notes	Emerging Markets
Revenue		
Gross earned premiums	B2	2,929
Outward reinsurance		(223)
Net earned premiums		2,706
Investment return (non-banking)	D2	3,455
Banking interest and similar income	D3	116
Banking trading, investment and similar income	D4	7
Fee and commission income, and income from service activities	D5	539
Other income		94
Total revenue		6,917
Expenses		
Claims and benefits (including change in insurance contract provisions)		(3,713)
Reinsurance recoveries		79
Net claims and benefits incurred		(3,634)
Change in investment contract liabilities		(1,208)
Credit impairment charges	G1(d)	–
Finance costs	D6	(3)
Banking interest payable and similar expenses	D7	(42)
Fee and commission expenses, and other acquisition costs	D8	(318)
Change in third-party interest in consolidated funds		–
Other operating and administrative expenses	D9	(1,070)
Income tax attributable to policyholder returns		(36)
Total expenses		(6,311)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	11
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–
Adjusted operating profit/(loss) before tax and non-controlling interests		617
Income tax expense	D1	(189)
Non-controlling interests		(18)
Adjusted operating profit/(loss) after tax and non-controlling interests		410
Adjusting items after tax and non-controlling interests	C1(a)	(15)
Profit/(loss) after tax from continuing operations		395
Loss from discontinued operations after tax	K1	–
Profit/(loss) after tax attributable to equity holders of the parent		395

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 K1.

								£m
Nedbank	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	405	6,381	(91)	14	6,304
2,941	-	-	-	-	3,057	-	-	3,057
190	-	-	-	-	197	-	-	197
919	1,085	416	-	(18)	2,941	(47)	-	2,894
33	10	17	2	(38)	118	-	7	125
4,083	3,783	433	30	349	15,595	(138)	21	15,478
-	(385)	-	-	6	(4,092)	-	(6)	(4,098)
-	136	-	-	-	215	-	-	215
-	(249)	-	-	6	(3,877)	-	(6)	(3,883)
-	(2,336)	-	-	-	(3,544)	-	-	(3,544)
(252)	-	-	-	-	(252)	-	-	(252)
-	-	-	(78)	3	(78)	24	-	(54)
(1,628)	-	-	-	-	(1,670)	(2)	-	(1,672)
(8)	(511)	(4)	-	(76)	(917)	58	(4)	(863)
-	-	-	-	(322)	(322)	-	-	(322)
(1,434)	(437)	(304)	(92)	40	(3,297)	(241)	(10)	(3,548)
-	(23)	-	-	-	(59)	59	-	-
(3,322)	(3,556)	(308)	(170)	(349)	(14,016)	(102)	(20)	(14,138)
9	-	6	-	-	26	-	-	26
-	-	-	-	-	-	(2)	-	(2)
770	227	131	(140)	-	1,605	(242)	1	1,364
(195)	(48)	(29)	22	-	(439)	(23)	-	(462)
(274)	-	(6)	-	-	(298)	28	-	(270)
301	179	96	(118)	-	868	(237)	1	632
14	(216)	(19)	(1)	-	(237)	237	-	-
315	(37)	77	(119)	-	631	-	1	632
-	-	-	-	-	-	-	(50)	(50)
315	(37)	77	(119)	-	631	-	(49)	582

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2015

	Notes	Emerging Markets
Assets		
Goodwill and other intangible assets	H1	415
Mandatory reserve deposits with central banks		5
Property, plant and equipment	H2(a)	275
Investment property	H2(b)	1,232
Deferred tax assets	H7	47
Investments in associated undertakings and joint ventures	I2	60
Deferred acquisition costs	H3	87
Reinsurers' share of policyholder liabilities	G6	150
Loans and advances	G1	912
Investments and securities	G2	24,983
Current tax receivable		14
Trade, other receivables and other assets	H4	759
Derivative financial instruments	G4	386
Cash and cash equivalents		1,088
Assets held for sale	K2	84
Inter-segment funding – assets		–
Total assets		30,497
Liabilities		
Long-term business insurance policyholder liabilities	G6	7,262
Investment contract liabilities	G6	16,943
Property & casualty liabilities	G6	341
Third-party interests in consolidated funds		–
Borrowed funds	G7	449
Provisions and accruals	H5	143
Deferred revenue	H6	20
Deferred tax liabilities	H7	183
Current tax payable		73
Trade, other payables and other liabilities	H8	2,006
Amounts owed to bank depositors	G8	518
Derivative financial instruments	G4	558
Liabilities held for sale	K2	–
Inter-segment funding – liabilities		–
Total liabilities		28,496
Net assets¹		2,001
Equity		
Equity attributable to equity holders of the parent		1,805
Non-controlling interests		196
Ordinary shares	H10(b)(i)	196
Preferred securities	H10(b)(ii)	–
Total equity		2,001

1 The net assets of Emerging Markets are stated after eliminating investments in Group equity and debt instruments of £167 million (2014: £227 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

2 Consolidation adjustments comprise the consolidation of investment funds and inter-company eliminations.

						£m
Nedbank	Old Mutual Wealth	Institutional Asset Management	Other	Non-core operations	Consolidation adjustments ²	Total
378	1,620	863	–	–	–	3,276
711	–	–	–	–	–	716
385	19	21	–	–	–	700
1	–	–	–	–	–	1,233
10	8	218	–	1	–	284
420	1	23	10	–	–	514
–	673	24	–	–	–	784
4	2,507	–	–	–	–	2,661
29,873	180	–	–	–	–	30,965
5,777	48,157	80	467	–	3,137	82,601
46	28	–	–	–	–	88
495	618	119	102	16	(102)	2,007
1,335	–	–	55	17	1,283	3,076
1,001	792	92	527	26	994	4,520
–	4	35	–	–	–	123
–	–	–	860	80	(940)	–
40,436	54,607	1,475	2,021	140	4,372	133,548
159	293	–	–	–	–	7,714
482	50,344	–	–	85	–	67,854
–	–	–	–	–	–	341
–	–	–	–	–	4,661	4,661
1,971	–	61	1,098	–	(55)	3,524
–	34	3	19	–	–	199
–	254	–	–	–	–	274
45	172	–	17	–	–	417
18	13	59	23	–	–	186
1,036	799	297	212	6	(569)	3,787
31,810	–	–	–	–	–	32,328
1,474	–	6	4	–	1,275	3,317
–	–	12	–	–	–	12
–	748	99	93	–	(940)	–
36,995	52,657	537	1,466	91	4,372	124,614
3,441	1,950	938	555	49	–	8,934
1,710	1,950	611	555	49	–	6,680
1,731	–	327	–	–	–	2,254
1,459	–	327	–	–	–	1,982
272	–	–	–	–	–	272
3,441	1,950	938	555	49	–	8,934

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2014

	Notes	Emerging Markets
Assets		
Goodwill and other intangible assets	H1	275
Mandatory reserve deposits with central banks		–
Property, plant and equipment	H2(a)	304
Investment property	H2(b)	1,290
Deferred tax assets	H7	87
Investments in associated undertakings and joint ventures	I2	61
Deferred acquisition costs	H3	100
Reinsurers' share of policyholder liabilities	G6	132
Loans and advances	G1	909
Investments and securities	G2	29,731
Current tax receivable		11
Trade, other receivables and other assets	H4	650
Derivative financial instruments	G4	255
Cash and cash equivalents		1,477
Assets held for sale		155
Inter-segment funding – assets		–
Total assets		35,437
Liabilities		
Long-term business insurance policyholder liabilities	G6	9,276
Investment contract liabilities	G6	19,956
Property & casualty liabilities	G6	319
Third-party interests in consolidated funds		–
Borrowed funds	G7	420
Provisions and accruals	H5	198
Deferred revenue	H6	22
Deferred tax liabilities	H7	203
Current tax payable		107
Trade, other payables and other liabilities	H8	2,213
Amounts owed to bank depositors	G8	385
Derivative financial instruments	G4	302
Liabilities held for sale		–
Inter-segment funding – liabilities		–
Total liabilities		33,401
Net assets		2,036
Equity		
Equity attributable to equity holders of the parent		1,927
Non-controlling interests		109
Ordinary shares	H10(b)(i)	109
Preferred securities	H10(b)(ii)	–
Total equity		2,036

						£m
Nedbank	Old Mutual Wealth	Institutional Asset Management	Other	Non-core operations	Consolidation adjustments	Total
452	1,197	839	–	–	–	2,763
829	–	–	–	–	–	829
432	13	16	–	–	–	765
7	–	–	–	–	381	1,678
17	6	172	–	1	–	283
426	–	21	10	–	–	518
–	746	16	–	–	–	862
7	2,175	–	–	–	–	2,314
33,773	175	–	–	–	–	34,857
6,359	46,631	40	554	341	3,891	87,547
16	64	1	–	–	–	92
708	539	134	14	297	20	2,362
865	–	–	71	8	28	1,227
907	689	130	696	25	1,020	4,944
1	1,319	–	–	–	–	1,475
–	–	–	343	192	(535)	–
44,799	53,554	1,369	1,688	864	4,805	142,516
232	291	–	–	720	–	10,519
653	48,188	–	–	44	–	68,841
–	–	–	–	–	–	319
–	–	–	–	–	5,986	5,986
1,980	–	114	677	–	(147)	3,044
1	40	3	42	–	–	284
–	308	–	–	–	–	330
42	190	–	19	–	–	454
7	35	3	37	–	–	189
1,241	919	252	177	10	(536)	4,276
35,858	–	–	–	–	–	36,243
860	–	–	1	1	37	1,201
–	1,285	–	–	–	–	1,285
–	173	170	192	–	(535)	–
40,874	51,429	542	1,145	775	4,805	132,971
3,925	2,125	827	543	89	–	9,545
2,069	2,125	653	543	89	–	7,406
1,856	–	174	–	–	–	2,139
1,584	–	174	–	–	–	1,867
272	–	–	–	–	–	272
3,925	2,125	827	543	89	–	9,545

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

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 2015	Year ended 31 December 2014
£m			
(Expense)/income			
Goodwill impairment and impact of acquisition accounting	C1(b)	(167)	(128)
Net loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	(36)	(2)
Short-term fluctuations in investment return	C1(d)	(42)	(49)
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	(31)	(42)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	31	32
Institutional Asset Management equity plans	C1(g)	(9)	(42)
Credit-related fair value gains/(losses) on Group debt instruments	C1(h)	7	(10)
Old Mutual Wealth business transformation costs	C1(i)	(97)	(60)
Total adjusting items		(344)	(301)
Tax on adjusting items		60	36
Non-controlling interest in adjusting items		19	28
Total adjusting items after tax and non-controlling interests		(265)	(237)

(b) Goodwill impairment and impact of acquisition accounting

When applying acquisition accounting, deferred acquisition costs and deferred revenue 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:

	£m			
Year ended 31 December 2015	Emerging Markets	Old Mutual Wealth	Institutional Asset Management	Total
Impairment of goodwill and other intangible assets	–	–	(23)	(23)
Amortisation of acquired PVIF	(7)	(51)	–	(58)
Amortisation of acquired deferred costs and revenue	–	13	–	13
Amortisation of other acquired intangible assets	(13)	(56)	–	(69)
Acquisition costs	(4)	(10)	–	(14)
Deferred consideration	–	(16)	–	(16)
	(24)	(120)	(23)	(167)

	£m			
Year ended 31 December 2014	Emerging Markets	Old Mutual Wealth	Institutional Asset Management	Total
Impairment of goodwill and other intangible assets	–	(14)	–	(14)
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)
	(10)	(118)	–	(128)

(c) Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments

The net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

	Year ended 31 December 2015	Year ended 31 December 2014
Emerging Markets	15	66
Old Mutual Wealth	(52)	(70)
Institutional Asset Management	1	2
Net loss on disposal of subsidiaries, associated undertakings and strategic investments	(36)	(2)

Emerging Markets**Current year transactions**

On 10 December 2015, Old Mutual Investment Group, a subsidiary of the Group, acquired an additional 50% stake in African Infrastructure Investment Managers (Pty) Ltd (AIIM). The accounting related to the step-up in ownership from 50% to 100%, which effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 100% of the business. Consequently a profit of £15 million was realised on the transaction, calculated as the difference between the fair value of the initial 50% and the carrying amount of the investment in AIIM at 10 December 2015. Refer to note J8(c) for more information.

Prior year transactions

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 when the transaction became unconditional. A profit of £4 million was 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%, which 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 was 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**Current year transactions**

On 2 February 2015, the Group completed the sale of Skandia Luxembourg and Skandia France. The Group has recognised a loss on disposal of £1 million, which comprises a loss on disposing the net assets of the sold business of £31 million and a gain of £30 million recycled from foreign currency translation reserve.

On 30 September 2015, the Group completed the sale of Skandia Leben AG. The Group has recognised a loss on disposal of £51 million, which comprises a loss on disposing the net assets of the sold business of £91 million and a gain of £41 million recycled from foreign currency translation reserve.

Prior year transactions

On 30 May 2014, the Group completed the disposal of Skandia Poland. A loss on disposal of £21 million was recognised in profit or loss.

On 1 October 2014, the Group completed the disposal of Skandia Austria and Skandia Germany. A loss on disposal of £43 million was recognised in profit or loss.

On 6 November 2014, the Group completed the disposal of Skandia Liechtenstein. A loss on disposal of £6 million was recognised in profit or loss.

Institutional Asset Management**Current and prior year transactions**

During the year ended 31 December 2015, the Group received additional earn-out income of £1 million (year ended 31 December 2014: £2 million) from earn-outs on Institutional Asset Management affiliates disposed in prior years.

(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 annually by the Board 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.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

C: Other key performance information continued

C1: Operating profit adjusting items continued

(d) Short-term fluctuations in investment return continued

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.

	Year ended 31 December 2015	Year ended 31 December 2014	%
Long-term investment rates			
Emerging Markets			
Mutual & Federal ¹	7.4		7.4
Old Mutual South Africa	8.0		8.0
Rest of Africa	8.5		8.0
Old Mutual Wealth	1.0		1.0

¹ The long-term investments rate of Mutual & Federal relates to the South African businesses only.

Analysis of short-term fluctuations in investment return

	£m			
Year ended 31 December 2015	Emerging Markets	Old Mutual Wealth	Other	Total
Actual shareholder investment return	88	8	12	108
Less: Long-term investment return	124	5	21	150
Short-term fluctuations in investment return	(36)	3	(9)	(42)

	£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)

(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 consolidated 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 2015, the investment return adjustment increased AOP by £31 million (year ended 31 December 2014: increase of £42 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 £31 million for the year ended 31 December 2015 (year ended 31 December 2014: £32 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.

As part of the incentive schemes in the Institutional Asset Management business, the Group has granted put options over the equity of certain affiliates to senior affiliate employees. The impact of revaluing these instruments is recognised in accordance with IFRS, but excluded from AOP. At 31 December 2015, these instruments were revalued, the impact of which was a loss of £9 million (year ended 31 December 2014: loss of £42 million).

(h) Credit-related fair value losses on Group debt instruments

The widening of the credit spread on the Group's debt instruments can cause 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 will increase, 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 2015, due to widening of credit spreads, a net gain of £7 million was recognised (year ended 31 December 2014: net loss of £10 million).

(i) Development costs of the new Old Mutual Wealth UK platform

In 2013, Old Mutual Wealth's UK business embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This will involve replacing many aspects of the existing UK platform, and on completion certain elements of service provision will be migrated to International Financial Data Services (IFDS) under a long-term outsourcing agreement. The cost of developing the new technology typically cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services to IFDS are excluded from AOP. Only costs that are directly attributable to the programme are excluded. For the year ended 31 December 2015, these costs totalled £97 million (year ended 31 December 2014: £60 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	Pence	
			Year ended 31 December 2015	Year ended 31 December 2014
Basic earnings per share	IFRS	C2(a)	12.7	12.4
Diluted basic earnings per share	IFRS	C2(b)	12.2	11.5
Adjusted operating earnings per share	Group policy	C2(c)	19.3	17.9
Headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	13.9	12.3
Headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	13.9	12.6
Diluted headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	13.3	11.4
Diluted headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	13.3	11.6

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity shareholders by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder funds, Employee Share Ownership Plan Trusts (ESOP), Black Economic Empowerment Trusts and other related undertakings.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Profit for the financial year attributable to equity holders of the parent from continuing operations	635	632
Loss for the financial year attributable to equity holders of the parent from discontinued operations	(21)	(50)
Profit for the financial year attributable to equity holders of the parent	614	582
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	(24)	(25)
Profit attributable to ordinary equity holders	590	557

Total dividends paid to holders of perpetual preferred callable securities of £24 million for the year ended 31 December 2015 (year ended 31 December 2014: £25 million) are stated net of tax credits of £6 million (year ended 31 December 2014: £7 million).

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	Millions	
	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of ordinary shares in issue	4,924	4,901
Shares held in charitable foundations and trusts	(13)	(6)
Shares held in ESOP trusts	(98)	(50)
Adjusted weighted average number of ordinary shares	4,813	4,845
Shares held in life funds	(81)	(127)
Shares held in Black Economic Empowerment trusts	(91)	(233)
Weighted average number of ordinary shares used to calculate basic earnings per share	4,641	4,485
Basic earnings per ordinary share (pence)	12.7	12.4

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

C: Other key performance information continued

C2: Earnings and earnings per share continued

(b) Diluted basic earnings per share

Diluted basic EPS recognises the dilutive impact of shares and options held in ESOP trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

Notes	Year ended 31 December 2015	Year ended 31 December 2014
Profit attributable to ordinary equity holders (£m)	590	557
Dilution effect on profit relating to share options issued by subsidiaries (£m)	(7)	(10)
Diluted profit attributable to ordinary equity holders (£m)	583	547
Weighted average number of ordinary shares (millions)	C2(a) 4,641	4,485
Adjustments for share options held by ESOP trusts (millions)	47	48
Adjustments for shares held in Black Economic Empowerment trusts (millions)	91	233
Weighted average number of ordinary shares used to calculate diluted basic earnings per share (millions)	4,779	4,766
Diluted basic earnings per ordinary share (pence)	12.2	11.5

(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 2015	Year ended 31 December 2014
Profit for the financial year attributable to equity holders of the parent	614	582
Adjusting items	C1(a) 344	301
Tax on adjusting items	(60)	(36)
Non-core operations	B3 31	(1)
Loss from discontinued operations	K1 21	50
Non-controlling interest on adjusting items	(19)	(28)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)	931	868
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)	C2(a) 4,813	4,845
Adjusted operating earnings per share (pence)	19.3	17.9

(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 02/2015 '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:

	Notes	Year ended 31 December 2015		Year ended 31 December 2014	
		Gross	Net	Gross	Net
Profit for the financial year attributable to equity holders of the parent		614	614	582	582
Dividends paid to holders of perpetual preferred callable securities		(24)	(24)	(25)	(25)
Profit attributable to ordinary equity holders		590	590	557	557
Adjustments:					
Impairments of goodwill and other intangible assets		23	23	14	14
Loss on disposal of subsidiaries, associated undertakings and strategic investments		36	35	2	14
Realised gains (net of impairments) on available-for-sale financial assets		(5)	(5)	(20)	(20)
Headline earnings		644	643	553	565
Dilution effect on earnings relating to share options issued by subsidiaries		(7)	(7)	(10)	(10)
Diluted headline earnings (£m)		637	636	543	555
Weighted average number of ordinary shares (millions)	C2(a)	4,641	4,641	4,485	4,485
Diluted weighted average number of ordinary shares (millions)	C2(b)	4,779	4,779	4,766	4,766
Headline earnings per share (pence)		13.9	13.9	12.3	12.6
Diluted headline earnings per share (pence)		13.3	13.3	11.4	11.6

C3: Dividends

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
2013 Final dividend paid – 6.00p per 11 ³ / ₇ p share	–	279
2014 Interim dividend paid – 2.45p per 11 ³ / ₇ p share	–	115
2014 Final dividend paid – 6.25p per 11 ³ / ₇ p share	296	–
2015 Interim dividend paid – 2.65p per 11 ³ / ₇ p share	126	–
Dividends to ordinary equity holders	422	394
Dividends paid to holders of perpetual preferred callable securities	30	32
Dividend payments for the year	452	426

The total dividend paid to ordinary equity holders is 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 second interim dividend of 6.25 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the directors. This dividend will be paid on 29 April 2016 to shareholders on the register at the close of business on 1 April 2016. The dividend will absorb an estimated £297 million of shareholders' funds.

In March and November 2015, £17 million and £13 million respectively, were declared and paid to holders of perpetual preferred callable securities (March 2014: £17 million, November 2014: £15 million).

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

D: Other income statement notes

D1: Income tax expense

This note analyses the income tax expense recognised in profit or loss for the year and the various factors that have contributed to the composition of the charge.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred taxation is provided using the temporary difference method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date in the specific jurisdiction. Deferred taxation is charged to profit and loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or a business combination that is an acquisition. The effect on deferred taxation of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. H7 includes further detail of circumstances in which the Group does not recognise temporary differences.

Critical accounting estimates and judgements – Income 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 or equity, in which case it is recognised in other comprehensive income and the statement of changes in equity respectively.

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. Taxation provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

(a) Analysis of total income tax expense

The total income tax expense for the year comprises:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Current tax		
United Kingdom	33	19
Overseas tax		
– South Africa	272	317
– Rest of Africa	19	19
– Europe	17	23
– Rest of the world	16	14
Withholding taxes	11	16
Adjustments to current tax in respect of prior years	(1)	31
Total current tax	367	439
Deferred tax		
Origination and reversal of temporary differences	23	43
Effect on deferred tax of changes in tax rates	(8)	–
Adjustments to deferred tax in respect of prior years	(8)	(20)
Total deferred tax	7	23
Total income tax expense	374	462

(b) Reconciliation of total income tax expense

The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Profit before tax	1,319	1,364
Tax at UK standard rate of 20.25% (2014: 21.5%)	267	293
Different tax rate or basis on overseas operations	118	95
Untaxed and low taxed income	(82)	(56)
Disallowable expenses	46	36
Adjustments to current tax in respect of prior years	(1)	31
Net movement on deferred tax assets not recognised	7	27
Effect on deferred tax of changes in tax rates	(8)	–
Adjustments to deferred tax in respect of prior years	(8)	(20)
Withholding taxes	5	8
Income tax attributable to policyholder returns	25	46
Other	5	2
Total income tax expense	374	462

(c) Income tax relating to components of other comprehensive income

The total income tax expense relating to items recognised in other comprehensive income for the year comprises the following:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Measurement gains on defined benefit plans	1	1
Property revaluation	3	6
Income tax on items that will not be reclassified subsequently to profit or loss	4	7
Available-for-sale reserves	–	5
Income tax on items that may be reclassified subsequently to profit or loss	–	5
Income tax expense relating to components of other comprehensive income	4	12

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

D: Other income statement notes continued

D1: Income tax expense continued

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Income tax expense	374	462
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	20	15
Loss/(profit) on disposal of subsidiaries, associates and strategic investments	1	(11)
Short-term fluctuations in investment return	22	6
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	(6)	(7)
Institutional Asset Management equity plans	5	20
Old Mutual Wealth business transformation costs	18	13
Total tax on adjusting items	60	36
Income tax attributable to policyholders returns	(31)	(59)
Income tax on adjusted operating profit	403	439

D2: Investment return (non-banking)

This note analyses the investment return from the Group's non-banking activities.

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Interest and similar income		
Investments and securities	946	979
Cash and cash equivalents	86	127
Total interest and similar income	1,032	1,106
Dividend income – investments and securities	293	334
Fair value gains and losses recognised in income	2,304	4,653
Rental income from investment properties	121	150
Fair value gains and losses on investment property	54	62
Foreign currency losses	(9)	(1)
Total amounts recognised in profit or loss	3,795	6,304
Total interest income for assets not at fair value through profit or loss	13	9
The fair value gains and losses shown above are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	(6)	–
Designated at fair value through profit or loss	2,310	4,653
	2,304	4,653

D3: Banking interest and similar income

This note analyses the interest earned on loans and advances from the Group's banking activities.

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Loans and advances	2,947	2,710
Mortgage loans	1,241	1,190
Finance lease and instalment debtors	512	500
Credit cards	100	96
Overdrafts	83	83
Term loans and other	1,011	841
Investments and securities	373	347
Government and government-guaranteed securities	176	200
Other debt securities, preference shares and debentures	197	147
Total interest and similar income	3,320	3,057
Total interest income for assets not at fair value through profit or loss	2,653	2,453
Total interest income on impaired financial assets	50	50

D4: Banking trading, investment and similar income

This note analyses the investment return from the Group's banking activities.

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Dividend income – investments and securities	2	5
Rental income from investment property	3	7
Net exchange and other non-interest income	39	33
Net trading income	169	152
Total banking trading, investment and similar income	213	197
The realised fair value gains included in total banking, investment and similar income are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	84	8
Designated at fair value through profit or loss	(90)	(2)
Realised fair value gains included above	(6)	6

D5: Fee and commission income, and income from service activities

This note analyses the fees and commission earned by the Group from negotiating, or participating in the negotiation of a transaction for third parties, transaction and performance fees earned and movements in deferred origination fees.

	£m				
Year ended 31 December 2015	Life and savings	Asset management	Banking	Property & Casualty	Total
Fee and commission income	764	1,355	811	32	2,962
Transaction and performance fees	1	48	16	–	65
Change in deferred revenue	(20)	20	–	–	–
	745	1,423	827	32	3,027

	£m				
Year ended 31 December 2014	Life and savings	Asset management	Banking	Property & Casualty	Total
Fee and commission income	832	1,111	838	29	2,810
Transaction and performance fees	–	30	13	–	43
Change in deferred revenue	18	24	–	(1)	41
	850	1,165	851	28	2,894

Income from fiduciary activities is included within asset management fee income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

D: Other income statement notes continued

D6: Finance costs

Finance costs relate to the Group's borrowed funds, excluding those relating to banking activities. These finance costs include interest payable and gains and losses on revaluation of these funds and on those derivative instruments which are used to hedge these funds.

	Notes	Year ended 31 December 2015	£m Year ended 31 December 2014
Interest payable on borrowed funds		67	48
Senior debt and term loans		8	8
Subordinated debt		74	55
Interest rate swaps		(15)	(15)
Fair value gains and losses on borrowed funds		(18)	6
Borrowed funds		(29)	34
Derivative instruments used as economic hedges		11	(28)
Total finance costs excluding banking activities		49	54
Finance costs from banking activities	D7	216	159
Total Group finance costs on debt instruments		265	213
The fair value gains and losses shown above are analysed according to their IAS 39 categorisations as follows:			
Designated at fair value through profit or loss		(18)	6

D7: Banking interest payable and similar expense

This note analyses the interest and similar expenses from the Group's banking activities.

	Notes	Year ended 31 December 2015	£m Year ended 31 December 2014
Amounts owed to bank depositors		1,672	1,529
Deposits and loan accounts		1,091	1,074
Current and savings accounts		24	8
Negotiable certificates of deposit		341	288
Long-term debt instruments	D6	216	159
Other liabilities		252	143
Total interest payable and similar expenses		1,924	1,672
Total interest expense included above for liabilities not at fair value through profit or loss		1,736	1,483

D8: Fee and commission expenses and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

	£m			
Year ended 31 December 2015	Life and savings	Asset management	Property & casualty	Total
Fee and commission expenses	432	147	123	702
Change in deferred acquisition costs	3	11	–	14
Other acquisition costs	70	–	–	70
	505	158	123	786

	£m			
Year ended 31 December 2014	Life and savings	Asset management	Property & casualty	Total
Fee and commission expenses	492	161	107	760
Change in deferred acquisition costs	24	13	(1)	36
Other acquisition costs	67	–	–	67
	583	174	106	863

D9: Other operating and administrative expenses

This note gives further detail on the items included within administrative expenses as well as an analysis of the operating segment our employees work in.

(a) Other operating and administrative expenses include:

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Staff costs	D9(b)	1,895	1,860
Amortisation of PVIF and other intangible assets	H1(f)	177	170
Impairment of goodwill and other intangible assets	C1(b)/H1(f)	23	14
Operating lease rentals – banking		64	61
Operating lease rentals – non-banking		19	27
Depreciation	H2(a)	87	83
Computer, software and processing costs		142	110
Marketing and communications and travel costs		64	68
Other operating and administrative expenses		1,288	1,155
		3,759	3,548

Operating lease payments principally represent rentals payable by the Group for the rental of buildings and equipment.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

D: Other income statement notes continued

D9: Other operating and administrative expenses continued

(b) Staff costs

	Notes	£m	
		Year ended 31 December 2015	Year ended 31 December 2014
Wages and salaries		1,112	1,094
Social security costs		41	39
Retirement obligations			
Defined contribution plans		87	82
Defined benefit plans	J1(b)	(4)	(3)
Other retirement benefits	J1(b)	7	8
Bonus and incentive remuneration		459	403
Share-based payments			
Cash settled	J2(f)	24	61
Equity settled	J2(f)	44	54
Other		125	122
		1,895	1,860

	Number	
	Year ended 31 December 2015	Year ended 31 December 2014
The average number of persons employed by the Group was:		
Emerging Markets	27,391	25,684
Old Mutual Wealth	3,451	3,223
Nedbank	31,646	31,083
Institutional Asset Management	1,174	1,343
Other	363	228
Non-core operations (Old Mutual Bermuda)	18	22
	64,043	61,583

(c) Fees to Group's auditors

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Fees for audit services		
Group	1.3	1.3
Subsidiaries	12.2	12.1
Pension schemes	0.3	0.3
Total audit fees	13.8	13.7
Fees for non-audit services		
Audit-related assurance	0.9	0.9
Taxation compliance	1.5	1.6
Corporate finance transactions	0.1	0.4
Other non-audit services	1.0	0.5
Total non-audit services	3.5	3.4
Total Group auditors' remuneration	17.3	17.1

In addition to the above, fees of £3.1 million (2014: £3.2 million) were payable to other auditors in respect of joint audit arrangements of Nedbank, the Group's banking subsidiary in South Africa.

E: Financial assets and liabilities

This section outlines the classification and measurement basis of financial assets and liabilities of the Group and provides further information on those instruments that are recognised at fair value and the fair value of instruments measured at amortised cost.

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities.

Section F of the financial statements discusses the financial risk management of the Group and should be read in conjunction with the Risks Section set out on pages 82 to 97 of the Annual Report and Accounts.

Section E of the financial statement provides a detailed analysis of the composition of the individual financial assets and liabilities in the financial statements.

The Group's accounting policies on financial assets and liabilities are included in note L1.

E1: Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the year, with the exception of unrealised gains or losses on financial assets classified as available for sale, which are recognised in other comprehensive income.

At 31 December 2015	Total	Fair value (note E3)			Amortised cost (note E5)			£m
		Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	
Measurement basis								Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	716	–	–	–	–	716	–	–
Investments in associated undertakings and joint ventures ¹	514	–	51	–	–	–	–	463
Reinsurers' share of policyholder liabilities	2,661	–	2,328	–	–	4	–	329
Loans and advances	30,965	1,491	3,035	2	–	26,437	–	–
Investments and securities	82,601	883	78,723	731	2,264	–	–	–
Trade, other receivables and other assets	2,007	182	–	–	–	1,179	–	646
Derivative financial instruments	3,076	3,076	–	–	–	–	–	–
Cash and cash equivalents	4,520	–	–	–	–	4,520	–	–
Total assets that include financial instruments	127,060	5,632	84,137	733	2,264	32,856	–	1,438
Total other non-financial assets	6,488	–	–	–	–	–	–	6,488
Total assets	133,548	5,632	84,137	733	2,264	32,856	–	7,926
Liabilities								
Long-term business insurance policyholder liabilities	7,714	–	–	–	–	–	–	7,714
Investment contract liabilities	67,854	–	60,769	–	–	–	–	7,085
Third-party interest in consolidation of funds	4,661	–	4,661	–	–	–	–	–
Borrowed funds	3,524	–	804	–	–	–	2,720	–
Trade, other payables and other liabilities	3,787	547	383	–	–	–	1,547	1,310
Amounts owed to bank depositors	32,328	4,580	2,885	–	–	–	24,863	–
Derivative financial instruments	3,317	3,317	–	–	–	–	–	–
Total liabilities that include financial instruments	123,185	8,444	69,502	–	–	–	29,130	16,109
Total other non-financial liabilities	1,429	–	–	–	–	–	–	1,429
Total liabilities	124,614	8,444	69,502	–	–	–	29,130	17,538

1 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E1: Categories of financial instruments continued

At 31 December 2014	Fair value (note E3)			Amortised cost (note E5)			£m	
Measurement basis	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	829	–	–	–	–	829	–	–
Investments in associated undertakings and joint ventures ¹	518	–	50	–	–	–	–	468
Reinsurers' share of policyholder liabilities	2,314	–	2,027	–	–	12	–	275
Loans and advances	34,857	1,497	3,523	2	–	29,835	–	–
Investments and securities	87,547	839	83,568	754	2,325	61	–	–
Trade, other receivables and other assets	2,362	117	310	–	–	1,260	–	675
Derivative financial instruments	1,227	1,227	–	–	–	–	–	–
Cash and cash equivalents	4,944	–	–	–	–	4,944	–	–
Total assets that include financial instruments	134,598	3,680	89,478	756	2,325	36,941	–	1,418
Total other non-financial assets	7,918	–	–	–	–	–	–	7,918
Total assets	142,516	3,680	89,478	756	2,325	36,941	–	9,336
Liabilities								
Long-term business policyholder liabilities	10,519	–	–	–	–	–	–	10,519
Investment contract liabilities	68,841	–	60,904	–	–	–	–	7,937
Third-party interest in consolidation of funds	5,986	–	5,986	–	–	–	–	–
Borrowed funds	3,044	–	734	–	–	–	2,310	–
Trade, other payables and other liabilities	4,276	251	341	–	–	–	2,217	1,467
Amounts owed to bank depositors	36,243	4,290	2,199	–	–	–	29,754	–
Derivative financial instruments	1,201	1,201	–	–	–	–	–	–
Total liabilities that include financial instruments	130,110	5,742	70,164	–	–	–	34,281	19,923
Total other non-financial liabilities	2,861	–	–	–	–	–	–	2,861
Total liabilities	132,971	5,742	70,164	–	–	–	34,281	22,784

¹ Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

E2: Fair values of financial assets and liabilities

(a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads
- The inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair-value measurement of derivative instruments, and
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investment and securities that are measured at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

Investments in associated undertakings and joint ventures

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

Derivatives

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Third-party interests in consolidation of funds

Third-party interests in consolidation of funds are measured at the attributable net asset value of each fund.

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (which comprise cash and cash equivalents, cash with central banks, other assets and liabilities) are reasonably approximated by the carrying amounts reflected in the statement of financial position as they are short-term in nature or re-price to current market rates frequently.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E2: Fair values of financial assets and liabilities continued

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value for determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's-length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

E3: Disclosure of financial assets and liabilities measured at fair value

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The tables below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in the accounting policies note L1, and in terms of the fair value hierarchy described in note E2. The majority of the Group's financial assets are measured utilising market observable inputs (Level 1) and there has been no significant change compared to the prior year.

Summary

	At 31 December 2015		At 31 December 2014	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	77,722	85.9%	74,064	78.9%
Level 2	11,388	12.6%	18,237	19.4%
Level 3	1,392	1.5%	1,613	1.7%
Total	90,502	100.0%	93,914	100.0%
Financial liabilities measured at fair value				
Level 1	48,887	62.7%	44,519	58.6%
Level 2	28,461	36.5%	30,633	40.4%
Level 3	598	0.8%	754	1.0%
Total	77,946	100.0%	75,906	100.0%

Detail analysis

At 31 December 2015	£m			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	5,632	524	5,090	18
Loans and advances	1,491	–	1,491	–
Investments and securities	883	337	546	–
Other financial assets	182	182	–	–
Derivative financial instruments – assets	3,076	5	3,053	18
Designated (fair value through profit or loss)	84,137	77,195	5,568	1,374
Investments in associated undertakings and joint ventures	51	–	–	51
Reinsurers' share of policyholder liabilities	2,328	2,328	–	–
Loans and advances	3,035	181	2,853	1
Investments and securities	78,723	74,686	2,715	1,322
Available-for-sale financial assets (fair value through equity)	733	3	730	–
Loans and advances	2	2	–	–
Investments and securities	731	1	730	–
Total assets measured at fair value	90,502	77,722	11,388	1,392
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	8,444	545	7,895	4
Other liabilities	547	539	8	–
Amounts owed to bank depositors	4,580	–	4,580	–
Derivative financial instruments – liabilities	3,317	6	3,307	4
Designated (fair value through profit or loss)	69,502	48,342	20,566	594
Investment contract liabilities ¹	60,769	47,508	12,667	594
Third-party interests in consolidated funds	4,661	–	4,661	–
Borrowed funds	804	794	10	–
Other liabilities	383	40	343	–
Amounts owed to bank depositors	2,885	–	2,885	–
Total liabilities measured at fair value	77,946	48,887	28,461	598

¹ Investment contract liabilities amount excludes £7,085 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at fair value continued

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy continued

At 31 December 2014	Total	Level 1	Level 2	Level 3	£m
Financial assets measured at fair value					
Held-for-trading (fair value through profit or loss)	3,680	373	3,299		8
Loans and advances	1,497	–	1,497		–
Investments and securities	839	254	585		–
Other financial assets	117	117	–		–
Derivative financial instruments – assets	1,227	2	1,217		8
Designated (fair value through profit or loss)	89,478	73,554	14,320		1,604
Investments in associated undertakings and joint ventures	50	–	–		50
Reinsurers' share of policyholder liabilities	2,027	2,027	–		–
Loans and advances	3,523	177	3,344		2
Investments and securities	83,568	71,040	10,976		1,552
Other financial assets	310	310	–		–
Available-for-sale financial assets (fair value through equity)	756	137	618		1
Loans and advances	2	2	–		–
Investments and securities	754	135	618		1
Total assets measured at fair value	93,914	74,064	18,237		1,613
Financial liabilities measured at fair value					
Held-for-trading (fair value through profit or loss)	5,742	245	5,497		–
Other liabilities	251	243	8		–
Amounts owed to bank depositors	4,290	–	4,290		–
Derivative financial instruments – liabilities	1,201	2	1,199		–
Designated (fair value through profit or loss)	70,164	44,274	25,136		754
Investment contract liabilities ¹	60,904	43,571	16,579		754
Third-party interests in consolidated funds	5,986	–	5,986		–
Borrowed funds	734	653	81		–
Other liabilities	341	50	291		–
Amounts owed to bank depositors	2,199	–	2,199		–
Total liabilities measured at fair value	75,906	44,519	30,633		754

¹ Investment contract liabilities amount excludes £7,937 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year:

	Designated fair value through profit or loss					£m
	Held-for-trading	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Available-for-sale	Total
	Derivatives					
Year ended 31 December 2015						
Level 3 financial assets						
At beginning of the year	8	50	2	1,552	1	1,613
Total net fair value (losses)/gains recognised in profit or loss for the year	(5)	5	–	40	–	40
Total gains recognised in other comprehensive income	–	–	–	(1)	–	(1)
Purchases and issues	14	16	–	288	–	318
Sales and settlements	–	(7)	–	(332)	(1)	(340)
Transfers in	–	–	–	80	–	80
Transfers out	–	–	–	(69)	–	(69)
Foreign exchange and other	1	(13)	(1)	(236)	–	(249)
Total level 3 financial assets	18	51	1	1,322	–	1,392
Fair value gains/(losses) relating to assets held at 31 December 2015 recognised in profit or loss	(5)	5	–	(25)	–	(25)

The carrying amount of level 3 assets at the reporting date principally comprises:

Investments and securities – designated fair value through the income statement:

- £162 million (2014: £480 million) of suspended funds, £301 million (2014: £210 million) of private company shares, £36 million (2014: £nil) of funds not being actively priced and £10 million (2014: £12 million) of structured notes held by Old Mutual Wealth. These assets are held by linked funds and are matched exactly by level 3 investment contract liabilities
- £727 million (2014: £772 million) of private company shares and unlisted pooled investments held by Emerging Markets. Of this amount, £666 million (2014: £641 million) is held by policyholder funds for which the bulk of the investment risk is borne by policyholders, and
- £55 million (2014: £28 million) relating to timber and real estate assets held by funds of Old Mutual Asset Management.

Investments in associated undertakings and joint ventures – designated at fair value through the income statement:

- £51 million (2014: £50 million) of investments held by Nedbank

Derivative assets – held for trading:

- £18 million (2014: £8 million) held by the Bermuda business in connection with hedging of investment guarantees

Amounts shown as purchases and issues arise principally from the purchase of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets.

Amounts shown as sales and settlements arise principally from the sale of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from distributions received in respect of Old Mutual Wealth's holdings in property funds.

Transfers into Level 3 assets principally comprise £36 million of private company shares held by Old Mutual Wealth that were previously shown within Level 2 and for which price updates have not been received for more than six months, £11 million previously shown in Levels 1 and 2 relating to investments by Old Mutual Wealth in funds that became suspended during 2015 and £28 million transferred from Level 2 in Emerging Markets relating to private equity funds and private companies for which level 3 is considered more appropriate.

Transfers out of Level 3 assets principally comprise £55 million relating to suspended funds held by Old Mutual Wealth that have resumed trading and £15 million in Emerging Markets relating to unlisted company shares and private equity funds which are considered more appropriate to show in Levels 1 and 2 as they are traded on an active market.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at fair value continued

(b) Level 3 fair value hierarchy disclosure continued

			£m
Year ended 31 December 2015	Held-for-trading – Derivatives	Designated fair value through profit or loss – Investment contract liabilities	Total
Level 3 financial liabilities			
At beginning of the year	–	754	754
Total net fair value losses/(gains) recognised in profit or loss for the year	3	(69)	(66)
Purchases and issues	1	96	97
Sales and settlements	–	(188)	(188)
Transfers in	–	52	52
Transfers out	–	(55)	(55)
Foreign exchange and other	–	4	4
Total level 3 financial liabilities	4	594	598
Fair value gains/(losses) relating to liabilities held at 31 December 2015 recognised in profit or loss	3	(63)	(60)

The carrying amount of level 3 investment contract liabilities at 31 December 2015 comprises:

- £509 million (2014: £701 million) held within Old Mutual Wealth in linked-funds and which exactly match against Level 3 assets disclosed above within 'Investments and securities – designated fair value through profit or loss'; and
- £85 million (2014: £53 million) held by the Bermuda business relating to guarantees given to policyholders.

							£m
Year ended 31 December 2014	Held-for-trading		Designated at fair value through profit or loss			Available-for-sale	Total
	Investments and securities	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Level 3 financial assets							
At beginning of the year	3	8	49	2	1,708	2	1,772
Total net fair value (losses)/gains recognised in the profit or loss for the year	–	(1)	–	–	53	–	52
Purchases and issues	–	–	(1)	–	136	–	135
Sales and settlements	(3)	–	–	–	(319)	(1)	(323)
Transfers in	–	–	–	–	54	–	54
Transfers out	–	–	–	–	(36)	–	(36)
Foreign exchange and other	–	1	2	–	(44)	–	(41)
Total level 3 financial assets	–	8	50	2	1,552	1	1,613
Fair value (losses)/gains relating to assets held at 31 December 2014 recognised in profit or loss	–	(1)	–	–	22	–	21

Year ended 31 December 2014	£m
	Designated fair value through profit or loss – Investment contract liabilities
Level 3 financial liabilities	
At beginning of the year	932
Total net gains recognised in profit or loss for the year	(47)
Purchases and issues	8
Sales and settlements	(137)
Foreign exchange and other	(2)
Total level 3 financial liabilities	754
Fair value gains relating to liabilities held at 31 December 2014 recognised in profit or loss	(47)

(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiple applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuation of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available.

Structured notes and other derivatives are generally valued using option pricing models. For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. The principal assumptions used in the valuation of structured credit notes include credit volatilities and correlations. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

Details of the valuation techniques applied to the different categories of financial instruments can be found in note E2: Fair values of financial assets and liabilities.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at fair value continued

(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives continued

The table below summarises the significant inputs to value instruments categorised as Level 3 hierarchy and their sensitivity to changes in the inputs used.

Types of financial instruments	Fair values		Significant unobservable input	Range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs	
	At 31 December 2015 £m	At 31 December 2014 £m			At 31 December 2015 £m	At 31 December 2014 £m
Assets						
Investments in associated undertakings and joint ventures	51	50	Valuation multiples	-7% to +8%	Favourable: 4 Unfavourable: 5	Favourable: 7 Unfavourable: 7
Investments and securities	1,322	1,553	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return Cost of capital Inflation rates Market adjusted price (Price of infrequently traded shares)	Nedbank: -13% to +10% Emerging Markets: -10% to +10% Old Mutual Wealth: -10% to +10%	Favourable: 149 Unfavourable: 141	Favourable: 202 Unfavourable: 190
Loans and advances	1	2	Correlations Volatilities Credit spreads	-13% to +10%	Favourable: £nil Unfavourable: £nil	Favourable: £nil Unfavourable: £nil
Derivatives	18	8	Interest rates Volatilities	-10% to +10%	Favourable: £nil Unfavourable: £nil	Favourable: 6 Unfavourable: £nil
Liabilities						
Investment contract liabilities	594	754	Interest rates Volatilities	-10% to 10%	Favourable: 54 Unfavourable: 58	Favourable: 70 Unfavourable: 80
Derivatives	4	–	Growth rates Cost of equity and price-to-book	-10% to 10%	Favourable: 2 Unfavourable: 1	Favourable: £nil Unfavourable: £nil

(c)(ii) Analysis of investments and securities classified as Level 3 hierarchy

The table below summarises the categories of investments and securities classified as Level 3 hierarchy.

	£m	
	At 31 December 2015	At 31 December 2014
Pooled investments	493	712
Unlisted and stale price pooled investments	331	232
Suspended funds	162	480
Unlisted equity	433	502
Private equity investments	331	254
Other	65	85
	1,322	1,553

The table below summarises the significant unobservable inputs of investments and securities categorised as Level 3 hierarchy.

Pooled investments	Equity instruments	Other investments
Underlying net asset value	Dividend growth rate	Commodity prices
Published fund price	Volatilities	Interest rates
Credit spreads	Internal rate of return	Inflation rates
Market adjusted prices	Market adjusted prices	

(d) Alternative assumptions

Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities.

Alternative assumptions are assessed in terms of possible favourable and unfavourable changes in the key market inputs for the major types of Level 3 financial assets and liabilities, ranging from, for example, a 13% change in the price earnings multiple for equity securities, to a 13% change in the discount rates applied to debt securities and volatility assumptions in derivative contracts. Changes in business risk inputs such as lapses and non-performance risk were also considered.

Management believes that in aggregate, 25% (2014: 15%) of the amounts determined in the sensitivity tables represents a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of alternative assumptions will be in the range of £38 million (2014: £32 million) favourable to £37 million (2014: £30 million) unfavourable on profit or loss and assets. The impact on liabilities will be in the range of £14 million (2014: £11 million) favourable and £15 million (2014: £12 million) unfavourable.

E4: Financial instruments designated as fair value through profit or loss

Certain items in the Group's statement of financial position that would otherwise be categorised as loans and receivables under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

	£m					
	At 31 December 2015			At 31 December 2014		
	Maximum exposure to credit risk	Current financial year	Cumulative	Maximum exposure to credit risk	Current financial year	Cumulative
Change in fair value due to change in credit risk						
Loans and advances	2,854	–	–	3,347	–	–
Investments and securities	6,305	–	(3)	6,406	(1)	(3)
Other financial assets	–	–	–	21	–	–
	9,159	–	(3)	9,774	(1)	(3)

The change in fair value due to a change in credit risk shown above is determined as the amount of the change in fair value of the instrument that is not attributable to changes in market conditions that give rise to market risk.

For loans and receivables that have been designated as fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value of the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated at fair value through profit or loss.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

E: Financial assets and liabilities continued

E4: Financial instruments designated as fair value through profit or loss continued

Certain items in the Group's statement of financial position, that would otherwise be categorised as financial liabilities at amortised cost under IAS 39, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

Change in fair value due to change in credit risk	At 31 December 2015				At 31 December 2014				£m
	Fair value	Current financial year	Cumulative	Contractual maturity amount	Fair value	Current financial year	Cumulative	Contractual maturity amount	
Borrowed funds	302	20	74	255	734	10	97	606	
Amounts owed to bank depositors	2,885	4	7	2,894	2,199	(2)	(5)	2,198	
	3,187	24	81	3,149	2,933	8	92	2,804	

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available. The basis for not using credit default swaps to determine the change in fair value due to credit risk is the unavailability of reliable market-priced instruments.

E5: Fair value hierarchy for assets and liabilities not measured at fair value

(a) Financial instruments

Certain financial instruments of the Group are not carried at fair value, principally investments and securities categorised as held to maturity, loans and receivables, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for, or transfer the respective financial liability for, in an involuntary liquidation or distressed sale.

Investments and securities

Investments and securities with a carrying value of £2,264 million (2014: £2,386 million) are shown within note E1 as held-to-maturity investments and loans and receivables and are therefore not carried at fair value. The fair value of these securities is estimated to be £2,196 million (2014: £2,390 million) and is based either on available market prices (Level 1) (£763 million (£2014: £519 million)) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2) (£1,433 million (2014: £1,871 million)).

Loans and advances

Loans and advances with a carrying value of £26,437 million (2014: £29,835 million), shown within note E1 as loans and receivables and therefore not carried at fair value, principally comprise variable rate financial assets. The interest rates on these variable rate financial assets are adjusted when the applicable benchmark interest rate changes. The fair value of these financial instruments at the reporting date are estimated to be £26,271 million (2014: £29,809 million) and would be classified as Level 3.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances, the carrying value as determined after consideration of the Group's IAS 39 credit impairments, is considered the best estimate of fair value.

The Group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

Other financial assets

The carrying values of cash and cash equivalents, mandatory deposits with central banks and provisions and trade, other receivables and other assets are considered a reasonable approximation of their respective fair values, as they are either short-term in nature or are repriced to current market rates at frequent intervals. Cash and cash equivalents and mandatory reserves would be classified into Level 1 of the fair value hierarchy. Trade, other receivables and other assets would be classified into Level 3 of the fair value hierarchy.

Amounts owed to depositors

Amounts owed to depositors principally comprises variable rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short-term in nature. Amounts owed to depositors would be classified into Level 2 of the fair value hierarchy.

Borrowed funds

Borrowed funds with a carrying value of £2,720 million (2014: £2,310 million) are shown within note E1 as financial liabilities at amortised cost and therefore not carried at fair value. The fair value of these instruments is estimated to be £2,656 million (2014: £2,318 million) and is based either on available market prices (Level 1) (£1,636 million (2014: £1,421 million)) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2) (£1,020 million (2014: £897 million)).

Other financial liabilities

The carrying values of trade, other payables, and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short-term in nature or are repriced to current market rates at frequent intervals. Trade, other payables and other liabilities would be classified into Level 3 of the fair value hierarchy.

(b) Non-financial instruments

The fair value of plant and equipment, investment in associated undertakings and joint ventures (that is not categorised as Designated at fair value through profit or loss) and Life assurance policyholder liabilities (that are not categorised as Designated at fair value through profit or loss) approximates the respective carrying values. All of these assets and liabilities would be classified as Level 3.

E6: Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legally enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments. The majority of these transactions are governed by the principles of ISDA or a similar type of agreements. These agreements aim to protect the parties in the event of default.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

	£m					
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts available for future set-off		Position not subject to offset
				Master netting agreement	Collateral received/pledged ¹	
At 31 December 2015						
Financial assets						
Loans and advances	31,033	(68)	30,965	–	–	30,965
Investments and securities	82,601	–	82,601	–	(332)	82,269
Derivative financial instruments – assets	3,301	(225)	3,076	(1,541)	–	1,535
Cash and cash equivalents	4,633	(113)	4,520	–	–	4,520
Financial liabilities						
Trade, other payables and other liabilities	3,900	(113)	3,787	–	(332)	3,455
Amounts owed to bank depositors	33,919	(1,591)	32,328	–	–	32,328
Derivative financial instruments – liabilities	3,642	(325)	3,317	(1,586)	(151)	1,580

	£m					
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts available for future set-off		Position not subject to offset
				Master netting agreement	Collateral received/pledged ¹	
At 31 December 2014						
Financial assets						
Loans and advances	35,017	(160)	34,857	(140)	–	34,717
Investments and securities	87,547	–	87,547	–	(283)	87,264
Derivative financial instruments – assets	1,335	(108)	1,227	(1,102)	–	125
Cash and cash equivalents	4,968	(24)	4,944	–	–	4,944
Financial liabilities						
Trade, other payables and other liabilities	4,300	(24)	4,276	–	(283)	3,993
Amounts owed to bank depositors	37,883	(1,640)	36,243	–	–	36,243
Derivative financial instruments – liabilities	1,464	(263)	1,201	(1,096)	(63)	42

¹ This represents the amounts that could be offset in the event of default. These arrangements are typically governed by master netting and collateral arrangements.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

F: Capital and Financial Risk Management

F1: Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts and strategic initiatives and regulatory requirements in all businesses in the Group. The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:

- Maintain sufficient, but not excessive, financial strength to support stakeholder requirements
- Optimise debt to equity structure to enhance shareholder returns
- Retain financial flexibility by maintaining liquidity, including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds, subordinated debt and borrowings. Alternative resources are utilised where appropriate. Targets are established in relation to regulatory solvency, credit ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with our risk appetite and the requirements of our various stakeholders.

The individual companies in the Group are subject to regulatory capital requirements at an individual level. In addition, the Group as a whole is subject to the solvency requirements of the Financial Groups Directive (FGD) as implemented by the Prudential Regulation Authority (PRA). As at 31 December 2015, the unaudited pro-forma FGD surplus was estimated to be £1.7 billion (2014: £2.1 billion). The FGD position will be submitted to the PRA by 30 April 2016. With effect from 1 January 2016, the Group will measure Group solvency in accordance with the EU Solvency II Directive. As at 1 January 2016, the unaudited pro-forma Group Solvency II surplus was estimated to be £1.6 billion. Further detail as to the Group's regulatory capital surplus (both FGD and Solvency II) and that of subsidiaries is provided in the Annual Report and Accounts.

F2: Insurance risk (risk arising within insurance contracts)

For accounting purposes insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk. Contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk in the case of life assurance or risk of loss (from fire, accident, or other source) in the case of property & casualty.

Insurance risk arises through exposure to variable claims experience on life assurance, critical illness and other protection business and exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality and morbidity claim rates, relative to the actuarial assumptions made in the pricing process, may prevent the Group from achieving its profit objectives.

The Group has developed a risk policy which sets out the practices which are used to monitor and manage insurance risk as well as management information and stress-testing requirements. The policy is cascaded to all relevant entities across the Group who each have their own risk policy suite aligned to the Group. As well as management of persistency, expense and claims experience, the risk policy sets requirements and standards on matters such as underwriting and claims management practices, and the use of reinsurance to mitigate insurance risk.

The sensitivity of the Group's earnings and capital position to insurance risk is monitored through the Group's risk appetite reporting processes.

The insurance risk profile and experience is closely monitored to ensure that the exposure remains acceptable.

The financial impact of insurance risk events is examined through stress tests carried out within the IFRS sensitivities, ICA and Economic Capital assessment.

Mortality and morbidity

Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Possible causes are new and unexpected epidemics and widespread changes in lifestyle such as eating, smoking and exercise habits. Higher than expected claims levels will reduce expected emerging profits. For contracts where the insured risk is survival, the most significant factor that is likely to adversely impact the claims experience is continued improvement in medical science and social conditions that increase longevity.

For unit-linked contracts, a risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of significant changes in the expectation for future claims experience, subject to 'Treating Customers Fairly' principles.

The operations manage mortality and morbidity risks through its underwriting policy and external reinsurance arrangements where its policy is to retain certain types of insurance risks within specified maximum single-event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

Persistency

Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to expected.

In order to limit this risk to an acceptable level, products (including charging and commission structures) are designed to limit the financial loss on surrender, subject to 'Treating Customers Fairly' principles.

Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if statistics show significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some products' structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to 'Treating Customers Fairly' principles.

Tax

Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.

Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation as paid by either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens. The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High-risk issues and emerging trends are reported internally on a quarterly basis.

F3: Financial risk management

A key component of our approach to capital management is to ensure that the Group's policies are aligned with the Group's overall strategy, business plans and risk appetite. The Group's Capital Management Committee (GCMC) reviews the capital structure regularly.

The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

(a) Credit risk

(i) Overall exposure to credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation to repay cash or deliver another financial asset.

Credit risk in the group arise from a number of activities of the Group, namely banking lending, trading, investing and other activities of the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. Credit risk is managed through research and analysis at the time of investment or granting of the loan. The Group's exposure and the credit rating of its counterparties are continuously monitored.

The Group is exposed to banking credit risk from lending and other financing activities, through its exposure to Nedbank and the banking operations within the Emerging Markets business. Nedbank's lending portfolio forms a substantial part of the Group's loans and advances, as analysed in note G1. Credit risk represents the most significant risk type facing Nedbank, accounting for the majority of its economic capital requirements. Nedbank's credit risk profile is managed in terms of the credit risk management framework, which encompasses comprehensive credit risk policy, mandate (limits) and governance structures, and is approved by the Nedbank Board.

The Group is also exposed to the risk of credit defaults and movements in credit spreads from our insurance businesses. This includes counterparty default risk, which also arises mainly from reinsurance and hedging arrangements.

The Group also has limited other credit risk exposures in respect of amounts due from policyholders and intermediaries. Loans to policyholders are secured on the surrender value of the relevant policies.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

F: Capital and Financial risk management continued

F3: Financial risk management continued

(a) Credit risk continued

(ii) Maximum exposure to credit risk

The table below represents the Group's maximum exposure to credit risk, without taking into account the value of any collateral obtained. The maximum exposure to credit risk with regards to derivative financial instruments represents the current fair value of these instruments and does not take into account the impact of any positive or adverse changes in the value of the derivative financial instruments. The total credit exposure also includes potential exposure arising from financial guarantees given by the Group and undrawn loan commitments, which are not yet reflected in the Group's statement of financial position.

	£m	
	At 31 December 2015	At 31 December 2014
Mandatory reserve deposits with central banks	716	829
Reinsurers' share of policyholder liabilities	2,661	2,314
Loans and advances	30,965	34,857
Investments and securities	19,007	19,314
Government and government-guaranteed securities	7,241	6,039
Other debt securities, preference shares and debentures	9,023	10,180
Short-term funds and securities treated as investments	2,335	2,480
Other	408	615
Other assets	1,665	2,284
Derivative financial instruments – assets	3,076	1,227
Cash and cash equivalents	4,520	4,944
Financial guarantees and other credit-related contingent liabilities	1,793	1,973
Loan commitments and other credit-related commitments	4,136	5,347
Non-current assets held for sale	123	1,475
	68,662	74,564

(b) Market risk

(i) Overview

Market risk is the risk of a financial impact arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the Group's business units has its own established set of policies, principles and governance processes to monitor and manage market risk within its individual businesses and in accordance with local regulatory requirements. Group-level governance and monitoring processes provide oversight of these individual approaches to the management of market risk.

The sensitivity of the Group's earnings, capital position and embedded value to market risk is monitored through the Group's embedded value and risk appetite reporting processes.

(ii) Insurance operations

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and to earnings are quantified in accordance with the Group's risk appetite framework. Additional detail is provided in the Principal Risks and Uncertainties section.

In South Africa the stock selection and investment analysis process is supported by a well-developed research function. For fixed annuities, market risks are managed where possible by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risk on policies that include guarantees where shareholders carry the investment risk, principally reside in the South African guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilts. Other non-profit policies are also suitably matched based upon comprehensive investment guidelines. Market risk on with-profit policies with guarantees is managed through appropriate asset-liability matching, which includes hedging, as per the PPFM (Principles and Practices of Financial Management).

In Old Mutual Wealth's unit-linked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of Old Mutual Wealth's shareholders' funds, market risk is addressed in Old Mutual Wealth's investment policy, which provides for very limited opportunity for entities to invest their shareholder capital in equities and other volatile assets.

For Old Mutual Bermuda, the market risk to shareholders post the sale of the business to Beechwood Bermuda Limited arises from the retention of the Guaranteed Minimum Accumulation Benefits (GMABs), which is reinsured by Old Mutual (Bermuda) Re Limited until the last guarantee has expired in August 2018. These GMABs are US dollar-denominated guarantees. The equity market risk and currency risk is managed through a hedging strategy. The volatility risk associated with the GMAB is hedged by forward start options.

(iii) Banking operations

The principal market risks arising in the Group's banking operations arise from:

- Trading risk in Nedbank Capital and
- Banking book interest rate risk from repricing and/or maturity mismatches between on- and off-balance sheet components in all banking businesses.

A comprehensive market risk framework is used to ensure that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk.

Banking operations – Trading risk

Market risk exposures from trading activities at Nedbank Capital are measured using Value-at-Risk (VaR), supplemented by sensitivity analysis, and stress and scenario analysis. Limit structures are set accordingly.

The VaR risk measure for Nedbank estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank represents the overnight loss that has less than a 1% chance of occurring under normal market conditions. By its nature, VaR is only a single measure and cannot be relied upon on its own as a means of measuring and managing risk.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

F: Capital and Financial risk management continued

F3: Financial risk management continued

(b) Market risk continued

(iii) Banking operations continued

At 31 December	£m							
	Average		Minimum		Maximum		Year-end	
	2015	2014	2015	2014	2015	2014	2015	2014
Historical VaR (one-day, 99%) by risk type								
Foreign exchange	0.1	0.2	–	–	0.8	0.6	0.8	0.1
Interest rate	0.3	0.4	0.2	0.3	1.0	0.7	1.0	0.3
Equity product	0.1	0.1	–	–	0.5	0.3	0.3	0.1
Other	0.4	0.2	0.1	0.2	0.6	0.3	0.5	0.3
Diversification	(0.3)	(0.4)	–	–	–	–	(0.7)	(0.3)
Total VaR exposure	0.6	0.6	0.3	0.4	2.0	0.9	1.9	0.5

Banking book interest rate risk

Banking book interest rate risk at Nedbank arises because:

- The bank writes a large amount of prime-linked assets and raises fewer prime-linked deposits
- Funding is prudently raised across the curve at fixed-term deposit rates that re-price only on maturity
- Short-term demand-funding products re-price to different short-end base rates
- Certain ambiguous maturity accounts are non-rate-sensitive
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not re-price for interest rate changes.

Nedbank uses standard analytical techniques to measure interest rate sensitivity within its banking book. This includes static re-price gap analysis and a point-in-time interest income stress testing for parallel interest rate moves over a forward-looking 12-month period. At 31 December 2015 the sensitivity of the banking book to a 1% instantaneous reduction in interest rates would have led to a reduction in net interest income over the next 12 months of £62 million (2014: £57 million).

The table below shows the re-pricing profile of Nedbank's banking book, which highlights the fact that assets re-price quicker than liabilities following derivative hedging activities:

At 31 December 2015							£m
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Trading and non-rate	Total
Interest rate re-pricing gap							
Total assets	26,195	1,486	1,013	1,957	1,035	8,883	40,569
Total liabilities and shareholders' funds	(23,346)	(1,136)	(1,446)	(889)	(558)	(13,194)	(40,569)
Interest rate hedging activities	589	308	484	(1,072)	(309)	–	–
Repricing profile	3,438	658	51	(4)	168	(4,311)	–
Cumulative repricing profile	3,438	4,096	4,147	4,143	4,311	–	–
Expressed as a % of total assets	8.5%	10.1%	10.2%	10.2%	10.6%	–	–

At 31 December 2014							£m
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Trading and non-rate	Total
Interest rate re-pricing gap							
Total assets	29,517	1,492	1,295	2,559	902	9,204	44,969
Total liabilities and shareholders' funds	(27,068)	(1,459)	(1,514)	(918)	(265)	(13,745)	(44,969)
Interest rate hedging activities	1,355	418	71	(1,394)	(450)	–	–
Repricing profile	3,804	451	(148)	247	187	(4,541)	–
Cumulative repricing profile	3,804	4,255	4,107	4,354	4,541	–	–
Expressed as a % of total assets	8.5%	9.5%	9.1%	9.7%	10.1%	–	–

The analysis indicates that the maturity profile of financial assets is broadly matched to the financial liabilities due to derivative hedging activities. This means that in the event of increasing interest rates, net interest income will remain stable in the short term.

F4: Currency translation risk

The Group is exposed to movements in exchange rates from changes in the sterling value of surplus assets and earnings denominated in foreign currencies. From a capital perspective, our capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. The functional currencies of the Group's principal overseas operations are South African rand, US dollar and Euro.

Certain of the Group's business operations may undertake activities that are not in their functional currencies. These activities, such as Nedbank, which has a functional currency of South African rand, lending in US dollar, are economically hedged by numerous activities such as the use of currency swaps, currency borrowings and forward foreign exchange contracts.

These foreign currency translation tables below have been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value, as opposed to their notional amounts. The tables are therefore a reflection of the foreign currency exposures in their respective currencies.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

F: Capital and Financial risk management continued

F3: Financial risk management continued

(b) **Market risk** continued

(iii) **Banking operations** continued

At 31 December 2015						£m
	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	696	–	–	–	20	716
Reinsurers' share of policyholder liabilities	111	2,507	1	–	42	2,661
Loans and advances	27,441	423	2,126	131	844	30,965
Investments and securities	24,502	39,347	10,352	5,719	2,681	82,601
Trade, other receivables and other assets	1,127	424	205	104	147	2,007
Derivative financial instruments – assets	1,579	1,466	20	7	4	3,076
Cash and cash equivalents	1,731	1,629	433	457	270	4,520
Total financial assets	57,187	45,796	13,137	6,418	4,008	126,546
Total non-financial assets	2,502	2,327	1,503	83	587	7,002
Total assets	59,689	48,123	14,640	6,501	4,595	133,548
Liabilities						
Life assurance policyholder liabilities	22,558	39,204	5,905	5,396	2,505	75,568
Third-party interest in consolidation of funds	1,456	3,184	14	–	7	4,661
Borrowed funds	2,270	1,098	87	–	69	3,524
Trade, other payables and other liabilities	2,046	989	363	80	309	3,787
Amounts owed to bank depositors	28,183	635	2,338	247	925	32,328
Derivative financial instruments – liabilities	1,853	1,416	40	3	5	3,317
Total financial liabilities	58,366	46,526	8,747	5,726	3,820	123,185
Total non-financial liabilities	621	501	116	43	148	1,429
Total liabilities	58,987	47,027	8,863	5,769	3,968	124,614

At 31 December 2014						£m
	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	806	–	–	–	23	829
Reinsurers' share of policyholder liabilities	116	2,169	1	–	28	2,314
Loans and advances	31,464	412	1,879	182	920	34,857
Investments and securities	31,420	37,116	10,835	5,251	2,925	87,547
Trade, other receivables and other assets	1,260	404	482	101	115	2,362
Derivative financial instruments – assets	1,065	139	11	8	4	1,227
Cash and cash equivalents	2,409	1,434	318	511	272	4,944
Total financial assets	68,540	41,674	13,526	6,053	4,287	134,080
Total non-financial assets	3,061	2,258	1,421	1,407	289	8,436
Total assets	71,601	43,932	14,947	7,460	4,576	142,516
Liabilities						
Life assurance policyholder liabilities	28,322	36,472	6,314	4,883	3,369	79,360
Third-party interest in consolidation of funds	3,112	2,818	48	8	–	5,986
Borrowed funds	2,211	677	146	–	10	3,044
Trade, other payables and other liabilities	2,655	992	253	84	292	4,276
Amounts owed to bank depositors	32,266	599	1,683	270	1,425	36,243
Derivative financial instruments – liabilities	1,100	93	3	1	4	1,201
Total financial liabilities	69,666	41,651	8,447	5,246	5,100	130,110
Total non-financial liabilities	779	573	75	1,329	105	2,861
Total liabilities	70,445	42,224	8,522	6,575	5,205	132,971

F5: Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by Old Mutual plc.

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available cash resources and, if necessary, available credit facilities. The Group's liquid resources are held in large portfolios of highly marketable securities, for example listed bonds, actively traded pooled investments, equities and cash and cash equivalents. Whilst most of the Group's policyholder and banking liabilities are generally repayable on demand, the Group's expectation is that policyholders and banking depositors will only require funds on an ongoing basis. However, cash resources and other liquid assets are maintained in the event of a need for additional liquidity. Information on the nature of the investments and securities held is given in note G2.

The Group extended the existing revolving credit facility of £800 million (2014: £800 million) in August 2015 under the terms of the facility, resulting in a £727 million facility that matures in August 2020 and a £73 million facility that matures in August 2019. Details, together with information on the Group's borrowed funds, are given in note G7.

The key information reviewed by the Group's Executive Directors and Executive Committee, together with the Group's Capital Management Committee, is a detailed management report on the Group's and holding company's current and planned capital and liquidity position, together with summary information on the current and planned liquidity positions of the Group's operating segments. Forecasts are updated regularly based on new information received and also as part of the Group's annual business planning cycle. The Group and holding company's liquidity and capital position and forecast are presented to the Old Mutual plc Board of Directors on a regular basis. Additionally the Group conducts regular stress testing around liquidity requirements, as referenced in the Risks Section pages 82 to 97.

Group operating segments are required, both in terms of their local requirements and in accordance with direction from the holding company, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

Further information on liquidity and the holding company cash flows is contained in the financial performance section of the Business Review section.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

The contractual maturities of the Group's financial liabilities are set out in notes G4, G6, G7 and G8.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities

G1: Loans and advances

The Group extends advances to individuals and to the corporate, commercial and public sectors. The majority of loans and advances are in respect of Nedbank which represents 96% (£29,873 million); (2014: 97% (£33,773 million)) of the Group's net loans and advances.

Nedbank assesses its loan portfolios for impairment at each financial reporting date and manages its exposure to loans and advances through a documented credit approval processes.

Emerging Markets has lending exposure, net of credit impairment provisions, of £912 million (2014: £909 million) through its non-wholly owned subsidiaries in South Africa, Kenya and Zimbabwe. Credit loss ratios are monitored at each individual business unit level.

Interest earned on loans and advances is analysed in Note D3: Banking interest and similar income and credit impairment charges are included in note G1(d) Provision for impairment.

Critical accounting estimates and judgements – Provisions for impairment of loans and advances

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 are 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 revisions to the impairment provision as individual decisions are taken.

(a) Categories of loans and advances

The following table provides an analysis of the categories of loans and advances that are provided by the Group. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment losses.

	£m	
	At 31 December 2015	At 31 December 2014 ¹
Home loans	6,409	7,816
Commercial mortgages	6,098	6,870
Unsecured retail lending	1,558	1,880
Other term loans	3,961	4,775
Other loans to clients	5,663	4,856
Net finance leases and instalment debtors	4,377	5,236
Deposits placed under reverse purchase agreements	884	1,016
Overdrafts	751	929
Preference shares and debentures	907	1,006
Credit cards	616	745
Factoring accounts	234	277
Policyholder loans	241	248
Properties in possession	16	33
Remittances in transit	9	11
Trade, other bills and bankers' acceptances	–	16
Gross loans and advances	31,724	35,714
Provisions for impairment	(759)	(857)
Specific provisions	(529)	(596)
Portfolio provision	(230)	(261)
Total net loans and advances	30,965	34,857

1 The Group has grossed up £126 million relating to the prior year statement of financial position impairment provisions that were previously netted off against the value of gross loans and advances.

(a)(i) Loans and advances by sector

	£m	
	At 31 December 2015	At 31 December 2014
Individuals	11,804	13,953
Financial services, insurance and real estate	8,090	8,656
Banks	1,303	1,211
Manufacturing	1,929	2,293
Building and property development	409	504
Transport, storage and communication	1,363	1,530
Retailers, catering and accommodation	942	1,333
Wholesale and trade	1,347	1,068
Mining and quarrying	1,506	1,503
Policyholder loans	279	279
Agriculture, forestry and fishing	775	1,207
Government and public sector	1,977	2,177
	31,724	35,714

(a)(ii) Loans and advances geographical analysis

	£m	
	At 31 December 2015	At 31 December 2014
South Africa	27,813	31,725
Rest of Africa	2,106	1,934
Europe	1,378	1,250
Asia	310	249
United States	41	232
Other	76	324
Total net loans and advances	31,724	35,714

(b) Analysis of loans and advances

Non-performing loans included above had a book value less impairment provisions of £602 million (2014: £501 million). Loans and advances are generally classified as non-performing, at a minimum, when the client is three complete months in arrears.

Of the loans and advances shown above, £10,715 million (2014: £11,096 million) is receivable within one year of the reporting date and is regarded as current. £20,250 million (2014: £23,761 million) is regarded as non-current based on the maturity profile of the assets.

Of the gross loans and advances shown above, £31,348 million (2014: £35,357 million) relates to balances held by the Group's banking operations. No impairments have been raised against policyholder loans as they are fully backed by amounts owing to policyholder liabilities.

(i) Analysis of unsecured retail lending loans and advances

The following table provides an analysis of the Group's unsecured retail lending loans and advances:

	£m	
	At 31 December 2015	At 31 December 2014
Nedbank	782	1,020
Emerging Markets	776	860
Old Mutual Finance (Pty) Limited	602	691
Central Africa Building Society	98	94
Faulu Microfinance Bank Limited	76	75
Gross amount of unsecured retail lending	1,558	1,880
Provisions for impairment	(350)	(375)
Total net loans and advances	1,208	1,505

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G1: Loans and advances continued

(b) Analysis of loans and advances continued

(ii) Credit quality of unsecured retail lending loans and advances

The credit quality of the Group's unsecured retail lending loans and advances is summarised below, by reference to defaulted and long-outstanding defaulted balances.

	£m				
	Nedbank	Old Mutual Finance (Pty) Limited	Central Africa Building Society	Faulu Microfinance Bank Limited	At 31 December 2015
Performing loans	679	317	93	74	1,163
Non-performing loans	103	285	5	2	395
Defaulted loans	103	124	5	2	234
Long outstanding loans	–	161	–	–	161
	782	602	98	76	1,558

	£m				
	Nedbank	Old Mutual Finance (Pty) Limited	Central Africa Building Society	Faulu Microfinance Bank Limited	At 31 December 2014
Performing loans	879	413	90	73	1,455
Non-performing loans	141	278	4	2	425
Defaulted loans	141	138	4	2	285
Long outstanding loans	–	140	–	–	140
	1,020	691	94	75	1,880

Loans are considered to be defaulted after three missed payments.

Long-outstanding defaulted loan balances relate to loans that have been in default for a period of five months or more.

(iii) Statement of financial position credit impairment provisions of unsecured retail lending loans and advances

Provisions for credit impairments in relation to the Group's unsecured retail lending loans and advances are analysed below:

	£m				
	Nedbank	Old Mutual Finance (Pty) Limited	Central Africa Building Society	Faulu Microfinance Bank Limited	At 31 December 2015
Performing loans	35	18	1	–	54
Non-performing loans	68	223	4	1	296
Defaulted loans	68	78	4	1	151
Long outstanding loans	–	145	–	–	145
	103	241	5	1	350

	£m				
	Nedbank	Old Mutual Finance (Pty) Limited	Central Africa Building Society	Faulu Microfinance Bank Limited	At 31 December 2014
Performing loans	43	24	1	–	68
Non-performing loans	93	213	1	–	307
Defaulted loans	93	87	1	–	181
Long outstanding loans	–	126	–	–	126
	136	237	2	–	375

Old Mutual Finance (Pty) Limited provides for 90% of long-outstanding defaulted loans. Nedbank, CABS and Faulu provide for 100% of such loans and derecognise the related receivables.

(c) Credit quality of loans and advances**(i) Age analysis of loans and advances**

The table below gives an age analysis of loans and advances representing primarily the exposures of the Group's banking operations:

	At 31 December 2015	At 31 December 2014
Neither past due nor impaired	29,445	33,270
Past due but not impaired	1,266	1,226
Past due but less than 1 month	783	691
Past due, greater than 1 month but less than 3 months	395	511
Past due, greater than 3 months but less than 6 months	69	10
Past due, greater than 6 months but less than 1 year	11	1
Past due more than 1 year	8	13
Impaired loans and advances individually impaired	1,013	1,218
Gross loans and advances	31,724	35,714
Provisions for impairment	(759)	(857)
Total net loans and advances	30,965	34,857

(ii) Credit rating analysis of loans neither past due nor impaired

The credit quality of those advances neither past due nor impaired loans and advances can be further analysed by credit rating as follows:

	At 31 December 2015				At 31 December 2014			
	Investment grade	Sub- investment grade	Internally rated	Total	Investment grade	Sub- investment grade	Internally rated	Total
Home loans	898	4,544	225	5,667	1,144	4,161	317	5,622
Commercial mortgages	2,670	3,204	42	5,916	2,454	5,559	78	8,091
Credit cards	50	468	1	519	61	572	1	634
Overdrafts	167	439	36	642	201	519	86	806
Policyholder loans	–	–	224	224	–	–	226	226
Other loans to clients	3,646	1,740	165	5,551	3,055	1,540	247	4,842
Preference shares and debentures	661	129	117	907	633	220	152	1,005
Net finance leases and instalment debtors	187	3,733	105	4,025	244	4,432	120	4,796
Factoring accounts	45	179	–	224	8	246	–	254
Trade, other bills and bankers' acceptances	–	–	–	–	–	16	–	16
Term loans	3,139	1,422	316	4,877	4,154	1,407	390	5,951
Remittances in transit	–	–	9	9	–	–	11	11
Deposits placed under reverse purchase agreements	813	71	–	884	964	52	–	1,016
Gross loans and advances	12,276	15,929	1,240	29,445	12,918	18,724	1,628	33,270

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

(iii) Collateral

Collateral is held as security against certain loans and advances detailed above, with this principally consisting of cash, properties and letters of credit.

At 31 December 2015, the Group recognised collateral of £16 million (2014: £33 million) in the statement of financial position. These amounts are being included in the loans and advances above as properties in possession.

Financial collateral

The Group takes financial collateral to support exposures in its banking and securities and lending activities. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents. These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

Non-financial collateral

The Group takes other non-monetary collateral to recover outstanding lending exposures in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgage over property (both residential and commercial), and liens over business assets (including, but not limited to plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower. Where the Group is exposed to syndicated lending, the collateral offered by the borrower is secured by security special purpose vehicles.

Should a counterparty be unable to settle its obligations, the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G1: Loans and advances continued

(d) Provision for impairments

This section analyses the provisions raised against loans and advances and the movements during the year.

Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

Movements in provisions for impairment of loans and advances are analysed as follows:

	At 31 December 2015			At 31 December 2014			£m
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	
	Balance at beginning of the year	596	261	857	428	229	657
Acquisitions through business combinations	–	–	–	199	23	222	
Credit impairment charge	282	25	307	253	23	276	
Profit or loss charge	340	25	365	306	23	329	
Recoveries of amounts previously written off	(58)	–	(58)	(53)	–	(53)	
Amounts written off against the provision	(231)	1	(230)	(328)	(1)	(329)	
Foreign exchange and other movements	(118)	(57)	(175)	44	(13)	31	
Balance at end of the year	529	230	759	596	261	857	

The segmental analysis of impairment of loans and advances are as follows:

	At 31 December 2015						£m
	Nedbank			Emerging Markets			Group
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	Total impairment
Balance at beginning of the year	379	237	616	217	24	241	857
Credit impairment charge	223	22	245	59	3	62	307
Profit or loss charge	281	22	303	59	3	62	365
Recoveries of amounts previously written off	(58)	–	(58)	–	–	–	(58)
Amounts written off against the provision	(231)	1	(230)	–	–	–	(230)
Foreign exchange and other movements	(79)	(52)	(131)	(39)	(5)	(44)	(175)
Balance at end of the year	292	208	500	237	22	259	759

	At 31 December 2014							£m
	Nedbank			Emerging Markets			Group	
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	Total impairment	
Balance at beginning of the year	428	229	657	–	–	–	657	
Acquisitions through business combinations	–	–	–	199	23	222	222	
Credit impairment charge	232	20	252	21	3	24	276	
Profit or loss charge	285	20	305	21	3	24	329	
Recoveries of amounts previously written off	(53)	–	(53)	–	–	–	(53)	
Amounts written off against the provision	(328)	(1)	(329)	–	–	–	(329)	
Foreign exchange and other movements	47	(11)	36	(3)	(2)	(5)	31	
Balance at end of the year	379	237	616	217	24	241	857	

Credit impairment charge of £24 million in relation to Emerging Markets for the year ended 31 December 2014 was recognised in the consolidated income statements in banking interest payable and similar expenses.

Credit impairment charge of £252 million recognised in the consolidated income statement for the year ended 31 December 2014 related solely to Nedbank.

(e) Impairment of loans and advances by classification

	At 31 December 2015			At 31 December 2014			£m
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	
	Home loans	74	34	108	91	50	141
Commercial mortgages	24	22	46	30	20	50	
Properties in possession	1	–	1	3	–	3	
Credit cards	45	6	51	47	7	54	
Overdrafts	18	8	26	22	9	31	
Other loans to clients	317	110	427	333	114	447	
Net finance lease and instalment debtors	50	50	100	70	61	131	
Total provision for impairments	529	230	759	596	261	857	

(f) Finance lease and instalment debtors

The maturity of finance lease and instalment debtors are analysed as follows:

	£m			
	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	2015	2014	2015	2014
Amounts receivable under finance leases – At 31 December				
Within one year	1,287	1,696	1,024	1,361
In the second to fifth years inclusive	3,773	4,559	2,987	3,603
After five years	462	296	366	272
	5,522	6,551	4,377	5,236
Less: unearned finance income	(1,145)	(1,315)	–	–
Present value of minimum lease payments receivable	4,377	5,236	4,377	5,236

G2: Investments and securities

The table below analyses the investments and securities that the Group invests in, either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments).

	£m	
	At 31 December 2015	At 31 December 2014
Government and government-guaranteed securities	7,241	6,039
Other debt securities, preference shares and debentures	9,023	10,180
Listed	6,216	7,225
Unlisted	2,807	2,955
Equity securities	17,234	16,779
Listed	16,423	15,856
Unlisted	811	923
Pooled investments	46,360	51,454
Listed	8,348	8,776
Unlisted	38,012	42,678
Short-term funds and securities treated as investments	2,335	2,480
Other	408	615
Total investments and securities	82,601	87,547

Investments and securities are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, which is the amount expected to be recoverable, £57,589 million (2014: £58,675 million) is regarded as current and £25,012 million (2014: £28,872 million) is regarded as non-current.

(a) Debt instruments and similar securities

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below.

These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade:

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G2: Investments and securities continued

(a) Debt instruments and similar securities continued

At 31 December 2015

	£m				
	Investment grade (AAA to BBB)	Sub-investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	4,598	33	40	2,570	7,241
Other debt securities, preference shares and debentures	5,130	279	2,246	1,368	9,023
Short-term funds and securities	1,971	15	219	130	2,335
Other	105	–	26	57	188
	11,804	327	2,531	4,125	18,787

At 31 December 2014

	£m				
	Investment grade (AAA to BBB)	Sub-investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	5,061	33	7	938	6,039
Other debt securities, preference shares and debentures	6,478	248	1,933	1,521	10,180
Short-term funds and securities	2,192	9	138	141	2,480
Other	44	–	87	305	436
	13,775	290	2,165	2,905	19,135

(b) Equity securities

Equity securities are used for a combination of activities. The majority of the listed securities are traded on well-established exchanges such as the New York Stock Exchange, London Stock Exchange and JSE Securities Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investment and unlisted investment vehicles.

G3: Securities lending

(a) Securities lent

The Group participates in securities lending programmes where securities holdings are lent to third parties. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the relevant investment classification. Collateral is held in respect of the loaned securities.

The table below analyses the amounts lent and the related collateral received:

	£m	
	At 31 December 2015	At 31 December 2014
Assets lent under securities lending		
Equity	147	265
Debt securities	25	79
	172	344
Amounts received as collateral for securities lending		
Cash	107	324
Debt securities	79	56
	186	380

Cash collateral has been recognised in the statement of financial position with a corresponding liability to return the collateral included in other liabilities. Of the collateral included in the table above, £79 million (2014: £56 million) can be sold or repledged and £nil (2014: £nil) has been sold or repledged.

At 31 December 2015, the Group has received £332 million (2014: £283 million) in cash collateral under repurchase arrangements.

At 31 December 2015 and 31 December 2014, the Group has not provided any cash collateral for security lending arrangements.

G4: Derivative financial instruments – assets and liabilities

The Group utilises derivative instruments for both economic hedging and trading purposes. Economic hedging occurs when a derivative financial instrument is taken out for the management of financial risk but does not achieve hedge accounting. Only where the accounting treatment results in an economic mismatch will the Group undertake hedge accounting. The derivative instruments become in-the-money or out-of-the-money as a result of fluctuations in market interest rates, foreign exchange rates or asset prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are in-the-money or out-of-the-money and, therefore, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The Group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with which it deals and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Group.

The following table provides a detailed breakdown of the Group's derivative financial instruments outstanding at year-end. These instruments allow the Group and its customers to transfer, modify or reduce their credit, equity market, foreign exchange and interest rate risks.

At 31 December	£m			
	Derivative financial instruments			
	Assets		Liabilities	
	2015	2014	2015	2014
Equity derivatives	37	42	23	21
Options written	–	17	14	20
Options purchased	22	16	–	–
Futures	15	9	9	1
Exchange rate contracts	833	420	850	290
Forwards	503	157	501	83
Swaps	321	250	343	198
Options purchased	8	13	–	–
Futures	1	–	–	–
Options written	–	–	6	9
Interest rate contracts	811	645	1,077	773
Swaps	794	632	1,055	769
Forward rate agreements	14	4	15	2
Options purchased	–	8	–	1
Futures	3	1	6	–
Caps	–	–	1	1
Credit Derivatives	45	57	20	46
Credit default swaps	45	57	20	46
Other derivatives	5	3	8	1
Derivatives included through consolidation of funds	1,345	60	1,339	70
Total	3,076	1,227	3,317	1,201

The undiscounted contractual maturity cash flows of the derivative liabilities held are as follows:

Derivative financial liabilities	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	No contractual maturity date	£m
							Total
At 31 December 2015	3,317	1,328	579	579	1,623	–	4,109
At 31 December 2014	1,201	56	171	344	1,026	–	1,597

G5: Hedge accounting

(a) Net investment hedges

The Group uses a combination of currency swaps, forward foreign exchange contracts and debt raised in the currency of the exposure to mitigate the translation effect of holding overseas companies. The following table summarises the Group's open positions with respect to financial instruments utilised for net investment hedging purposes. There was no ineffectiveness in respect of the net investment hedges during the financial year ended 31 December 2015 and the financial year ended 31 December 2014.

The table below sets out the notional amounts of derivative contracts used as hedging instruments:

	£m			
	At 31 December 2015		At 31 December 2014	
	USD	ZAR	USD	ZAR
Open positions				
Forward contracts	79	73	24	148
Currency swaps	126	–	117	–
	205	73	141	148

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G5: Hedge accounting continued

(a) Net investment hedges continued

	At 31 December 2015	At 31 December 2014
Fair value of financial instruments designated as net investment hedges		
ZAR forward foreign exchange contracts	5	(1)
EUR forward foreign exchange contracts	–	1
USD forward foreign exchange contracts	(1)	(1)
USD cross-currency swap	(2)	3
	2	2

The ZAR, USD and EUR forward exchange contracts are designated as hedges against foreign currency risk in respect of the Group's investments in its South African, US and European operations.

G6: Insurance and investment contracts

Life assurance

Classification of contracts

Life assurance contracts are categorised into insurance contracts, contracts with a discretionary participation feature or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. Unit-linked assurance contracts are savings contracts with a small or insignificant component of insurance risk. Other kinds of contracts are considered and categorised as a whole.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risks are the risks of a possible future change in one or more of an interest rate, security price, security index, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participating features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount and timing of which is at the Group's discretion, represent a significant portion of the total contractual payments. These are contractually based on (1) the performance of a specified pool of contracts or a specified type of contract, (2) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (3) the profit or loss of the Group. Investment contracts with discretionary participating features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant (or there is no transfer of insurance risk) and where there is no discretionary participation are classified as investment contracts. Such contracts include unit-linked savings and/or investment contracts sold without life assurance protection.

Premiums on life assurance

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of other insurance contracts and investment contracts with a discretionary participating feature are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment.

Amounts received under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as deposits and credited directly to investment contract liabilities.

Claims paid on life assurance

Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for in profit and loss when notified.

Reinsurance recoveries in profit and loss are recognised in profit and loss in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as reductions of the investment contract liabilities.

Amounts received under investment contracts, other than those with a discretionary participating feature and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to investment contract liabilities.

Insurance contract liabilities

Insurance contract liabilities for African businesses have been computed using a gross premium valuation method. Provisions in respect of African business have been made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104 (2012). Under this guideline, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities as discretionary margins.

Reserves on immediate annuities and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

For other territories, the valuation bases adopted are in accordance with local actuarial practices and methodologies.

Derivative instruments embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made by increasing the liability held. The provision assumptions and estimation techniques are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the directors consider that the gross insurance contract liabilities and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

In respect of the South Africa life assurance, shadow accounting is applied to insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to insurance contract liabilities is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing insurance contract liabilities are also recognised directly in other comprehensive income.

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

Investment contract liabilities

Investment contract liabilities in respect of the Group's business other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group's unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a 'deposit floor' such that the liability established cannot be less than the amount repayable on demand.

Acquisition costs

Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

As the gross premium valuation method used in African territories to determine insurance contract liabilities makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised in the statement of financial position for the contracts issued in these areas.

Deferral of costs on insurance business in other territories is limited to the extent that they are deemed recoverable from available future margins.

Costs incurred in acquiring investment management service contracts

Incremental costs that are directly attributable to securing an investment management service contract are recognised as an asset if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised. Costs attributable to investment management service contracts in the asset management businesses are also recognised on this basis.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G6: Insurance and investment contracts continued

Revenue on investment management service contracts

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which services will be provided. Fees charged for investment management service contracts by asset management businesses are also recognised on this basis.

Property & casualty

Contracts under which the Group accepts significant insurance risk from another party and which are not classified as life insurance are classified as general insurance. All classes of property & casualty business are accounted for on an annual basis.

Premiums on property & casualty

Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums as a liability, so that earned premiums relate to risks carried during the accounting period.

Claims on property & casualty

Claims incurred, which are recognised in profit and loss, comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the accounting period, whether reported or not.

Outstanding claims do not include any provision for possible future claims where the claims arise under contracts not in existence at the reporting date.

The Group performs liability adequacy testing at a business unit level on its claim liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and the unearned premium reserve) is sufficient in view of estimated future cash flows.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

Acquisition costs on property & casualty

Acquisition costs, which represent commission and other related expenses, are deferred and amortised over the period in which the related general insurance premiums are earned.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For property & casualty business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The reinsurers' share of policyholder liabilities in Old Mutual Wealth relates to investment contracts where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

Critical accounting estimates and judgements – Policyholder liabilities

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 2015, ranging from 7.1% to 10.6% (2014: 7.6% to 9.0%). At 31 December 2015, the reference discount rate was 9.9% (2014: 8.0%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life assurance businesses during 2015, given the continuance of the hedging programme and discretionary margins put in place to mitigate these impacts.

The Group estimates that a 1% reduction in the reference discount rate would result in no profit impact as at 31 December 2015 (2014: £2 million), allowing for the mitigating impacts of the hedging programme and discretionary margins in place. This is due to further management actions to reduce the impact of volatile interest rates on profit in 2015.

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, 1998 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, 1998 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 R8,602 million (£377 million) (1.7% of total technical provisions) were held at 31 December 2015 (2014: R8,261 million (£459 million), 1.7% 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
- Margins for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Retail Affluent and Mass Foundation Cluster businesses. 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.

Old Mutual Bermuda guarantees

Since the sale of Old Mutual (Bermuda) Ltd (OMB) to Beechwood Bermuda Limited on 31 December 2015, OMB no longer owns underlying policies or manages policyholder funds. The Guaranteed Minimum Accumulation Benefits (GMAB) risk on the remaining active variable annuity contracts is to be retained until the last GMAB policy with a Universal Guarantee Option (UGO) rider passes its 10-year anniversary, which will be no later than August 2018.

Almost all of the current risk relates to GMAB policies sold with Universal Guarantee Options (UGOs), which constitute more than 95% of the remaining GMAB policies. Products sold with a Capital Guarantee Option (CGO) GMAB, a product predecessor to the UGO, hold less onerous guarantees and do not give rise to significant risk.

The GMAB UGOs guarantee policyholders a return of 120% of invested premiums and, subject to policyholder election, also a Highest Anniversary Value (HAV) guarantee. These guarantees are effective on the 10-year anniversary of policies, which will be reached in 2017 and 2018. The risk attached to the guarantee of 120% of invested premium, and relating to equity and foreign exchange downside risks, is managed by an existing suite of hedging programmes (dynamic tail hedging strategy, structured look-back options, and forward start options) which continue to effectively manage the potential downside associated with the 120% Capital Return Guarantee and the HAV features for the GMAB policy obligations. As with the approach leading up to the 5-year anniversaries, we expect that as the 10-year anniversaries of these GMAB policies approach the business will adapt the suite of hedging programmes so that it efficiently manages market exposure from GMAB guarantee top-up payments in 2017 and 2018.

GMAB reserves have increased from \$82 million at 31 December 2014 to \$125 million at 31 December 2015, an increase of \$43 million, mainly due to unfavourable equity and foreign exchange performances on average across all economies in 2015 compared to 2014.

If the Group were to stress the underlying assets and liabilities, by adding 10% to the current level of volatility, it would increase the underlying assets by £7 million and increase the value of the liability by £8 million, which would result in a net loss for the Group of £1 million.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G6: Insurance and investment contracts continued

(a) Policyholder liabilities

The Group's insurance and investment contracts are analysed as follows:

	At 31 December 2015			At 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£m					
Life assurance policyholder liabilities						
Long-term business insurance policyholder liabilities	7,714	(214)	7,500	10,519	(172)	10,347
Life assurance policyholder liabilities	7,617	(206)	7,411	10,369	(154)	10,215
Outstanding claims	97	(8)	89	150	(18)	132
Investment contract liabilities	67,854	(2,328)	65,526	68,841	(2,026)	66,815
Unit-linked investment contracts and similar contracts	60,169	(2,328)	57,841	60,158	(2,026)	58,132
Other investment contracts	600	–	600	746	–	746
Discretionary participating investment contracts	7,085	–	7,085	7,937	–	7,937
Total life assurance policyholder liabilities	75,568	(2,542)	73,026	79,360	(2,198)	77,162
Property & casualty liabilities						
Claims incurred but not reported	38	(10)	28	47	(10)	37
Unearned premiums	120	(58)	62	96	(45)	51
Outstanding claims	183	(51)	132	176	(61)	115
Total property & casualty liabilities	341	(119)	222	319	(116)	203
Total policyholder liabilities	75,909	(2,661)	73,248	79,679	(2,314)	77,365

Of the £2,661 million (2014: £2,314 million) included in reinsurer's share of life assurance policyholder and property & casualty liabilities is an amount of £2,540 million (2014: £2,266 million) which is classified as current, the remainder being non-current.

(b) Insurance contracts

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

	At 31 December 2015			At 31 December 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£m					
Balance at beginning of the year	10,369	(154)	10,215	11,953	(119)	11,834
Income						
Premium income	1,713	(63)	1,650	1,750	(73)	1,677
Investment income	545	–	545	1,173	–	1,173
Other income	1	–	1	1	–	1
Expenses						
Claims and policy benefits	(1,514)	62	(1,452)	(1,973)	60	(1,913)
Operating expenses	(455)	–	(455)	(455)	–	(455)
Disposal of interests in subsidiaries ¹	(604)	–	(604)	(156)	–	(156)
Currency translation (gain)/loss	(1,911)	7	(1,904)	(303)	2	(301)
Other charges and transfers	(174)	(56)	(230)	105	(41)	64
Taxation	8	–	8	(9)	–	(9)
Transfer to operating profit	(361)	(2)	(363)	(412)	17	(395)
Transfer to non-current liabilities held for sale	–	–	–	(1,305)	–	(1,305)
Balance at end of the year	7,617	(206)	7,411	10,369	(154)	10,215

¹ The disposal of interests in subsidiaries relates to the disposal of Old Mutual Wealth's European businesses and Old Mutual (Bermuda) Limited businesses, as discussed in note A2.

(c) Unit-linked investment contracts and similar contracts, and other investment contracts

	£m	
	At 31 December 2015	At 31 December 2014
Balance at beginning of the year	60,904	61,555
Contributions received	10,455	8,847
Maturities	(307)	(432)
Withdrawals and surrenders	(8,076)	(6,696)
Disposal of interests in subsidiaries ¹	(791)	(4,524)
Fair value movements	2,021	3,520
Foreign exchange and other movements	(3,437)	(1,360)
Transfer to non-current liabilities held for sale	–	(6)
Balance at end of the year	60,769	60,904

1 The disposal of interests in subsidiaries relate to the disposal of Old Mutual Wealth's European and Old Mutual (Bermuda) Limited businesses, as discussed in note A2.

(d) Discretionary participating investment contracts

	£m	
	At 31 December 2015	At 31 December 2014
Balance at beginning of the year	7,937	7,460
Income		
Premium income	1,221	961
Investment and other income	666	874
Expenses		
Claims and policy benefits	(973)	(945)
Operating expenses	(58)	(76)
Other charges and transfers	57	(73)
Taxation	(9)	(8)
Currency translation gain	(1,673)	(195)
Transfer to operating profit	(83)	(61)
Balance at end of the year	7,085	7,937

(e) Contractual maturity analysis

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months and more than three months less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amount vested or to be vested, while their carrying amount includes reserves that are payable at the discretion of the Group.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G6: Insurance and investment contracts continued

(e) Contractual maturity analysis continued

The Group acknowledges that for property & casualty the unearned premium provision, which will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision. The Group has estimated the potential claim outflows that may be associated with this unearned premium.

At 31 December 2015						£m
	Carrying amount	Undiscounted cash flows				Total
		Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
Life assurance policyholder liabilities						
Insurance contracts						
Life assurance policyholder liabilities	7,714	462	827	4,285	16,076	21,650
Outstanding claims	7,617	365	827	4,285	16,076	21,553
	97	97	–	–	–	97
Investment contracts						
Unit-linked investment contracts and similar contracts	67,854	67,406	526	66	46	68,044
Other investment contracts	60,169	59,840	515	–	–	60,355
Discretionary participating investment contracts	600	520	11	66	46	643
	7,085	7,046	–	–	–	7,046
Total life assurance policyholder liabilities	75,568	67,868	1,353	4,351	16,122	89,694
Property & casualty liabilities						
Claims incurred but not reported	38	19	16	6	–	41
Unearned premiums	120	19	42	86	–	147
Outstanding claims	183	74	44	76	–	194
Total property & casualty liabilities	341	112	102	168	–	382
Total policyholder liabilities	75,909	67,980	1,455	4,519	16,122	90,076

At 31 December 2014						£m
	Carrying amount	Undiscounted cash flows				Total
		Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
Life assurance policyholder liabilities						
Insurance contracts						
Life assurance policyholder liabilities	10,519	394	960	5,340	17,625	24,319
Outstanding claims	10,369	244	960	5,340	17,625	24,169
	150	150	–	–	–	150
Investment contracts						
Unit-linked investment contracts and similar contracts	68,841	67,008	742	144	668	68,562
Other investment contracts	60,158	58,864	728	113	622	60,327
Discretionary participating investment contracts	746	710	14	31	46	801
	7,937	7,434	–	–	–	7,434
Total life assurance policyholder liabilities	79,360	67,402	1,702	5,484	18,293	92,881
Property & casualty liabilities						
Claims incurred but not reported	47	29	13	5	–	47
Unearned premiums	96	11	52	33	–	96
Outstanding claims	176	76	64	36	–	176
Total property & casualty liabilities	319	116	129	74	–	319
Total policyholder liabilities	79,679	67,518	1,831	5,558	18,293	93,200

(g) Sensitivity analysis – life assurance

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

The tables below demonstrate the effect of a change in a key assumption while other assumptions remain unchanged:

At 31 December 2015	%	£m	£m	£m
	Change	Emerging Markets	Old Mutual Wealth	Bermuda
Assumption				
Mortality and morbidity rates – assurance	10	212	2	–
Mortality rates – annuities	(10)	38	–	–
Discontinuance rates	10	(1)	(1)	(1)
Expenses (maintenance)	10	47	3	–

At 31 December 2014	%	£m	£m	£m
	Change	Emerging Markets	Old Mutual Wealth	Bermuda
Assumption				
Mortality and morbidity rates – assurance	10	271	2	–
Mortality rates – annuities	(10)	44	–	–
Discontinuance rates	10	(7)	(1)	(1)
Expenses (maintenance)	10	54	3	–

Emerging Markets

The changes in insurance contract liabilities shown are calculated using the specified increase or decrease to the rates, with no change in charges paid by policyholders.

The insurance contract liabilities recorded for the Emerging Market business are also impacted by the valuation discount rate assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate assumption) would result in no impact on insurance contract liabilities or net profit (2014: £2 million). This impact is calculated with no change in charges paid by policyholders. There is no impact in 2015 due to further management actions taken to reduce the impact of changing interest rates on operating profit.

It should be noted that where the assets and liabilities of a product are closely matched (e.g. non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

Old Mutual Wealth

The changes in insurance contract liabilities shown are calculated independently using the specified increase or decrease to the rates, with no change in premiums paid by policyholders. The assumption changes have no impact on the linked UK business.

Whole of Life is the main product group affected by the lapse assumption change. This is because the policies have the longest duration and represent close to 93% of the reserve. The main product groups impacted by the expense, mortality and morbidity sensitivities are Whole of Life and Accelerated Critical Illness.

In the Old Mutual Wealth business, non-linked liabilities are well matched by gilts so that the net impact of a valuation interest rate change taking asset and liability movement into account is negligible.

Old Mutual Bermuda

Post the sale of Old Mutual (Bermuda) Limited (OMB), the Group no longer owns any underlying policies or manages policyholder funds. The Group continues to provide (re)insurance coverage to Beechwood Bermuda Ltd in connection with the Guaranteed Minimum Accumulation Benefit (GMAB) guarantees. Lapses and partial withdrawals have the largest impact where increased activity reduces the guarantee portion of the business since less living benefit exposure is expected in the future. Mortality plays a much smaller part in Bermuda since the business is minimum guaranteed accumulation benefit. Increased deaths likewise reduce future guarantees; however the effect is negligible due to the short-term nature of the benefit.

(h) Sensitivity analysis – property & casualty

An increase of 10% in the average cost of claims would require the recognition of an additional loss after tax of £19 million (2014: £27 million) net of reinsurance. Similarly, an increase of 10% in the ultimate number of claims would result in an additional loss of £19 million (2014: £27 million) net of reinsurance.

The majority of the Group's property & casualty contracts are classified as 'short-tailed', meaning that any claim is settled within a year after the loss date. This contrasts with the 'long-tailed' classes where the claims cost take longer to materialise and settle. The Group's property & casualty long-tailed business is generally limited to accident, third-party motor, liability and some engineering classes. In total the long-tail business comprises less than five per cent of an average year's claim costs.

(i) Reinsurance assets – credit risk

None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the statement of financial position all are considered investment grade with the exception of £179 million of unrated exposures (2014: £189 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G7: Borrowed funds

The Group raises funding in the normal course of business. The borrowed funds raised for the banking business support the lending and banking operations of the Group. Other borrowed funds raised support the general funding needs of the Group and the expense has been recognised as finance costs.

Summary of Borrowed Funds

Type of securities	Notes					£m
		Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
Senior debt securities and term loans		112	198	1,331	–	1,641
Floating rate notes	G7(a)(i)	–	–	571	–	571
Fixed rate notes	G7(a)(ii)	112	–	760	–	872
Term loans	G7(a)(iii)	–	198	–	–	198
Revolving credit facilities	G7(b)	–	–	–	61	61
Mortgage-backed securities	G7(c)	–	–	97	–	97
Subordinated debt securities	G7(d)	986	251	488	–	1,725
Total Borrowed funds		1,098	449	1,916	61	3,524
Other instruments treated as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%	H9	273	–	–	–	273
Total book value of Group debt¹		1,371	449	1,916	61	3,797

¹ The nominal value of Group debt excluding banking is £1,710 million (2014: £1,512 million).

On 4 November 2015, being the First Call Date, the Company redeemed the outstanding €374 million (£253 million) Upper Tier 2 perpetual notes at their nominal value, together with accrued and unpaid interest.

Type of securities	Notes					£m
		Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2014
Senior debt securities and term loans		112	125	1,139	–	1,376
Floating rate notes	G7(a)(i)	–	–	563	–	563
Fixed rate notes	G7(a)(ii)	112	–	576	–	688
Term loans	G7(a)(iii)	–	125	–	–	125
Revolving credit facilities	G7(b)	–	72	–	114	186
Mortgage-backed securities	G7(c)	–	–	52	–	52
Subordinated debt securities	G7(d)	565	223	642	–	1,430
Total Borrowed funds		677	420	1,833	114	3,044
Other instruments treated as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%	H9	273	–	–	–	273
€374 million perpetual preferred callable securities at 5.00%	H9	253	–	–	–	253
Total book value of Group debt		1,203	420	1,833	114	3,570

Perpetual preferred callable securities of £273 million (2014: £526 million) are also classified as non-banking.

Total borrowed funds can be further analysed between non-banking and banking as follows:

Type of securities	At 31 December 2015			At 31 December 2014		
	Non-banking	Banking ¹	Total	Non-banking	Banking ¹	Total
	£m					
Senior debt securities and term loans	160	1,481	1,641	112	1,264	1,376
Revolving credit facilities	61	–	61	114	72	186
Mortgage-backed securities	–	97	97	–	52	52
Subordinated debt securities	1,237	488	1,725	788	642	1,430
Total Borrowed funds	1,458	2,066	3,524	1,014	2,030	3,044

¹ Borrowed funds identified as Banking are those which are directly related to the lending and banking businesses in Nedbank and Emerging Markets.

Maturity analysis

The table below is a maturity analysis of the liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year-end exchange rates.

					£m	
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015	At 31 December 2015
Less than 1 year	196	50	–	2	248	248
Greater than 1 year and less than 5 years	302	135	–	66	503	503
Greater than 5 years	1,147	493	–	–	1,640	1,640
Total non-banking	1,645	678	–	68	2,391	2,391
Less than 1 year	–	15	614	–	629	629
Greater than 1 year and less than 5 years	–	166	1,236	–	1,402	1,402
Greater than 5 years	–	17	973	–	990	990
Total banking	–	198	2,823	–	3,021	3,021
Total	1,645	876	2,823	68	5,412	5,412

					£m	
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2014	At 31 December 2014
Less than 1 year	48	19	–	2	69	69
Greater than 1 year and less than 5 years	280	76	–	129	485	485
Greater than 5 years	560	266	–	–	826	826
Total non-banking	888	361	–	131	1,380	1,380
Less than 1 year	–	31	603	–	634	634
Greater than 1 year and less than 5 years	–	220	1,518	–	1,738	1,738
Greater than 5 years	–	7	295	–	302	302
Total banking	–	258	2,416	–	2,674	2,674
Total	888	619	2,416	131	4,054	4,054

Interest rate profile

The interest rate profiles of the Group's borrowed funds are analysed as follows:

					£m	
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015	At 31 December 2015
Fixed rate	1,098	218	760	–	2,076	2,076
Floating rate	–	231	1,156	61	1,448	1,448
Total	1,098	449	1,916	61	3,524	3,524

					£m	
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2014	At 31 December 2014
Fixed rate	677	225	666	–	1,568	1,568
Floating rate	–	195	1,167	114	1,476	1,476
Total	677	420	1,833	114	3,044	3,044

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G7: Borrowed funds continued

Currency exposure

The currency exposures of the Group's borrowed funds are analysed as follows:

					£m
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
ZAR	–	356	1,847	–	2,203
GBP	1,098	–	–	–	1,098
USD	–	55	69	61	185
Other	–	38	–	–	38
Total	1,098	449	1,916	61	3,524

					£m
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2014
ZAR	–	379	1,769	–	2,148
GBP	677	–	–	–	677
USD	–	32	64	114	210
Other	–	9	–	–	9
Total	677	420	1,833	114	3,044

Analysis of security types

(a) Senior debt securities and term loans

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

	£m	
Maturity date	At 31 December 2015	At 31 December 2014
Banking – Nedbank Floating rate unsecured senior debt		
R1,297 million at JIBAR + 1.00%	–	72
R1,027 million at JIBAR + 1.75%	–	57
R250 million at JIBAR + 1.00%	–	14
R1,044 million at JIBAR + 2.20%	–	59
R677 million at JIBAR + 1.25%	–	–
R3,056 million at JIBAR + 0.80%	30	38
R694 million at JIBAR + 0.75%	135	169
R405 million at JIBAR + 1.30%	31	39
R1,035 million at JIBAR + 0.85%	18	23
R806 million at JIBAR + 0.90%	45	58
R786 million at JIBAR + 1.30%	35	45
R241 million at JIBAR + 1.12%	31	39
R472 million at JIBAR + 1.25%	11	14
R1,427 million at JIBAR + 1.30%	21	–
R90 million at JIBAR + 1.45%	63	–
R80 million at JIBAR + 2.15%	4	–
R476 million at JIBAR + 1.55%	4	5
R650 million at JIBAR + 1.30%	21	–
R12 million at JIBAR + 1.55%	29	36
R1,980 million at JIBAR + 2.00%	1	–
R500 million at JIBAR + 2.10%	88	–
	22	–
	589	668
Less: floating rate notes held by other Group companies	(18)	(105)
Total floating rate notes	571	563

All floating rate unsecured senior debt is non-qualifying for the purposes of regulatory tiers of capital.

(ii) Fixed rate notes (net of Group holdings)

		£m	
	Maturity date	At 31 December 2015	At 31 December 2014
Non-banking – Old Mutual plc			
£112 million at 7.125%	October 2016	112	112
Total non-banking fixed rate unsecured senior debt		112	112
Banking – Nedbank Floating rate unsecured senior debt			
R478 million at 9.68%	Repaid	–	27
R3,244 million at 10.55%	Repaid	–	186
R1,137 million at 9.36%	March 2016	51	65
R151 million at 6.91%	July 2016	7	9
R1,273 million at 11.39%	September 2019	60	77
R380 million at 9.26%	June 2020	17	–
R1,888 million at 8.92%	November 2020	83	106
R855 million at 9.38%	March 2021	38	49
R500 million at 9.29%	June 2021	22	28
R215 million at 8.79%	February 2022	10	–
R280 million at 9.64%	June 2022	12	–
R952 million at 10.07%	November 2023	42	–
R391 million at 9.73%	March 2024	18	22
R660 million at zero coupon	October 2024	11	15
R2,607 million at 9.44%	February 2025	118	–
R884 million at 10.69%	November 2025	39	–
R800 million at 9.95%	April 2026	36	–
R1,739 million at 10.36%	June 2026	77	–
R2,000 million at JIBAR + 10.63%	July 2027	92	–
R666 million at 10.94%	November 2027	30	–
		763	584
Less: Fixed rate notes held by other Group companies		(3)	(8)
Total banking fixed rate unsecured senior debt (net of Group holdings)		760	576
Total fixed rate notes		872	688

All fixed rate notes are non-qualifying for the purpose of regulatory tiers of capital.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G7: Borrowed funds continued

(a) Senior debt securities and term loans continued

(iii) Term loans

	Maturity date	At 31 December 2015	At 31 December 2014
Emerging Markets floating rate loans			
\$7 million at 3 month LIBOR plus 7.50% ²	March 2016	5	–
\$5 million at 3 month LIBOR plus 7.50% ²	March 2016	3	–
\$5 million at 3 month LIBOR plus 7.50% ²	March 2016	3	–
R1,500 million at JIBAR + 2.95% ¹	August 2017	70	84
R800 million at JIBAR + 2.75% ¹	July 2018	35	–
KES451 million at KBRR + 3.87% ¹	March 2019	3	–
Emerging Markets fixed rate loans			
KES170 million at 14.00% to 14.75% ¹	Repaid	–	5
KES175 million at 11.70% ¹	October 2016	–	1
KES1,000 million at 12.50% ²	January 2016	7	–
KES225 million at 11.70% ¹	August 2017	1	2
KES2,000 million at 13.00% ²	July 2017	13	–
KES411 million at 11.50% ¹	April 2020	3	–
KES1,183 million at 9.20% ¹	September 2020	8	–
KES150 million at 5.00% ¹	July 2022	1	1
\$6 million at 8.10% ¹	August 2017	3	4
\$19 million at 8.10% ¹	September 2017	9	12
\$10 million at 8.10% ¹	May 2020	5	7
\$5 million at 11.00% ¹	September 2022	3	3
\$20 million at 8.75% ²	August 2022	11	–
KES466 million at 9.83% ¹	July 2022	2	–
\$5 million at 6.50% ²	June 2023	3	–
\$5 million at 6.50% ²	June 2023	3	–
\$10 million at 10.00% ¹	December 2023	7	6
Total term loans and other loans		198	125

1 Banking – The term loans above of £150 million are Emerging Markets banking term loans

2 Non-banking – The term loans above of £48 million are Emerging Markets non-banking term loans.

(b) Revolving credit facilities

		£m	
	Maturity date	At 31 December 2015	At 31 December 2014
Non-banking – Institutional Asset Management			
\$90 million drawn of a \$350 million facility at \$ LIBOR + 1.25%	October 2019	61	114
Banking – Emerging Markets			
R475 million (31 December 2014: R1,000 million) drawn of a R1,200 million facility at 3 month JIBAR + 2.95%	Repaid	–	44
R500 million fully drawn at 3 month JIBAR + 3.10%	Repaid	–	28
		–	72
Total revolving credit facilities		61	186

The Group has access to a £800 million (December 2014: £800 million) multi-currency revolving credit facility available to the Holding Company. The Group extended the existing revolving credit facility in August 2015 for one year, resulting in a £727 million facility that matures in August 2020 and a £73 million facility that matures in August 2019. There is an optional further one year extension in August 2016. At 31 December 2015 and 31 December 2014, none of this facility was drawn.

In December 2015, Emerging Markets entered into a new R5,250 million (£230 million) revolving credit facility which matures in three years, with the option to renew for a further year at maturity. At 31 December 2015 none of this facility was drawn.

(c) Mortgage-backed securities (net of Group holdings)

		£m		
	Tier	Maturity date	At 31 December 2015	At 31 December 2014
Banking – Nedbank				
R480 million (class A1) at JIBAR + 1.10%	Tier 2	Repaid	–	2
R161 million (class A2) at JIBAR + 1.25%	Tier 2	October 2039	7	19
R900 million (class A3) at JIBAR + 1.54%	Tier 2	October 2039	40	51
R110 million (class B) at JIBAR + 1.90%	Tier 2	October 2039	5	6
R558 million at JIBAR + 1.20%	Tier 2	February 2042	24	–
R100 million at JIBAR + 1.45%	Tier 2	February 2042	4	–
R680 million at JIBAR + 1.55%	Tier 2	February 2042	30	–
R80 million at JIBAR + 2.20%	Tier 2	February 2042	4	–
R65 million at JIBAR + 3.00%	Tier 2	February 2042	3	–
			117	78
Less: Mortgage-backed securities held by other Group companies			(20)	(26)
Total mortgage-backed securities			97	52

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

G: Analysis of financial assets and liabilities continued

G7: Borrowed funds continued

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

			At 31 December 2015	At 31 December 2014
	Tier	Maturity date		
Banking – Nedbank				
R1,265 million at JIBAR plus 4.75%	Non-core Tier 1	Repaid	–	74
R487 million at 15.05%	Non-core Tier 1	Repaid	–	32
R1,000 million at 10.54%	Tier 2	Repaid	–	58
\$100 million at 3 month \$ LIBOR	Tier 2 (secondary)	March 2022	69	64
R2,000 million at JIBAR + 0.47%	Tier 2	July 2022	89	113
R1,800 million at JIBAR + 2.75%	Tier 2	July 2023	80	102
R1,200 million at JIBAR + 2.55%	Tier 2	November 2023	53	67
R450 million at JIBAR + 10.49%	Tier 2	April 2024	20	26
R1,737 million at 3 month JIBAR + 2.55%	Tier 2	April 2024	78	98
R300 million at JIBAR + 2.75%	Tier 2	October 2024	13	17
R225 million at JIBAR + 2.75%	Tier 2	January 2025	10	–
R1,624 million at JIBAR + 3.50%	Tier 2	July 2025	73	–
R407 million at JIBAR + 11.29%	Tier 2	July 2025	19	–
			504	651
Less: Banking subordinated debt securities held by other Group companies			(16)	(9)
Banking subordinated securities			488	642
Non-banking – Old Mutual plc				
£500 million at 8.00%	Lower Tier 2	June 2021	536	565
£450 million at 7.88% ¹	Lower Tier 2	November 2025	450	–
Non-banking – Emerging Markets				
R3,000 million at 8.92% ²	Lower Tier 2	Repaid	–	167
R1,288 million at 3 month JIBAR + 2.25%	Lower Tier 2	September 2025	57	–
R568 million at 10.90%	Lower Tier 2	September 2027	23	–
R300 million at 9.26%	Lower Tier 2	November 2024	12	17
R700 million at 3 month JIBAR + 2.20%	Lower Tier 2	November 2024	31	39
R537 million at 3 month JIBAR + 2.30%	Lower Tier 2	March 2025	24	–
R425 million at 9.76%	Lower Tier 2	March 2025	17	–
R409 million at 10.32%	Lower Tier 2	March 2027	16	–
R1,150 million at 10.96%	Lower Tier 2	March 2030	46	–
R623 million at 11.35%	Lower Tier 2	September 2030	25	–
			251	223
Total subordinated debt securities			1,725	1,430

1 On 3 November 2015, the Company issued £450 million Dated Tier 2 Subordinated Notes under its existing £5,000 million Euro Note Programme. The notes have a maturity date of 3 November 2025 and pay interest biannually on 3 May and 3 November at a fixed rate of 7.88% per annum up to and including the maturity date

2 During the year on the first call date the Group redeemed the outstanding R3,000 million Lower Tier 2 subordinated debt at their nominal value, together with accrued and unpaid interest.

All callable subordinated debt securities have a first call date five years before the maturity date.

G8: Amounts owed to bank depositors

In the Group's banking businesses the Group receives cash from bank depositors. The depositors receive interest on the amounts owed depending on the value of the amount borrowed and the terms of the deposit. The table below provides an analysis of the categories and maturity profiles of amounts owed to depositors:

At 31 December 2015						£m
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	3,196	3,196	–	–	–	3,196
Savings deposits	1,349	1,339	2	5	2	1,348
Other deposits and loan accounts	23,090	17,337	3,363	2,304	488	23,492
Negotiable certificates of deposit	4,012	1,059	2,159	1,147	3	4,368
Deposits received under repurchase agreements	681	681	–	–	–	681
Amounts owed to bank depositors	32,328	23,612	5,524	3,456	493	33,085

At 31 December 2014						£m
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	3,621	3,621	–	–	–	3,621
Savings deposits	1,556	1,509	45	2	–	1,556
Other deposits and loan accounts	26,213	20,021	3,650	2,849	593	27,113
Negotiable certificates of deposit	4,150	1,023	2,062	1,425	18	4,528
Deposits received under repurchase agreements	703	703	–	–	–	703
Amounts owed to bank depositors	36,243	26,877	5,757	4,276	611	37,521

H: Non-financial assets and liabilities

H1: Goodwill and other intangible assets

Goodwill arises on the acquisition of a business and represents the premium of the amount paid over the fair value of identifiable asset and liabilities. Goodwill is not amortised but is subject to annual impairment reviews. Other intangible assets include those assets which were initially recognised on a business combination and software development costs relate to amounts recognised for in-house systems development.

(a) Goodwill and goodwill impairment

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the fair value of the consideration paid over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interest is measured at fair value of the stake held by third parties on initial recognition of the business combination and is adjusted for profit or loss and movements in reserves.

Goodwill is not amortised, but is reviewed for impairment at least once annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The directors annually test for impairment of each CGU or group of CGUs containing goodwill and intangible assets, at a level that is no larger than that of the Group's identified operating segments for the purposes of segment reporting. An impairment loss is recognised whenever the carrying amount of an asset or its CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses relating to goodwill are not reversed.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H1: Goodwill and other intangible assets continued

(b) Present value of acquired in-force for insurance and investment contract business

The present value of acquired in-force for insurance and investment contract business is capitalised in the consolidated statement of financial position as an intangible asset.

The capitalised value is the present value of cash flows anticipated in the future from the relevant book of insurance and investment contract policies acquired at the date of the acquisition. This is calculated by performing a cash flow projection of the associated life assurance fund and book of in-force policies in order to estimate future after tax profits attributable to shareholders. The valuation is based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, together with future costs and investment returns on the assets supporting the fund. These profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. The key assumptions impacting the valuation are discount rate, future investment returns and the rate at which policies discontinue.

The asset is amortised over the expected profit recognition period on a systematic basis over the anticipated lives of the related contracts.

The amortisation charge is stated net of any unwind in the discount rate used to calculate the asset.

The recoverable amount of the asset is recalculated at each reporting date and any impairment losses recognised accordingly.

(c) Other intangible assets acquired as part of a business combination

Contractual banking and asset management customer relationships, relationships with distribution channels and similar intangible assets, acquired as a part of a business combination, are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition.

Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition such acquired intangible assets are amortised on a straight-line basis over their estimated useful lives as set out below:

- Distribution channels 10 years
- Customer relationships 10 years
- Brand 15 to 20 years

The estimated useful life is re-evaluated on a regular basis.

Other intangible assets acquired in a business combination would be immediately impaired if the carrying value is greater than the net recoverable amount.

(d) Internally developed software

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed whereas costs incurred in the development phase are capitalised subject to meeting specific criteria, set out in the relevant accounting guidance. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and ten years.

(e) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Analysis of goodwill and other intangible assets

The table below shows the movements in cost, amortisation and impairment of goodwill and other intangible assets for the year ended 31 December 2015 and year ended 31 December 2014.

At 31 December											£m
	Goodwill		Present value of acquired in-force business development costs		Software development costs		Other intangible assets		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Cost											
Balance at beginning of the year	2,756	2,641	1,107	1,464	669	630	402	538	4,934	5,273	
Acquisitions through business combinations ¹	467	155	–	17	–	14	308	69	775	255	
Purchase price adjustments ²	22	–	–	–	–	–	–	–	22	–	
Additions	–	–	–	–	72	72	9	4	81	76	
Disposal of interests in subsidiaries	(41)	(86)	(125)	(335)	(1)	(22)	(4)	(192)	(171)	(635)	
Disposals or retirements	–	–	–	–	(8)	(18)	(1)	–	(9)	(18)	
Transfer to non-current assets held for sale	(29)	–	–	(14)	–	(3)	–	–	(29)	(17)	
Foreign exchange and other movements	(46)	46	–	(25)	(134)	(4)	(4)	(17)	(184)	–	
Cost at end of the year	3,129	2,756	982	1,107	598	669	710	402	5,419	4,934	
Amortisation and impairment losses											
Balance at beginning of the year	(624)	(598)	(792)	(946)	(449)	(437)	(306)	(457)	(2,171)	(2,438)	
Amortisation charge for the year	–	–	(58)	(70)	(49)	(46)	(70)	(54)	(177)	(170)	
Impairment losses	(23)	(14)	–	–	–	–	–	–	(23)	(14)	
Disposal of interests in subsidiaries	–	–	102	198	1	20	–	192	103	410	
Disposals or retirements	–	–	–	–	7	17	1	–	8	17	
Transfer to non-current assets held for sale	29	–	–	8	–	3	–	–	29	11	
Foreign exchange and other movements	1	(12)	(3)	18	87	(6)	3	13	88	13	
Accumulated amortisation and impairment losses at end of the year	(617)	(624)	(751)	(792)	(403)	(449)	(372)	(306)	(2,143)	(2,171)	
Carrying amount											
Balance at beginning of the year	2,132	2,043	315	518	220	193	96	81	2,763	2,835	
Balance at end of the year	2,512	2,132	231	315	195	220	338	96	3,276	2,763	

1 Goodwill acquired through business combinations comprises £292 million in respect of the acquisition of Quilter Cheviot, £150 million in respect of the acquisition of UAP Holdings Limited and £25 million in respect of the acquisition of African Infrastructure Investment Managers (Pty) Limited. Refer to note J8 for further information

2 The purchase price adjustments to goodwill of £22 million is the result of an increase in the value of liabilities identified by the Group in the 12 month period following the completion of the acquisitions of: Intrinsic Financial Services Limited, £7 million; Quilter Cheviot, £2 million; and Old Mutual Finance (Pty) Ltd, £13 million.

The net carrying amount of present value of acquired in-force business at the year-end principally comprises £227 million (2014: £301 million) relating to the Skandia business acquired during 2006, which is due to be amortised over a further six to eleven years.

The net carrying amount of other intangible assets at year-end principally comprise:

Old Mutual Wealth:

- £35 million (2014: £nil) relating to mutual fund and asset management relationship assets in the Intrinsic business (to be amortised over a further 7 years)
- £249 million (2014: £nil) relating to distribution channels in the Quilter Cheviot business (to be amortised over a further nine years)
- £13 million (2014: £nil) relating to the Quilter Cheviot brand (to be amortised over a further four years).

Emerging Markets:

- £12 million (2014: £26 million) relating to the loan book of Old Mutual Finance Ltd (to be amortised over a further two years)
- £17 million (2014: £nil) relating to the UAP brand (2014: £nil) (which is not being amortised).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H1: Goodwill and other intangible assets continued

(g) Allocation of goodwill to cash generating units

The carrying amount of goodwill accords with the operating segmentation shown in note B and primarily relates to the cash generating units (CGUs) of Emerging Markets, Old Mutual Wealth, Nedbank and Institutional Asset Management.

	£m	
	At 31 December 2015	At 31 December 2014
Emerging Markets	344	194
Old Mutual Wealth	1,082	823
Nedbank	224	277
Institutional Asset Management	862	838
Goodwill, net of impairment losses	2,512	2,132

Critical accounting estimates and judgements – Goodwill and intangible assets

(h) Annual impairment testing of goodwill

In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value-in-use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

The cash flows attributable to the value of new business are determined with reference to latest approved three-year business plans. Projections beyond the plan period are extrapolated using an inflation-based growth assumption.

The value-in-use calculations for the life assurance operations are determined using the reported embedded value methodology plus a discounted cash flow calculation for the value of new business. The value of new business represents the present value of future profits from expected new business. Embedded value represents the shareholders' interest in the life assurance business and is calculated in accordance with MCEV principles.

The cash flows that have been used to determine the value-in-use of the cash generating units are based on the three-year business plans. These cash flows grow at different rates because of the different strategies of the cash generating units. In cases where the cash generating units have made significant acquisitions in the recent past, the profits are forecasted to grow faster than the more mature businesses. Post the five-year growth forecast, the growth rate used to determine the terminal value of the cash generating units approximated the long-term growth rate of the countries in which it operates.

Emerging Markets

The Emerging Markets CGUs generate revenues through their life assurance, asset management, property & casualty and banking businesses in several regions, but principally Africa and Latin America.

Emerging markets carries goodwill in four distinct CGUs: Old Mutual South Africa (OMSA), Mutual and Federal (M&F), Latin America (LatAm) and Old Mutual Southern and Eastern Africa (OMSEA). The basis of allocating the impairment tests changed in the current year due to the refinement of the strategy for Emerging Markets, which has led to a regional focus on the performance of the underlying businesses as a group.

The directors are satisfied that any reasonable change in the assumptions would not cause the recoverable amounts of the goodwill to fall below the carrying amounts.

- Growth rate – the rates assumed beyond the business planning period for years four and five were: OMSA nil, LatAm 18.0%, and OMSEA 18.0% (2014: 9.0% to 12.0%). Based on the carrying amount of goodwill at 31 December 2015, the weighted average growth rate for Emerging Markets was 13.5%. Growth rates beyond the planning period were assumed to be the expected inflation rate in all the regions, except for OMSEA where the rate is greater than inflation in the first seven years due to the expected synergies of the OMSEA businesses
- Discount rate – the rate applied was 13.5% (2014: 13.5%) for all the CGUs and used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references.

Old Mutual Wealth

The Old Mutual Wealth CGU generate revenues through its life assurance and asset management businesses.

Old Mutual Wealth is regarded by the directors as a single cash generating unit due to the integrated nature of its operations. On disposals of businesses, goodwill is allocated to them based on the relative size of the net assets of the business. The Group has revised the goodwill impairment model in the current year because of the change in underlying nature of the business following the disposal of most of its European businesses during 2014 and 2015. The directors are satisfied that any reasonable change in the assumptions would not cause the recoverable amounts of Old Mutual Wealth to fall below its carrying amount.

- Growth rate – the rate used was 5% (2014: 14.0%) for the three-year business plan period and the expected inflation rate for the period beyond this
- Discount rate – the rate applied was 9.0% (2014: 9.0%) and used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references.

Nedbank

The impairment test in respect of the Nedbank CGU has been performed by comparing the CGU's net carrying amount to its estimated value-in-use. The value-in-use has been determined using a discounted cash flow methodology. The key assumptions used in the value-in-use calculation are the discount rate and growth rate, which are based on the three year business plan plus the terminal value. A growth rate between 0.0%, international business and 4.8%, South African business (2014: 0.0% and 5.8%) was applied to extrapolate cash flows for an additional two years beyond the three-year business plan period. A terminal value, using the same growth rate, is added for the value of cash flows beyond five years. The discount rate applied varied between 9.8% and 15.4% (2014: 9.1% to 13.3%). The directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

Institutional Asset Management

The impairment test in respect of the Institutional Asset Management's CGU has been performed by comparing the CGU's net carrying amount to its value-in-use determined using a discounted cash flow methodology. The key assumptions used in the value-in-use calculations for Institutional Asset Management are as follows:

- The three-year business plan plus two further years have growth rate assumptions based on management's expectation of performance over this period. A terminal value, using a long-term growth rate of 4.0% (2014: 4.0%) is added for the value of cash flows beyond five years. The assumed long-term growth rate was determined with reference to nominal historical gross domestic product (GDP) growth, and the outlook for nominal GDP growth for the US
- The risk-adjusted discount rate applied was 12.5% (2014: 12.0%).

The directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

(i) Segmental analysis of goodwill and other intangibles

The following table shows a segmental analysis of the carrying amounts of goodwill and other intangible assets, together with amortisation and impairment charges, by operating segment:

At 31 December	£m					
	Goodwill and intangible assets (carrying amount)		Amortisation		Impairment	
	2015	2014	2015	2014	2015	2014
Emerging Markets	415	275	28	16	–	–
Old Mutual Wealth	1,620	1,197	112	117	–	14
Nedbank	378	452	37	37	–	–
Institutional Asset Management	863	839	–	–	23	–
	3,276	2,763	177	170	23	14

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H2: Fixed assets

H2(a): Property, plant and equipment

This following table analyses land, buildings and equipment.

	At 31 December								£m
	Land		Buildings		Plant and equipment		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	
Gross carrying amount									
Balance at beginning of the year	126	98	451	466	621	598	1,198	1,162	
Additions	1	22	32	12	118	120	151	154	
Additions from business combinations	–	6	8	5	15	9	23	20	
Increase arising from revaluation	2	12	18	16	–	–	20	28	
Transfers to/(from) investment property	2	(6)	8	(33)	–	–	10	(39)	
Reclassification within property, plant and equipment	–	–	86	–	(86)	–	–	–	
Disposals	–	(3)	(9)	(1)	(16)	(87)	(25)	(91)	
Foreign exchange and other movements	(54)	(3)	(93)	(14)	(93)	(18)	(240)	(35)	
Transfer to non-current assets held for sale	–	–	–	–	(3)	(1)	(3)	(1)	
	77	126	501	451	556	621	1,134	1,198	
Accumulated depreciation and impairment losses									
Balance at beginning of the year	–	–	(42)	(34)	(391)	(406)	(433)	(440)	
Depreciation charge for the year	–	–	(20)	(11)	(67)	(72)	(87)	(83)	
Disposals	–	–	7	1	11	76	18	77	
Foreign exchange and other movements	–	–	(26)	2	92	10	66	12	
Transfer to non-current assets held for sale	–	–	–	–	2	1	2	1	
Balance at end of the year	–	–	(81)	(42)	(353)	(391)	(434)	(433)	
Carrying amount									
Balance at beginning of the year	126	98	409	432	230	192	765	722	
Balance at end of the year	77	126	420	409	203	230	700	765	

The carrying value of property, plant and equipment leased to third parties under operating leases included in the above is £5 million (2014: £8 million) and comprises land of £5 million (2014: £7 million) and buildings of £nil (2014: £1 million).

The value of property, plant and equipment pledged as security is £nil (2014: £6 million).

The revaluation of land and buildings relates to Emerging Markets and Nedbank. In 2015, Emerging Markets made revaluation gains of £1 million on land (2014: £6 million) and £7 million (2014: £6 million) on buildings. Nedbank made revaluation gains of £1 million on land (2014: £6 million) and £11 million on buildings (2014: £10 million).

For Emerging Markets, land and buildings are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. For Nedbank, valuations are performed every three years by external professional valuers. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income-generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties. The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be £22 million (2014: £28 million) and £146 million (2014: £171 million) respectively for Emerging Markets, £12 million (2014: £15 million) and £89 million (2014: £113 million) for Nedbank respectively.

These items are classified into Level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

H2(b): Investment property

		£m	
	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Balance at beginning of the year		1,678	1,811
Additions		146	48
Additions from business combinations		104	–
Disposals		(422)	(115)
Net gain from fair value adjustments		54	61
Transferred (to)/from property, plant and equipment		(10)	39
Foreign exchange and other movements		(219)	(10)
Transfer to non-current assets held for sale	K2	(98)	(156)
Balance at end of the year		1,233	1,678

The principal movements in investment properties are:

- Additions for the year principally comprises £139 million (2014: £48 million) relating to acquisitions by policyholder funds in the Emerging Markets segment
- Disposals for the year principally comprises £380 million relating to investment properties held within a property fund consolidated by the Old Mutual Wealth segment that was merged with another fund and was consequently no longer required to be consolidated
- Additions from business combinations of £104 million relates to the acquisition of the UAP business (refer to note J8 for further information)
- The transfer to held to sale of £98 million (R1,923 million) relates to various properties held by policyholder funds in the Emerging Markets segment (refer to note K2 for further information), and
- The net gain from fair value adjustments in both 2015 and 2014 relates entirely to Emerging Markets policyholder funds.

The fair value of investment property (freehold) leased to third parties under operating leases is as follows:

		£m	
		Year ended 31 December 2015	Year ended 31 December 2014
Freehold		1,087	1,662
Leasehold		146	16
		1,233	1,678
Rental income from investment property		124	157
Direct operating expense arising from investment property that generated rental income		(25)	(27)
		99	130

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer at least every three years, and annually by locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The Group's current lease arrangements, which are entered into on an arm's-length basis and which are comparable to those for similar properties in the same location, are taken into account.

Of the total investment property of £1,233 million (2014: £1,678 million), £1,233 million (2014: £1,298 million) is located in Africa and £nil million (2014: £380 million) in the United Kingdom.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H2: Fixed assets continued

H2(c): Fair value hierarchy of the Group's property

The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy. The table below reconciles the fair value measurements of the investment and owner-occupied property:

	Year ended 31 December 2015	Year ended 31 December 2014
Balance at beginning of the year	2,087	2,243
Additions and acquisitions	178	60
Additions from business combinations	112	5
Disposals	(424)	(115)
Net gain from fair value adjustments	72	77
Impairments and depreciation	(20)	(11)
Reclassification from other categories of property, plant and equipment	86	–
Foreign exchange and other movements	(340)	(16)
Transfer to non-current assets held for sale	(98)	(156)
Balance at end of the year	1,653	2,087

These gains and losses have been included in other income.

The following table shows the valuation techniques used in the determination of the fair values for investment and owner-occupied properties, as well as the unobservable inputs used in the valuation models.

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement
<ul style="list-style-type: none"> ■ Commercial, retail and industrial properties ■ Owner-occupied property 	<ul style="list-style-type: none"> ■ Discounted cash flow (market-related rentals achievable for the property, discounted at the appropriate discount rate) 	<ul style="list-style-type: none"> ■ Rental income per square metre and capitalisation rates ■ Long-term net operating margin and capitalisation rates ■ Vacancies 	<ul style="list-style-type: none"> ■ The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> – net rental income increases/(decreases) or – capitalisation rates decrease/(increase) ■ The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> – long term operating margin increase/(decrease), or – capitalisation rates decrease/(increase)
<ul style="list-style-type: none"> ■ Holiday accommodation ■ Residential property 	<ul style="list-style-type: none"> ■ Average of market comparable valuations ■ Replacement cost ■ Land value 	<ul style="list-style-type: none"> ■ Price per square metre 	<ul style="list-style-type: none"> ■ The estimated fair value would increase/(decrease) if price per square metre increase/(decrease)
<ul style="list-style-type: none"> ■ Land 	<ul style="list-style-type: none"> ■ According to the existing zoning and town planning scheme at the date of valuation, with exceptions made by the valuer for reasonable potential of a successful re-zoning 	<ul style="list-style-type: none"> ■ Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition 	<ul style="list-style-type: none"> ■ Recent sales and local government valuation rolls provide an indication of what the property may be sold for
<ul style="list-style-type: none"> ■ Near vacant properties 	<ul style="list-style-type: none"> ■ Land value less the estimated cost of demolition 	<ul style="list-style-type: none"> ■ Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition 	<ul style="list-style-type: none"> ■ Recent sales and local government valuation rolls provide an indication of what the property may be sold for

H3: Deferred acquisition costs

Deferred acquisition costs relate to costs that the Group incurred to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

At 31 December	£m							
	Insurance contracts		Investment contracts		Asset management		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance at beginning of the year	44	48	741	1,073	77	90	862	1,211
New business	1	5	131	141	(171)	15	(39)	161
Amortisation	–	(3)	(134)	(162)	(26)	(28)	(160)	(193)
Disposal of interests in subsidiaries	(5)	–	(37)	(261)	–	–	(42)	(261)
Foreign exchange and other movements	(1)	(6)	(20)	(33)	184	–	163	(39)
Transfer to non-current assets held for sale	–	–	–	(17)	–	–	–	(17)
Balance at end of the year	39	44	681	741	64	77	784	862

Disposal of investment contracts and transfer to non-current assets held for sale relate to the disposal of Old Mutual Wealth's European businesses as discussed in note A2.

H4: Trade, other receivables and other assets

	Notes	£m	
		At 31 December 2015	At 31 December 2014
Debtors arising from direct insurance operations			
Amounts owed by policyholders		96	84
Amounts owed by intermediaries		41	44
Other		25	34
		162	162
Debtors arising from reinsurance operations		41	38
Outstanding settlements		393	361
Reinsurance treaties		–	273
Post-employment benefits	J1	155	161
Other receivables		542	812
Accrued interest and rent		180	162
Trading securities and spot positions		181	116
Prepayments and accrued income		111	110
Other assets		242	167
Total trade, other receivables and other assets		2,007	2,362

Based on the maturity profile of the above assets, £1,597 million (2014: £1,278 million) is regarded as current and £410 million (2014: £1,084 million) as non-current. No significant balances are past due or impaired.

H5: Provisions and accruals

Year ended 31 December 2015	£m				
	Compensation provisions	Restructuring	Provision for donations	Other	Total
Balance at beginning of the year	94	20	75	95	284
Unused amounts reversed	–	(8)	–	(1)	(9)
Charge to profit or loss	–	–	5	18	23
Utilised during the year	(40)	(3)	(7)	(10)	(60)
Foreign exchange and other movements	(9)	2	(16)	(14)	(37)
Balance at end of the year	43	11	57	88	199

Compensation provisions totalled £43 million (2014: £94 million), with £15 million (2014: £42 million) relating to regulatory uncertainty and multiple causal events. £13 million (2014: £16 million) relates to ongoing resolution of claims as a result of mis-selling guarantee contracts. In addition, £12 million (2014: £17 million) relates to the provision for claw-back of prescribed claims. This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Of the total client compensation provisions, £28 million (2014: £58 million) is estimated to be payable after more than one year.

Provisions and accruals in relation to restructuring were £11 million (2014: £20 million), primarily in respect of ongoing restructuring of the Old Mutual Wealth business. The restructuring provision is expected to be utilised within the next two years.

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For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H5: Provisions and accruals continued

The provision for donations is held by Emerging Markets in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. £57 million (2014: £75 million) is estimated to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally small in nature.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions recorded above, £136 million (2014: £168 million) is estimated to be payable after one year.

H6: Deferred revenue

Deferred revenue relates to initial fees received for the future provision of services that the Group will render on investment management contracts. These fees are capitalised in the statement of financial position and are amortised in profit or loss over the expected life of the contracts. The table below analyses the movements in deferred revenue.

	Year ended 31 December										£m
	Life and Savings		Asset Management		Property & casualty		Banking		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Balance at beginning of the year	278	560	36	57	11	11	5	–	330	628	
Fees and commission income deferred	20	26	1	–	–	–	–	–	21	26	
Amortisation	(40)	(53)	(18)	(21)	–	–	–	–	(58)	(74)	
Acquisition of subsidiaries	2	–	–	–	41	–	–	5	43	5	
Disposal of subsidiaries	(17)	2	–	–	–	–	–	–	(17)	2	
Foreign exchange and other movements	(2)	(239)	(1)	–	(43)	–	1	–	(45)	(239)	
Transfer to non-current liabilities held for sale	–	(18)	–	–	–	–	–	–	–	(18)	
Balance at end of the year	241	278	18	36	9	11	6	5	274	330	

H7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

(a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movements on deferred tax assets are as follows:

Year ended 31 December 2015						£m
	At beginning of the year	Income statement (charge)/ credit	Charged to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Tax losses carried forward	64	(33)	–	–	(4)	27
Accelerated capital allowances	2	(1)	–	–	–	1
Other temporary differences	321	52	–	5	(55)	323
Policyholders' tax	57	(71)	–	–	(1)	(15)
Deferred fee income	16	(4)	–	(4)	–	8
Netted against liabilities	(177)	6	–	3	108	(60)
	283	(51)	–	4	48	284

Year ended 31 December 2014						£m
	At beginning of the year	Income statement (charge)/ credit	Charged to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Tax losses carried forward	87	(24)	–	(1)	2	64
Accelerated capital allowances	2	(1)	–	–	1	2
Other temporary differences	295	31	–	–	(5)	321
Policyholders' tax	66	(7)	–	–	(2)	57
Deferred fee income	134	(11)	–	(103)	(4)	16
Netted against liabilities	(281)	5	–	110	(11)	(177)
	303	(7)	–	6	(19)	283

The amounts for which no deferred tax asset has been recognised comprise:

	£m			
	At 31 December 2015		At 31 December 2014	
	Gross amount	Tax	Gross amount	Tax
Unrelieved tax losses				
Expiring in less than a year	43	12	31	2
Expiring in the second to fifth years inclusive	14	1	209	29
Expiring after five years	1,706	312	1,869	353
	1,763	325	2,109	384
Accelerated capital allowances	184	33	163	32
Other timing differences	639	120	587	122
	2,586	478	2,859	538

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H7: Deferred tax assets and liabilities continued

(b) Deferred tax liabilities

The movements on deferred tax liabilities are as follows:

Year ended 31 December 2015						£m
	At beginning of the year	Income statement (credit)/ charge	Credited to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Accelerated tax depreciation	49	5	–	–	(6)	48
Deferred acquisition costs	23	2	–	(6)	10	29
PVIF	44	(10)	–	(5)	–	29
Other acquired intangibles	16	(12)	–	58	(1)	61
Available-for-sale securities	2	–	–	–	–	2
Other temporary differences	244	(37)	3	2	(24)	188
Capital gains tax	158	(2)	1	–	(116)	41
Fee income receivable	1	–	–	–	(1)	–
Policyholder tax	94	4	–	–	(19)	79
Netted against assets	(177)	6	–	3	108	(60)
	454	(44)	4	52	(49)	417

Year ended 31 December 2014						£m
	At beginning of the year	Income statement (charge)/ credit	Charged to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Accelerated tax depreciation	49	(1)	–	–	1	49
Deferred acquisition costs	151	(14)	–	(89)	(25)	23
Leasing	1	–	–	–	(1)	–
PVIF	99	(9)	–	(41)	(5)	44
Other acquired intangibles	12	(4)	–	8	–	16
Available-for-sale securities	6	–	5	(9)	–	2
Other temporary differences	152	25	–	(1)	68	244
Capital gains tax	187	5	–	–	(34)	158
Fee income receivable	34	(5)	–	(27)	(1)	1
Policyholder tax	81	16	–	–	(3)	94
Netted against assets	(281)	5	–	110	(11)	(177)
	491	18	5	(49)	(11)	454

H8: Trade, other payables and other liabilities

	Notes	At 31 December 2015	At 31 December 2014
Amounts payable on direct insurance business			
Funds held under reinsurance business ceded		11	154
Amounts owed to policyholders		290	386
Amounts owed to intermediaries		92	45
Other direct insurance operation creditors		25	6
		418	591
Accounts payable on reinsurance business		31	51
Accruals and deferred income		360	292
Post-employment benefits	J1	43	57
Liability for long-service leave		32	42
Share-based payments – cash-settled scheme liabilities		128	112
Short trading securities, spot positions and other		172	247
Trade creditors		300	410
Outstanding settlements		731	641
Cash collateral on securities lending		332	283
Obligations in relation to collateral holdings		114	438
Other liabilities		1,126	1,112
		3,787	4,276

Included in the amounts shown above are £3,460 million (2014: £3,829 million) that are regarded as current, with the remainder regarded as non-current.

H9: Equity**(a) Share capital**

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

	At 31 December 2015	At 31 December 2014
4,929 million (2014: 4,907 million) Issued ordinary shares of 11 3/4p each	563	561

(b) Perpetual preferred callable securities

At 31 December 2015, the Group had £273 million (2014: £526 million) perpetual preferred callable securities in issue, in addition to the senior and subordinated debt securities as detailed in note G7. In accordance with IFRS, these instruments are classified as equity instruments and are disclosed within equity attributable to equity holders of the parent in the consolidated statement of financial position.

£273 million (2014: £273 million) Tier 1 perpetual notes are unsecured and subordinated to the claims of senior creditors and the holders of any priority preference shares. For an initial period until 24 March 2020 interest is payable at a fixed rate of 6.4% per annum annually in arrears. From 24 March 2020 interest is reset biannually at 2.2% per annum above the sterling inter-bank offer rate for six-month sterling deposits and is payable semi-annually in arrears. Coupon payments may be deferred on each interest payment date at the Group's discretion for the duration of the instrument subject to giving appropriate notice. Deferred coupons shall become due on the earliest of the date on which the securities are redeemed, or the date upon which the securities are substituted for alternative qualifying Tier 1 or Upper Tier 2 securities, or the commencement of a winding-up of the issuer. Other than in the case of a winding-up, the deferred coupon may only be settled by means of an Alternative Coupon Satisfaction Mechanism. The perpetual preferred callable securities are redeemable at the discretion of the Group at their principal amount from 24 March 2020. £350 million of these bonds were issued in November 2005 with £2 million repurchased in December 2012 via an open-market repurchase and a further £75 million were repurchased in November 2014 via a Modified Dutch Auction tender.

€500 million Upper Tier 2 perpetual notes were issued in November 2005 with €5 million repurchased in December 2012 via an open-market repurchase and a further €121 million were repurchased in November 2013 via a Modified Dutch Auction tender. The remaining €374m (£253 million) were redeemable from 4 November 2015, with the Group repurchasing the full remaining amount on this date. A loss of £11 million on the repurchase was recognised directly in equity and represents the difference between the historical cost and the settlement amount of these instruments.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

H: Non-financial assets and liabilities continued

H10: 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 2015 the non-controlling interests attributable to ordinary shares was £291 million (2014: £252 million).

(ii) Preferred securities

	£m	
	At 31 December 2015	At 31 December 2014
Nedbank		
R3,560 million non-cumulative preference shares	19	18

(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:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Reconciliation of non-controlling interests' share of profit for the financial year		
The non-controlling interests share is analysed as follows:		
Non-controlling interests – ordinary shares	291	252
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	13	24
Attributable to Institutional Asset Management equity plans	4	2
Other items	2	2
Non-controlling interests share of adjusted operating profit	310	280

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 2015 the increase in adjusted operating profit attributable to non-controlling interests as a result of this was £13 million (2014: £24 million).

(b) Statement of financial position

(i) Ordinary shares

		£m	
	Notes	At 31 December 2015	At 31 December 2014
Reconciliation of movements in non-controlling interests			
Balance at beginning of the year		1,867	1,502
Non-controlling interests' share of profit		291	252
Non-controlling interests' share of dividends paid		(141)	(127)
Disposal of interest in OM Asset Management plc	A2	114	163
Acquisition of businesses	J8(b)	105	53
Net disposal of interests		72	39
Foreign exchange and other movements		(326)	(15)
Balance at end of the year		1,982	1,867

(ii) Preferred securities

	At 31 December 2015	At 31 December 2014
Nedbank		
R3,560 million non-cumulative preference shares	272	272

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 83% 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 2015 are held at the value of consideration received less unamortised issue costs and are stated net of securities held by Group companies.

I: Interests in subsidiaries, associates and joint arrangements**I1: Subsidiaries****Critical accounting estimates and judgements – 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 I3(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 economic interest, the Group considers numerous factors. These factors may include 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. Information on structured entities is included in note I3.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

I: Interests in subsidiaries, associates and joint arrangements continued

11: Subsidiaries continued

(a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and, except for OM Group (UK) Limited and Old Mutual Wealth Management Limited, are held indirectly by the Company. Refer to note L2 for a detailed list of the Group's related undertakings.

Name	Nature of business	Percentage holding	Country of incorporation
Old Mutual Group Holdings (SA) (Pty) Limited	Holding company	100	Republic of South Africa
Acadian Asset Management LLC ¹	Asset management	100	Delaware, USA
AIVA Holding Group S.A	Holding company	86	Panama
Barrow, Hanley, Mewhinney & Strauss LLC	Asset management	75	Delaware, USA
Faulu Microfinance Bank Limited	Lending	67	Kenya
Mutual & Federal Insurance Company Limited	General insurance	100	Republic of South Africa
Nedbank Group Limited ²	Banking	55	Republic of South Africa
Nedbank Limited ³	Banking	100	Republic of South Africa
Old Mutual (Africa) Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
OMAM Inc.	Holding company	100	Delaware, USA
Old Mutual Emerging Markets Limited	Holding company	100	Republic of South Africa
Old Mutual Finance (Pty) Limited	Lending	75	Republic of South Africa
Old Mutual Investment Group (Pty) Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Wealth Management Limited	Holding company	100	England and Wales
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Asset Management plc ⁴	Holding company	66	England and Wales
OM Group (UK) Limited	Holding company	100	England and Wales
OM Latin America Holdco UK Limited	Holding company	100	England and Wales
Rogge Global Partners plc	Asset management	79	England and Wales
Quilter Cheviot Limited	Asset management	100	England and Wales
UAP Holdings Limited	Holding company	61	Kenya

1 The Group holds 100% Class A shares and 85.71% Class B shares in Acadian Asset Management. The remaining 14.29% Class B shares are held by the employees as described in note J2(c)

2 Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE (Johannesburg, South Africa)

3 Nedbank Limited is a 100% subsidiary of Nedbank Group Limited. The Group's effective ownership is 55%

4 OM Asset Management plc is a publicly listed company, with its primary listing on the New York Stock Exchange.

All the above companies have a year-end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

There are certain funds in which the Group owns more than 50% of the equity but does not consolidate these because of certain management contracts which give other parties the power to control these funds. These management contracts may include that the ability to control is delegated to a third party with no rights of removal on similar types of contractual agreements.

(b) Non-controlling interests in subsidiaries

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests:

At 31 December 2015							£m	
	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited ¹	Other subsidiaries	Total Emerging Markets	Total	
Statement of financial position								
Total assets	40,436	1,476	411	329	2,593	3,333	45,245	
Total liabilities	(36,995)	(562)	(347)	(212)	(2,007)	(2,566)	(40,123)	
Net assets	3,441	914	64	117	586	767	5,122	
Non-controlling interests	1,731	327	39	114	43	196	2,254	
Income statement								
Total revenue	4,199	458	197	63	433	693	5,350	
Profit before tax	755	105	45	8	43	96	956	
Income (tax expense)/credit	(181)	(27)	(14)	1	(18)	(31)	(239)	
Profit after tax for the financial year	574	78	31	9	25	65	717	
Non-controlling interests	266	26	8	5	5	18	310	

¹ The financial information of UAP Holdings Limited (UAP) represents the results of UAP for the period from 24 June 2015, the acquisition date, to 31 December 2015 and the statement of financial position at 31 December 2015. This consolidated result may vary significantly from the full-year results published by UAP due to acquisition entries recognised by the Group.

During the year ended 31 December 2015, dividends of £147 million (year ended 31 December 2014: £137 million) was paid to non-controlling interests in Nedbank Group Limited and £7 million (year ended 31 December 2014: £nil) was paid to the non-controlling interests in OM Asset Management plc.

At 31 December 2014							£m	
	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited	Other subsidiaries	Total Emerging Markets	Total	
Statement of financial position								
Total assets	44,798	1,409	650	–	3,112	3,762	49,969	
Total liabilities	(40,874)	(600)	(456)	–	(2,537)	(2,993)	(44,467)	
Net assets	3,924	809	194	–	575	769	5,502	
Non-controlling interests	1,858	174	40	–	67	107	2,139	
Income statement								
Total revenue	4,083	379	68	–	555	623	5,085	
Profit before tax	768	23	21	–	46	67	858	
Income tax expense	(195)	(9)	(7)	–	(3)	(10)	(214)	
Profit after tax for the financial year	573	14	14	–	43	57	644	
Non-controlling interests	259	3	3	–	5	8	270	

(c) Restrictions on the Group's ability to obtain funds from its subsidiaries

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Services Board in South Africa to comply with statutory capital statutory requirements restrict the amount of funds that can be transferred out of South Africa to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding companies. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

The non-controlling interests do not have any ability to restrict the cash flows to the Group.

(d) Guarantees provided by the Group to subsidiaries

No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

(e) Loss of control of subsidiaries

There has been no loss of control of any major subsidiaries during the course of the current and previous year.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

I: Interests in subsidiaries, associates and joint arrangements continued

I2: Investments in associated undertakings and joint ventures

(a) Investments in associated undertakings and joint ventures

The Group's investments in associated undertakings and joint ventures accounted for under the equity and fair value methods and excluding the majority of private equity associates, are as follows:

At 31 December 2015	Nature of activities	Percentage holding	Measurement method	Carrying amount £m	Group share of profit £m
Private equity associates and associate companies					
Listed					
Ecobank Transnational Incorporated ⁶	Banking	22%	Equity accounted	342	44
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance ³	Life assurance	26%	Equity accounted	36	7
Heitman LLC ²	Asset Management	50%	Equity accounted	22	7
Masingita Property Investment Holdings (Pty) Ltd ¹	Property Development	35%	Fair value	8	–
Odyssey Developments (Pty) Ltd ¹	Property Development	49%	Fair value	2	–
Other individually immaterial associates					
Private-equity associates (Manufacturing, industrial, leisure and other)	Various		Fair value	21	–
Private-equity associates (Property investment associates)	Various		Fair value	14	–
Other				13	7
Total investment in associate undertakings				458	65
Joint arrangements					
Unlisted					
Old Mutual Goudian Life Insurance Company Ltd ⁴	Life assurance	50%	Equity accounted	38	2
Banco Unico, S.A. ⁵	Banking	37%	Equity accounted	16	–
Individually immaterial joint arrangements					
Curo Fund Services ¹	Asset Management	50%	Equity accounted	2	–
Total investment in associate undertakings				56	2
Total investments in associates and joint ventures				514	67

Country of operation:

- 1 Republic of South Africa
- 2 USA
- 3 India
- 4 China
- 5 Mozambique
- 6 Togo

	Nature of activities	Percentage holding	Measurement method	Carrying amount £m	Group share of profit/(loss) £m
Private equity associates and associate companies					
Listed					
Ecobank Transnational Incorporated ⁶	Banking	21%	Equity accounted	346	8
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance ³	Life assurance	26%	Equity accounted	28	4
Heitman LLC ²	Asset Management	50%	Equity accounted	19	4
Masingita Property Investment Holdings (Pty) Ltd ¹	Property Development	35%	Fair value	7	–
Odyssey Developments (Pty) Ltd ¹	Property Development	49%	Fair value	3	–
Other individually immaterial associates					
South African Bankers Services Company ¹	Financial services	25%	Equity accounted	8	–
S.B.V. Services (Pty) Ltd ¹	Financial services	23%	Equity accounted	5	–
Other				46	11
Total investments in associate undertakings				462	27
Joint arrangements					
Unlisted					
Old Mutual Goudian Life Insurance Company Ltd ⁴	Life assurance	50%	Equity accounted	36	(2)
Banco Unico, S.A. ⁵	Banking	37%	Equity accounted	16	–
Individually immaterial joint arrangements					
Curo Fund Services ¹	Asset Management	50%	Equity accounted	3	1
African Infrastructure Investment Managers (Pty) Ltd ¹	Asset Management	50%	Equity accounted	1	–
Total investments in associate undertakings				56	(1)
Total investments in associates and joint ventures				518	26

Country of operation:

- 1 Republic of South Africa
- 2 USA
- 3 India
- 4 China
- 5 Mozambique
- 6 Togo

Of the total carrying value of associates and joint ventures, £51 million (2014: £50 million) relates to those which are measured at fair value and £463 million (2014: £468 million) relates to those which have been equity accounted.

All of the joint ventures are strategic in the Group's underlying operating model.

The joint ventures are evaluated according to the Group's contractual rights to jointly control the entity.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

I: Interests in subsidiaries, associates and joint arrangements continued

I2: Investments in associated undertakings and joint ventures continued

(b) Aggregate financial information of material investments in associated undertakings and joint ventures

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

31 December	£m			
	Ecobank Transnational Incorporated ¹		Banco Único, S.A.	
	2015	2014	2015	2014
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	303	305	–	–
Statement of comprehensive income				
Revenue	1,059	986	23	19
Profit from continuing operations	203	194	2	–
Post-tax loss from discontinued operations	(1)	(1)	–	–
Other comprehensive income	(180)	(58)	–	–
Total comprehensive income	23	134	2	–
Statement of financial position				
Current assets	9,165	8,294	151	139
Non-current assets	6,835	6,401	94	101
Current liabilities	7,565	8,621	113	116
Non-current liabilities	6,617	6,365	105	100

1 The information provided for Ecobank Transnational Incorporated (ETI) has been based on the latest available financial information, being the financial results for the nine months ended 30 September 2015.

2 The Group has concluded that, while the market value based on the share price of ETI is below its carrying value, this decline is neither significant nor prolonged. However, recent macro-economic events in the countries in which ETI operates have been considered and it has been determined that an indicator of potential impairment exists as at 31 December 2015.

Where an indicator of impairment exists, the impairment test compares the estimated recoverable amount and the carrying value of the investment. The recoverable amount is the higher of its fair value less costs of disposal or its value in use. If the value in use is lower than the carrying value, the carrying value is impaired to the value in use basis, with the resulting impairment loss reported within other operating expenses. As ETI's value in use at 31 December 2015 exceeds the carrying value, no impairment loss has been recognised.

(c) Aggregate financial information of other investments in associated undertakings and joint ventures

The aggregate financial information for all other investments in associated undertakings and joint ventures is as follows:

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Total assets	3,171	3,122
Total liabilities	(2,626)	(2,723)
Total revenues	470	666

(d) Aggregate Group investments in associated undertakings and joint ventures

The aggregate amounts for the Group's investments in associated undertakings and joint ventures are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Balance at beginning of the year	518	168
Net additions of investments in associated undertakings and joint ventures	30	341
Share of profit after tax	67	26
Dividends paid	(7)	(5)
Foreign exchange and other movements	(94)	(12)
Balance at end of the year	514	518

The above table includes those investments that are carried at fair value.

The Group has no significant investments in which it owns less than 20% of the ordinary share capital that it accounts for using the equity method.

(e) Restriction on the Group's ability to obtain funds from its associated undertakings and joint arrangements

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Service Board in South Africa to comply with statutory capital requirements restrict the amount of funds that can be transferred out of the country to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

No significant guarantees were provided by the Group during the financial year.

(f) Contingent liabilities and commitments

At 31 December 2015 and 31 December 2014, the Group had no significant contingent liabilities or commitments relating to investments in associated undertakings and joint ventures.

(g) Other Group holdings

The above does not include companies whereby the Group has a holding of more than 20%, but does not have significant influence over these companies by virtue of the Group not having any direct involvement in decision-making or the other owners possessing veto rights.

I3: Structured entities**(a) Group's involvement in structured entities**

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
■ Securitisation vehicles for loans and advances	■ Finance the Group's own assets through the issue of notes to investors	■ Generate: – Funding for the Group's lending activities – Margin through sale of assets to investors – Fees for loan servicing	■ Investment in senior notes issued by the vehicles
■ Investment funds	■ Manage client funds through the investment in assets	■ Generate fees from managing assets on behalf of third-party investors	■ Investments in units issued by the fund
■ Securitisation vehicles for third-party receivables	■ Finance third-party receivables and are financed through loans from third-party note holders and bank borrowing	■ Generate fees from arranging the structure. Interest income may be earned on the notes held by the Group	■ Interest in these vehicles is through notes that are traded in the market
■ Security vehicles	■ Hold and realise assets as a result of the default of a client	■ These entities seek to protect the collateral of the Group on the default of a loan	■ Ownership interest will be in proportion of the lending. At 31 December 2015, the Group held no value in security vehicles
■ Clients' investment entities	■ Hold client investment assets	■ Generate various sources of income for the Group	■ None
■ Black Economic Empowerment (BEE) funding	■ Fund the acquisition of shares by a BEE partner	■ Generate interest on the funding provided	■ None

As at 31 December 2015, the Group held £43 million (2014: £46 million) in unconsolidated investment funds which is included in investment and securities. In the normal course of business the Group will lend money to structured entities that are engaged in project finance work, such as renewable energy projects. The funding of these entities does not result in the Group being able to exercise control of these entities rather it is protected by normal lending covenants. In certain circumstances, the Group may take a direct equity stake in the underlying Project Finance activity, in which circumstances the Group will evaluate the appropriate treatment of this investment.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

I: Interests in subsidiaries, associates and joint arrangements continued

I3: Structured entities continued

(b) Consolidation considerations for structured entities

In structured entities voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's-length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders to earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

Disclosure of consolidated securitisation vehicles, which are structured entities, is included in note I3(c).

(c) Securitisation vehicles consolidated in the Group's statement of financial position

Nedbank Securitisations

Nedbank Group Limited uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The Group currently has four active traditional securitisation transactions:

- Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004
- Greenhouse Funding (RF) Ltd, (Greenhouse), a residential mortgage-backed securitisation programme
- Greenhouse Funding III (RF) Ltd, (Greenhouse III), a residential mortgage-backed securitisation programme and
- Precinct Funding 1 (RF) Ltd (Precinct), a commercial mortgage-backed securitisation programme.

Nedbank Group also has two active Committed Liquidity Facility (CLF) transactions:

- West Road South No. 3 (RF) Ltd, (West Road South), a commercial mortgage-backed CLF programme launched in 2014, with R14.5 billion assets transferred into the programme and
- Greenhouse Funding 4 (RF) Ltd, (Greenhouse 4), a residential mortgage-backed CLF programme launched in 2015, with R3.1 billion assets transferred into the programme.

Synthesis Funding Ltd

Synthesis primarily invests in long-term rated bonds and offers capital market funding to South African corporates. These assets are funded through the issuance of short-dated investment grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by Fitch, and is listed on JSE Ltd.

Liquidity facilities have been obtained from a F1+(zaf) rated bank in order to ensure the availability of sufficient funds in instances where timing mismatches could occur. These timing mismatches refer to the possible mismatch between the receipt of funds relating to financial assets and disbursement of funds relating to the redemption of financial liabilities. These liquidity facilities cover the nominal value of the commercial paper it is issued against and exceed the maturity date of the underlying financial liability by five days.

Synthesis is a partially-supported conduit whose credit support is dependent on transaction-specific credit enhancement as well as available programme-wide credit enhancement (PWCE) provided by Nedbank. PWCE is calculated as 5% of the aggregate book value of financial assets (excluding defaults) plus a dynamic percentage based on the credit quality of the underlying portfolio of the rated securities. If a rated security falls below 'AA-(zaf)', Synthesis must either remove the asset from the portfolio, obtain a guarantee by an entity rated at least 'AA-(zaf)' or Nedbank must post PWCE within 15 business days. Currently, there are no financial assets in the conduit portfolio and all rated securities are rated at least 'AA-(zaf)' or are guaranteed by Nedbank if rated below 'AA-(zaf)'. As a result, no PWCE is currently required in accordance with Synthesis' transaction documentation.

In terms of assets not meeting the AA-(zaf) requirement, Nedbank guarantees an aggregate amount of R850 million (£37 million) as at 31 December 2015.

Greenhouse Programmes

The Greenhouse transactions are securitisation vehicles that acquire the rights, title, interest and related security of residential home loans from Nedbank Limited under a segregated series medium-term note programme.

During December 2007 the first Greenhouse transaction was created and R2.0 billion (£88 million) of home loans from Nedbank Limited were securitised. Greenhouse was subsequently restructured and refinanced on 19 November 2012 as a static amortising structure.

The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, was utilised to repay the R1.3 billion (£57 million) existing notes and subordinated loans upon their scheduled maturity, and to acquire additional home loans from Nedbank Limited. The senior notes, which are rated by Fitch and listed on the JSE Ltd, were placed with third party investors and the junior notes and subordinated loans retained by the Group. The home loans transferred to Greenhouse have continued to be recognised as financial assets.

Greenhouse III, a second standalone RMBS programme, was implemented during 2014. Greenhouse III is a securitisation vehicle that acquires the rights, title, interest and related security of residential home loans from Nedbank Limited under a segregated series medium term note programme. In April 2015 Greenhouse III securitised R2.0 billion (£88 million) worth of home loans originated by Nedbank Limited, through the issuance of senior notes to the capital market, and subordinated notes and subordinate loan provided by Nedbank Limited. The notes issued by Greenhouse III are listed on the JSE Ltd and rated by Fitch.

The Greenhouse vehicles make use of an internal risk management policy, and utilises the Nedbank Group Limited credit risk monitoring process to govern lending activities to external parties. In addition financial assets may only be introduced into the programme provided they meet certain eligibility criteria prescribed by the programme agreements.

Nedbank has provided the Greenhouse Programmes with interest bearing subordinated loans at the commencement of each programme, in order to provide part of the initial funding. Interest is payable on a quarterly basis, as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse structure, Nedbank holds the C and Y notes amounting to R113 million (£5 million) and in the Greenhouse III structure, Nedbank holds the D note, amounting to R100 million (£4 million). These notes rank subordinated to the A and B notes in terms of the priority of payments.

Precinct Funding 1

Precinct is a commercial mortgage backed securitisation programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank Corporate Property Finance, the market leader in commercial property finance in South Africa.

The Precinct structure takes the form of a static pool of small commercial property loans with limited substitution and redraws/further advance capabilities.

Precinct has issued notes rated by Moody's Investors Service and listed on the JSE Ltd. The A and B notes were placed to third party investors and the junior notes and subordinated loan retained by the Group.

The vehicle makes use of an internal risk management policy and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio ageing and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank has provided Precinct with an interest-bearing subordinated loan at the commencement of this transaction, in order to provide part of the initial funding. Interest is payable on a quarterly basis, as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final termination date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the C and D notes amounting to R225 million (£10 million), which rank subordinated to the A and B notes in terms of the priority of payments.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

I: Interests in subsidiaries, associates, and joint arrangements continued

I3: Structured entities continued

(c) Securitisation vehicles consolidated in the Group's statement of financial position continued

The following table shows the carrying amount of securitised assets together with the associated liabilities, or each category of asset in the statement of financial position¹:

At 31 December	At 31 December 2015		At 31 December 2014	
	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
	£m			
Loans and advances to customers				
Residential mortgage loans	143	158	139	152
Commercial mortgage loans	56	100	88	128
Other financial assets				
Corporate and bank paper	75	–	111	–
Other securities	45	–	72	–
Commercial paper	–	120	–	183
Total	319	378	410	463

¹ The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.

This table presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany and cash balances held by the various securitisation vehicles.

J: Other notes

J1: Post-employment benefits

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

(a) Liability for defined benefit obligations

Year ended 31 December	£m			
	Pension plans		Other post-retirement benefit schemes	
	2015	2014	2015	2014
Changes in projected benefit obligation				
Projected benefit obligation at beginning of the year	514	490	187	189
Acquisitions through business combinations	62	–	–	–
Benefits earned during the year	4	4	5	5
Interest cost on benefit obligation	25	28	13	15
Measurement (gains)/losses	(17)	27	(6)	1
Benefits paid	(35)	(27)	(6)	(6)
Foreign exchange and other movements	(62)	(8)	(39)	(17)
Projected benefit obligation at end of the year	491	514	154	187
Change in plan assets				
Plan assets at fair value at beginning of the year	621	573	186	163
Acquisitions through business combinations	68	–	–	–
Actual return on plan assets	41	76	11	15
Company contributions	10	9	3	15
Employee contributions	–	1	–	–
Benefits paid	(35)	(27)	(6)	(6)
Foreign exchange and other movements	(89)	(11)	(36)	(1)
Plan assets at fair value at end of the year	616	621	158	186
Net asset/(liability) recognised in statement of financial position				
Funded status of plan	125	107	4	(1)
Unrecognised assets	(14)	(1)	–	–
Other amounts recognised in statement of financial position	(1)	(1)	(2)	–
Net amount recognised in statement of financial position	110	105	2	(1)
Disclosed as follows:				
– Within trade, other receivables and assets	122	121	33	40
– Within trade, other payables and other liabilities	(12)	(16)	(31)	(41)
	110	105	2	(1)

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J1: Post-employment benefits continued

(b) Expense/(income) recognised in the income statement

Year ended 31 December	£m			
	Pension plans		Other post-retirement benefit schemes	
	2015	2014	2015	2014
Current service costs	4	4	5	5
Net interest (income)/cost	(8)	(7)	1	2
Other post retirement plan costs	–	–	1	1
Total (included in staff costs)	(4)	(3)	7	8

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates relevant to the economic countries in which they operate, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of £20 million and decrease of £17 million (2014: increase of £27 million and decrease of £21 million) respectively.

Total contributions expected to be paid to the Group pension plans for the year ending 31 December 2016 are £10 million (subject to any reassessments to be completed in the year).

(c) Plan asset allocation

At 31 December	%			
	Pension plans		Other post-retirement benefit schemes	
	2015	2014	2015	2014
Equity securities	29.7	30.8	39.4	41.3
Debt securities	43.0	40.2	17.0	23.5
Property	2.9	3.4	4.6	4.0
Cash	3.4	4.2	24.3	21.7
Annuities and other	21.0	21.4	14.7	9.5
	100.0	100.0	100.0	100.0

Pension and other retirement benefit plan assets include ordinary shares issued by the Company with a fair value of £nil (2014: £nil).

J2: Share-based payments

(a) Reconciliation of movements in options

During the year ended 31 December 2015, the Group had a number of share-based payment arrangements. The movement in the options outstanding under these arrangements during the year is detailed below:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options over shares in Old Mutual plc (London Stock Exchange)				
Outstanding at beginning of the year	9,334,206	£1.51	14,365,731	£0.79
Granted during the year	6,178,091	£1.87	5,184,763	£1.63
Forfeited during the year	(966,728)	£1.69	(778,444)	£1.43
Exercised during the year	(2,586,844)	£1.26	(9,437,844)	£0.49
Expired during the year	(8,180)	£1.63	–	–
Outstanding at end of the year	11,950,545	£1.73	9,334,206	£1.51
Exercisable at 31 December	189,468	£1.53	162,914	£1.13

The options outstanding at 31 December 2015 have an exercise price in the range of £0.94 to £1.87 (2014: £0.35 to £1.63) and a weighted average remaining contractual life of 2.2 years (2014: 1.8 years). The weighted average share price at date of exercise for options exercised during the year was £2.12 (2014: £1.99).

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options over shares in Old Mutual plc (Johannesburg Stock Exchange)				
Outstanding at beginning of the year	5,580,292	R13.21	19,499,597	R14.14
Forfeited during the year	–	–	(299,316)	R15.35
Exercised during the year	(3,486,110)	R12.14	(13,592,622)	R14.59
Expired during the year	(25,742)	R13.29	(27,367)	R14.81
Outstanding at end of the year	2,068,440	R15.05	5,580,292	R13.21
Exercisable at 31 December	2,068,440	R15.05	5,580,292	R13.21

The options outstanding at 31 December 2015 have an exercise price in the range of R13.35 to R15.80 (2014: R7.45 to R15.80) and a weighted average remaining contractual life of 0.9 years (2014: 1.5 years). The weighted average share price at date of exercise for options exercised during the year was R41.21 (2014: R34.60).

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options over shares in Nedbank Group Limited				
Outstanding at beginning of the year	10,392,324	R167.55	11,633,340	R161.64
Forfeited during the year	(110,361)	R142.88	(222,712)	R126.23
Exercised during the year	(786,312)	R108.27	(1,014,872)	R107.07
BEE cancellation of shares during the year	(7,879,135)	R163.53	–	–
Expired during the year	(21,311)	R115.26	(3,432)	R82.47
Outstanding at end of the year	1,595,205	R174.20	10,392,324	R167.55
Exercisable at 31 December	184,409	R103.57	262,330	R107.53

The options outstanding at 31 December 2015 have an exercise price in the range of R126.63 to R282.58 (2014: R116.75 to R282.58) and a weighted average remaining contractual life of 1.9 years (2014: 1.7 years). The weighted average share price at date of exercise for options exercised during the year was R247.37 (2014: R226.87).

(b) Measurements and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured using a Black-Scholes option pricing model.

Share options are granted under a service and non-market based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

The grant date for the UK and South African plan awards is deemed to be 1 January in the year prior to the date of issue. As such the Group is required to estimate, at the reporting date, the number and fair value of the options that will be granted in the following year. The fair value of awards expected to be granted in 2016 which will have an IFRS 2 grant date of 1 January 2015, is shown separately below. The grant date for all other awards is the award issue date.

(c) Share-based payment arrangements relating to Institutional Asset Management

During the year ended 31 December 2015, OM Asset Management had the following share-based payment arrangements:

Initial public offering (IPO) Incentive Plan

During 2011, a share-based compensation plan was implemented for certain key employees of OM Asset Management in connection with the stated intention of exploring a potential IPO of the business. The plan was designed to reward participants for achievement of strategic objectives and metrics and value creation over the period of exploring an IPO. The awards consisted of a mix of cash, payable and paid in the first quarter of 2014, and restricted shares in Old Mutual plc, which were granted during the second quarter of 2014, and vest ratably over three years from that date. At grant date, the stock awards under this plan had an aggregate value of \$3.9 million. The total expense recognised during 2015 in relation to this plan was \$0.6 million (2014: \$1 million; 2013: \$3.7 million).

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J2: Share-based payments continued

OM Asset Management Equity Incentive Plan continued

(c) Share-based payment arrangements relating to Institutional Asset Management continued

In connection with the IPO, certain employees who held unvested Old Mutual plc restricted shares were given the opportunity to exchange their Old Mutual plc restricted shares for restricted shares of OM Asset Management held by OM Group (UK) Limited with vesting conditions similar to those to which they were currently subject to. These restricted shares were awarded to employees as part of the annual incentive process and the one-time IPO Incentive Plan. This exchange programme was intended to provide employees who elected to participate with restricted share awards of OM Asset Management ordinary shares of equivalent value to the Old Mutual plc restricted shares they currently held. The exchange valued OM Asset Management ordinary shares at the price sold to investors in the IPO. The exchange valued Old Mutual plc's ordinary shares using the weighted-average sale price over the three consecutive trading days on the London Stock Exchange up to and including the date of the exchange. The exchange occurred following the effectiveness of the OM Asset Management registration statement on 8 October 2014. OM Group (UK) Limited transferred 1,212,766 unvested and vested restricted OM Asset Management ordinary shares (equivalent to 5,914,981 Old Mutual plc restricted shares) to employees as part of this exchange programme.

In connection with the reorganisation, two equity plans were implemented at OMAM; one for employees and one for non-executive directors. The plans are maintained to provide equity-based compensation arrangements, including restricted stock awards (RSAs), restricted stock units (RSUs) and performance-based restricted stock units (Performance RSUs). Equity ownership encourages employees and directors to act in the best long-term interests of the Company.

OM Asset Management Affiliate Equity Plans

Equity granted during the year to employees of firms participating in the OM Asset Management Affiliate Equity Plans vests three to four years from the date of grant, conditional upon continued employment over this period. Equity purchased by employees vested immediately. Grant date fair value and fair value used for reassessment was determined based on a multiple of prior year earnings. Under the terms of the arrangements, participating employees may sell their equity back to OM Asset Management (which acts as a buyer of last resort) at a fixed multiple of prior year earnings, subject to certain restrictions. Accordingly, the schemes are accounted for as cash-settled share-based payments, despite the fact the initial purchase and/or grants of equity are settled in equity instruments.

The following summarises the fair value of instruments purchased from and granted by OM Asset Management during the year:

Instruments granted and purchased during the year		Affiliate share purchases	Affiliate share grants	Affiliate shares forfeited	Total non- controlling interest in affiliate
Percentage of affiliate equity	2015	0.02%	1.41%	(0.59%)	(0.84%)
	2014	0.10%	2.69%	(10.75%)	(7.96%)
Fair value of instruments (\$m)¹	2015	–	\$13m	–	–
	2014	–	\$17m	–	–

¹ Represents fair value in excess of consideration received for affiliate share purchases.

OM Asset Management annual bonus awards

The OM Asset Management Affiliate Equity Plans are incorporated into annual bonus awards of employees at participating firms, which are to be settled partly in cash and partly in equity. The level of bonus is contingent upon current year financial and individual performance, therefore the vesting period for bonus equity to be granted during 2016 in respect of the 2015 financial year has been determined to commence from 1 January 2015.

It is anticipated that instruments with a fair value of \$9.5 million (2014: \$10.2 million and 2013: \$15 million) will be granted during 2016 to firms participating in the OM Asset Management Affiliate Equity Plans based on 2015 financial performance.

Acadian Asset Management (AAM)

Class B equity interests in AAM acquired by employees during 2007 entitled the participating employees to 28.57% of the earnings of AAM in excess of \$120 million, and to a liquidation preference proportionate to their shareholding. In consideration for the equity acquired, the participating employees agreed to forgo a portion of existing long-term incentive payments owed. The difference between the carrying amount of this consideration and the fair value of the interest acquired was treated as share-based compensation expense in 2007. Fair value was determined based on the discounted projected future cash flows of AAM.

Effective 1 April 2011, certain terms of the plan were modified to provide for greater participation by Class B interest holders in Acadian's profits and cash distributions. In addition, provisions were added to provide greater liquidity and transferability for the holders of Class B interests. The plan has since included a feature whereby participating employees may sell their equity back to OM Asset Management based on a multiple of prior 12-month earnings above a Class A equity holders' minimum preference amount, subject to certain restrictions. The surrender-date fair value of the Class B interests prior to these modifications amounted to \$7 million, and this amount was reclassified from non-controlling interests to cash-settled share-based payments liabilities as a result of the liquidity features added. The excess of the fair value of the modified award over its pre-modification fair value was \$21 million, and was accounted for as incremental cash-settled share-based payments compensation expense and liability. As the implementation of the modifications were subject to a two-year vesting period, the incremental cash-settled share-based payments compensation expense and subsequent revaluations of the liability each period to its fair value, along with the reclassification of the \$7 million pre-modification fair value of the award from non-controlling interests as a liability, were recognised ratably over that period commencing 1 April 2011. The remaining \$35 million of the initial fair value of the equity-settled plan that was surrendered by Class B interest holders was transferred to controlling interest equity at the conclusion of the vesting period.

During 2014, employees sold Class B equity interests of 14.29% back to OM Asset Management. Class B equity interests of 14.29% remain outstanding at 31 December 2015.

(d) Forfeitable/Restricted share grants

The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
Shares in Old Mutual plc (London Stock Exchange)	2015	11,544,922	£2.08
	2014	11,047,898	£2.02
Shares in Old Mutual plc (Johannesburg Stock Exchange)	2015	14,244,304	R42.24
	2014	13,350,717	R35.35
Shares in Nedbank Limited	2015	3,879,259	R231.76
	2014	4,225,723	R201.11

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

(e) Annual bonus awards

The UK and South Africa Plan Awards give rise to annual bonus awards. The level of annual bonus awards is contingent upon the satisfactory completion of individual and company performance targets, measured over the financial year prior to the date the employees receive the award. The accounting grant date for the South African and UK annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grants.

The Group anticipates awards under the South African scheme of 8,243,127 restricted shares (2014: 10,022,998). The restricted shares have been valued using a share price of R41.45 (2014: R34.70).

The Group estimate of the total fair value of the annual bonus expected to be paid in the form of options and forfeitable shares is outlined below. The fair value is determined by making an estimate of the level of bonus to be paid out following the attainment of personal and company performance conditions.

	Year ended 31 December 2015		Year ended 31 December 2014	
	Total fair value £m	Vesting period	Total fair value £m	Vesting period
UK Plans	10	4.2 years	10	4.2 years

(f) Financial impact

	Year ended 31 December 2015	Year ended 31 December 2014
Expense arising from equity settled share and share option plans	44	54
Expense arising from cash settled share and share option plans	24	61
	68	115
Closing balance of liability for cash-settled share awards	128	112

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J3: Related parties

The Group provides certain pension fund, insurance, banking and financial services to related parties. These are conducted on an arm's-length basis and are not material to the Group's results.

(a) Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of directors as well as their shareholdings in the Company are disclosed in the Remuneration Report on pages 124 to 151.

(b) Key management personnel remuneration and other

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of personnel	Value £'000	Number of personnel	Value £'000
Directors' fees	11	1,388	11	1,366
Remuneration		24,293		22,593
Cash remuneration	12	5,308	12	4,931
Short-term employee benefits	12	8,678	12	7,879
Long-term employee benefits	12	378	12	343
Share-based payments	12	9,929	11	9,440
		25,681		23,959

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s
Share options				
Outstanding at beginning of the year	5	48	5	1,103
Leavers	1	(11)	–	–
New appointments	–	–	1	7
Granted during the year		29		22
Exercised during the year		(14)		(1,084)
Outstanding at end of the year	4	52	5	48

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s
Restricted shares				
Outstanding at beginning of the year	9	13,753	9	20,618
Leavers	1	(3,538)	1	(4,230)
New appointments	1	2,056	1	787
Granted during the year		3,055		5,163
Exercised during the year		(944)		(418)
Vested during the year		(3,316)		(4,884)
Effect of share exchange in connection with the OM Asset Management plc IPO		–		(3,283)
Outstanding at end of the year	9	11,066	9	13,753

(c) Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with Old Mutual plc and its subsidiaries, joint ventures and associated undertakings in the normal course of business, details of which are given below. For current accounts positive values indicate assets of the individual whilst for credit cards and mortgages positive values indicate liabilities of the individual.

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of personnel	Value £000s	Number of personnel	Value £000s
Current accounts				
Balance at beginning of the year	5	2,435	4	2,535
Net movement during the year		(227)		(100)
Balance at end of the year	5	2,208	5	2,435
Credit cards				
Balance at beginning of the year	4	29	2	24
Net movement during the year		(9)		5
Balance at end of the year	5	20	4	29
Mortgages				
Balance at beginning of the year	5	465	1	143
Net movement during the year		(355)		322
Balance at end of the year	3	110	5	465
Property & casualty contracts				
Total premium paid during the year	3	10	4	15
Claims paid during the year	–	–	2	7
Life insurance products				
Total sum assured/value of investment at end of the year	10	23,258	10	25,739
Pensions, termination benefits paid				
Value of pension plans as at end of the year	10	4,675	10	4,889

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned is material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external clients generally or, where that is not the case, on the same preferential terms as were available to employees of the business generally.

J4: Contingent liabilities

	£m	
	At 31 December 2015	At 31 December 2014
Guarantees and assets pledged as collateral security	1,198	1,325
Secured lending	401	455
Irrevocable letters of credit	196	181
Other contingent liabilities	4	6

The Group has provided certain guarantees for specific client obligations, in return for which the Group has received a fee. The Group has evaluated the extent of the possibility of the guarantees being called on and has provided appropriately.

The Group, through its South African banking business, has pledged debt securities and negotiable certificates of deposit amounting to £681 million (2014: £767 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 its 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.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J4: Contingent liabilities continued

Nedbank litigation

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

The largest of these potential actions is a claim for R773 million in the High Court against Nedbank Limited (Nedbank) by Absa Bank Limited (Absa) in connection with Pinnacle Point Group Ltd, where Absa is alleging that Nedbank had a legal duty of care to them in relation to single stock futures transactions. Nedbank has filed an exception against the claim and the claim has been held in abeyance since April 2012 by mutual agreement.

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.

On 2 March 2016, the Financial Conduct Authority (FCA) notified Old Mutual Wealth that one of its subsidiaries, Old Mutual Wealth Life Assurance Limited, would be investigated by the Enforcement Division of the FCA. The appointment has arisen following an industry-wide thematic project on 'Fair treatment of long-standing customers of life insurers' by the FCA in 2014, which focused on our UK closed book of insurance products. The appointment of investigators does not itself mean that the FCA has determined that rule breaches and/or other contraventions or offences have occurred, and at this early stage it is not possible to assess the outcome and, by extension, whether the matter will have financial consequences for Old Mutual Wealth.

J5: Commitments

Capital commitments

The Group's capital commitments are detailed in the table below. The Group's management is confident that future net revenues and funding will be sufficient to cover these commitments.

	At 31 December 2015	At 31 December 2014
Investment property	62	76
Property, plant and equipment	106	86

Commitments to extend credit to customers

The following table presents the contractual amounts of the Group's financial instruments not included in the statement of financial position that commit it to extend credit to customers.

	At 31 December 2015	At 31 December 2014
Original term to maturity of one year or less	57	62
Original term to maturity of more than one year	436	831
Other commitments, note issuance facilities and revolving underwriting facilities	3,719	4,528

Assets are pledged as collateral under repurchase agreements with other financial institutions and for security deposits relating to local futures, options and stock exchange memberships. Mandatory reserve deposits are also held with local Central Banks in accordance with local statutory requirements. These deposits are not available to finance the Group's day-to-day operations.

Commitments under the Group's operating lease arrangements are described in note J6.

J6: Operating lease arrangements**(a) The Group as lessee**

Outstanding commitments under non-cancellable operating leases, fall due as follows:	At 31 December 2015			At 31 December 2014			£m
	Banking	Non-banking	Total	Banking	Non-banking	Total	
	Within one year	45	12	57	56	9	65
In the second to fifth years inclusive	100	29	129	123	20	143	
After five years	98	38	136	144	28	172	
	243	79	322	323	57	380	

(b) The Group as lessor

Assets subject to operating leases	£m	
	At 31 December 2015	At 31 December 2014
Land	5	7
Buildings	—	1
Investment property	1,233	1,678
	1,238	1,686

Future undiscounted minimum lease payments of contracts with tenants	£m	
	At 31 December 2015	At 31 December 2014
Within one year	53	64
In the second to fifth years inclusive	112	140
After five years	39	65
	204	269

J7: Fiduciary activities

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of misadministration or under-performance.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J8: Businesses acquired during the year

(a) Acquisition of Quilter Cheviot

On 25 February 2015, the Group acquired the Quilter Cheviot group of companies. The Quilter Cheviot group is based in the United Kingdom and is a discretionary investment manager specialising in the high net worth and affluent segment of the industry. The results from the business have been consolidated since the date of acquisition.

The table below sets out the consolidated assets and liabilities acquired as a result of the acquisition of Quilter Cheviot:

	£m	
	Acquiree's carrying amount	Fair value
Assets		
Intangible assets	–	288
Property, plant and equipment	8	8
Deferred tax asset	1	1
Current tax receivable	3	3
Cash and cash equivalents	69	69
Trade, other receivables and other assets	128	128
Total assets	209	497
Liabilities		
Deferred tax liabilities	–	(58)
Provisions and accruals	(50)	(53)
Current tax payable	(5)	(5)
Trade, other payables and other liabilities	(107)	(107)
Total liabilities	(162)	(223)
Total net assets acquired	47	274
Total cash consideration paid		566
Goodwill recognised		292

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and the use of external expertise and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in Quilter Cheviot's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group, with the exception of identified intangible assets of £288 million, additional provisions of £3 million and an additional deferred tax liability of £58 million. The intangible assets recognised relate to customer distribution channels (£273 million) and to the Quilter Cheviot brand (£15 million). The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill is attributable to the delivery of significant cost and revenue synergies that cannot be linked to identifiable intangible assets. This goodwill is not expected to be deductible for tax purposes.

Of the acquired receivables, £121 million represent short-dated receivables that arise from the normal course of business and represent the gross cash flows that are expected to be received over a period of three months. No contingent liability has been recognised on acquisition.

In addition to the £566 million cash consideration paid, 19.3 million Old Mutual plc ordinary shares of 11 $\frac{3}{4}$ p with a value on issue of £42 million were placed into an employee benefit trust. 50% of these shares will be released to the participants after three years and the other 50% after four years, on the fulfilment of conditions relating to the maintenance of the level of funds under management. These expenses will be recognised in the profit or loss over the vesting periods of three and four years and will be excluded from the determination of AOP.

Transaction costs incurred of £9 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit. For the year ended 31 December 2015, Quilter Cheviot contributed £12 million in profit after tax attributable to equity holders and £34 million in adjusted operating profit after tax.

(b) Acquisition of UAP Holdings Limited

On 24 June 2015, Old Mutual acquired an aggregate stake of 60.7% in UAP Holdings Limited (UAP), a Kenyan Pan-African financial services group for an aggregate cash consideration of £152 million. The acquisition was made as part of the expansion of the Group's footprint in East Africa. The transaction was financed by the Group from existing funds, without the issuance of any new debt or new shares.

An initial stake of 23.3% was acquired on 1 February 2015, while the remaining 37.3% stake was acquired on 24 June 2015. The results and movements in reserves were equity accounted from 1 February 2015 to the date that control was obtained. The purchase price per share did not vary between the acquisition of the two tranches and there was no amount recognised in the profit or loss as a result of the step up acquisition. A loss of £0.4 million has been equity accounted in the consolidated income statement for the period from 1 February 2015 to 24 June 2015. Subsequently, from 24 June 2015, the financial results and financial position were consolidated in the Group financial statements.

The assets and liabilities acquired have been recorded at their fair values for purposes of the opening balance sheet and included in the consolidated accounts of the Group using the Group's accounting policies in accordance with IFRS.

The table below sets out the consolidated assets and liabilities acquired as a result of the acquisition of UAP Holdings Limited:

	£m	
	Acquiree's carrying amount	Fair value
Assets		
Investment property	104	104
Other intangible assets	1	20
Investments & securities	90	90
Cash and cash equivalents	23	23
Trade, other receivables and other assets	66	54
Total assets	284	291
Liabilities		
Long-term business policyholder liabilities	(53)	(54)
Property & casualty liabilities	(33)	(35)
Deferred tax liabilities	(3)	(3)
Current tax payable	–	(5)
Trade, other payables and other liabilities	(87)	(87)
Total liabilities	(176)	(184)
Total net assets acquired	108	107
Total value of the business		257
Cash consideration		152
Non-controlling interests recognised		105
Goodwill recognised		150

The purchase price has been allocated based on the fair value of assets acquired and liabilities at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The purchase price allocation required significant assumptions and the use of external expertise and the additional intangible assets identified and recognised are brand and customer lists.

The fair value of investment properties has been determined by independent valuers appointed by UAP on the basis of open-market value using current prices. Investment and securities have been fair valued based on the market value of the assets and/or an analysis of the contractual cash flows. Other assets and liabilities, including long-term policyholder liabilities and property and casualty liabilities, have been recorded at their estimated fair values.

The fair value of the non-controlling interests in UAP has been determined in accordance with the Group policy and is in proportion to the fair value paid by the Group.

The Group has measured the fair value of the separately recognisable identifiable assets acquired and the liabilities assumed as of the acquisition date. The value of UAP, £257 million, is greater than the fair value of the net assets acquired and resulted in goodwill of £150 million being recorded in the statement of financial position of the Group.

Acquisition-related expenses of £4 million are included in other operating and administrative expenses line in the consolidated income statement but has been reversed out of adjusted operating profit in line with the Group policy.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

J: Other notes continued

J8: Businesses acquired during the year continued

(c) Acquisition of African Infrastructure Investment Managers (Pty) Ltd

On 10 December 2015, the Group acquired an additional 50% stake in African Infrastructure Investment Managers (Pty) Ltd (AIIM) for a cash consideration of £16 million. As the Group now has a controlling shareholding of 100%, the financial results and position of AIIM have been consolidated with effect from 10 December 2015.

The accounting related to the step up in ownership from 50% to 100% effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 100% of the business. Consequently a profit of £15 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.

The total assets of £9 million were acquired and included other assets (£4 million), cash and cash equivalents (£3 million) and derivative assets (£2 million). Total liabilities of £3 million were acquired and included other liabilities of £3 million. Goodwill of £25 million has been recognised on the transaction.

Work is currently being undertaken to determine the purchase price allocation of the fair value of 100% of the AIIM business.

(d) Disposal of Old Mutual (Bermuda) Limited (OMB) and certain related obligations to Beechwood Bermuda Limited

As described in note A2, the Group completed the sale of Old Mutual (Bermuda) Limited (OMBH) on 31 December 2015. The principal assets and liabilities disposed were reinsurers' share of long-term policyholder liabilities (£85 million), investments and securities (£267 million), other assets (£243 million), cash and cash equivalents (£68 million), long-term business policyholder liabilities (£647 million) and other liabilities (£6 million).

J9: Events after the reporting date

Disposal of Rogge Global Partners PLC

On 8 February 2016, the Group announced that it has agreed to sell Rogge Global Partners PLC (Rogge) to Allianz Global Investors GmbH. The transaction is expected to complete in the second quarter of 2016. The assets and liabilities of Rogge have been classified as held for sale at 31 December 2015. Refer to note K2 for further information.

South African capital gains tax inclusion rates changes

On 24 February 2016, the Minister of Finance of the Republic of South Africa announced changes to tax legislation which may in future impact the allocation of taxation between current and deferred tax.

UK Financial Conduct Authority notification of investigation

During 2014 the Financial Conduct Authority (FCA) conducted an industry-wide thematic project on 'Fair treatment of long-standing customers of life insurers'. On 2 March 2016 the FCA notified the Old Mutual Wealth business that, as consequence of the review, an Old Mutual Wealth UK subsidiary will be investigated by the FCA's Enforcement Division. Further detail is included in the contingent liabilities note J4.

Nedbank subscription for shares in African Bank Holdings Limited

In line with the subscription agreement, Nedbank will subscribe for shares in African Bank Holdings Limited for R10 million on 11 March 2016 and for an additional R400 million on 30 March 2016, representing a 4.1% holding in African Bank Holdings Limited. This aligns with Nedbank's commitment under the provisions of this agreement.

Results of the Strategic Review

Following the appointment of Bruce Hemphill as Group Chief Executive in November 2015 a strategic review of the Group was initiated. On 11 March 2016 the Group announced that, following the strategic review, it had been concluded that the long-term interests of the Group's shareholders and other stakeholders will be best served by Old Mutual separating its four principal businesses (Emerging Markets, Nedbank, Old Mutual Wealth and OM Asset Management plc) from each other. Following completion of the managed separation and at an appropriate point in the future, the Group, in its current structure will no longer exist. The precise means by which this managed separation of the Group will be effected is yet to be determined, and will involve significant ongoing regulatory and stakeholder engagement. The Group has a range of options open to it and the feasibility, sequencing and timing of each element will be affected by a mixture of market, regulatory and other factors. We intend to update shareholders later in 2016 to provide greater clarity on our preferred route for the managed separation. We expect that the managed separation will be materially completed by the end of 2018.

As set out in the Corporate Governance section of this Annual Report and Accounts, the Board has considered the financial impacts of the managed separation as part of the process of assessing the adequacy of the Group's capital and resources to support the desired outcome. This assessment has supported the continued adoption of the going concern assumption when preparing these financial statements and the Board's statement in relation to the Group's viability.

At the current time, given the precise means by which the managed separation of the Group will be effected is yet to be determined the financial impacts cannot be evaluated in these financial statements.

K: Discontinued operations and disposal groups held for sale

K1: Discontinued operations

Income statement from discontinued operations

	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Loss before tax from discontinued operations – trading activities (expenses)	–	(35)
Loss on disposal	(21)	(19)
Loss before tax from discontinued operations	(21)	(54)
Income tax credit	–	4
Loss after tax from discontinued operations	(21)	(50)

The loss on disposal for the year ended 31 December 2015 and year ended 31 December 2014 related to the settlement of litigation arising on the disposal of US Life in 2011, following a court ruling in favour of the plaintiff on the main matter in dispute. These amounts were paid in cash during 2015.

The loss before tax from discontinued operations for the year ended 31 December 2014 related to the disposal of Nordic in 2012. The Group continued to incur costs directly related to the sale of these businesses relating to the transition of IT and other services back to the Group. Nordic previously provided these services to the wider Group.

K2: Assets and liabilities held for sale

Assets held for sale of £123 million relate to Emerging Markets (£84 million), Institutional Asset Management (£35 million) and Old Mutual Wealth (£4 million). Liabilities held for sale of £12 million relate to Institutional Asset Management.

Emerging Markets

Emerging Markets has classified £84 million (R1,923 million) of investment properties as held for sale. These transactions are expected to complete in the next 12 months. The investment properties form part of the policyholder assets and therefore have no impact on profit or loss of the Group.

Institutional Asset Management

On 8 February 2016, the Group announced that it has agreed to sell Rogge Global Partners PLC (Rogge) to Allianz Global Investors GmbH. The transaction is expected to complete in the second quarter of 2016. Due to the imminence of the disposal, total assets to the value of £35 million, (including £20 million cash and cash equivalents and £10 million other assets), and total liabilities to the value of £12 million, have been classified as held for sale at the reporting date. None of these amounts have been impaired in the financial statements.

Old Mutual Wealth

Old Mutual Wealth has classified property, plant and equipment of £4 million as held for sale.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L1: Accounting policies on financial assets and liabilities

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

(a) Recognition and derecognition

A financial asset or liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when, and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset or
- It transfers the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control.

A financial liability is derecognised when, and only when the liability is extinguished. That is when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

(b) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(c) Derivative financial instruments

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives not designated as hedges for hedge accounting purposes are included in investment income or finance costs as appropriate.

(d) Hedge accounting

Qualifying hedging instruments must either be derivative financial instruments or non-derivative financial instruments used to hedge the risk of changes in foreign currency exchange rates, changes in fair value or changes in cash flows. Changes in the value of the financial instrument should be expected to offset changes in the fair value or cash flows of the underlying hedged item.

The Group designates certain qualifying hedging instruments as either (1) a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (fair value hedge) or (2) a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction, and could affect profit or loss (cash flow hedge) or (3) a hedge of a net investment in a foreign operation. Hedge accounting is used for qualifying hedging instruments designated in this way provided certain criteria are met.

The Group's criteria in accordance with reporting standards for a qualifying hedging instrument to be accounted for as a hedge include:

- Upfront formal documentation of the hedging instrument, hedged item or transaction, risk management objective and strategy, the nature of the risk being hedged and the effectiveness measurement methodology that will be applied is prepared before hedge accounting is adopted
- The hedge is documented showing that it is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk, consistent with the risk management and strategy detailed in the upfront hedge documentation
- The effectiveness of the hedge can be reliably measured
- The hedge is assessed and determined to have been highly effective on an ongoing basis

- For cash flow hedges of a forecast transaction, an assessment that it is highly probable that the hedged transaction will occur and will carry profit or loss risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in profit or loss, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or hedges of a net investment in a foreign operation, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. For fair value hedge accounting, any previous adjustment to the carrying amount of a hedged interest-bearing financial instrument carried at amortised cost (as a result of previous hedge accounting), is amortised in profit or loss from the date hedge accounting ceases, to the maturity date of the financial instrument, based on the effective interest method.

For hedges of a net investment in a foreign operation, any cumulative gains or losses in equity are recognised in profit or loss on disposal of the foreign operation.

(e) Embedded derivatives

Certain derivatives embedded in financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised as such on a standalone basis, when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in profit or loss. If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as fair value through profit or loss and measured at fair value.

(f) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is currently a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position, with the exception of those relating to hedges, which are disclosed in accordance with profit or loss effect of the hedged item.

(g) Interest income and expense

Interest income and expense in relation to financial instruments carried at amortised cost or held as available-for-sale are recognised in profit or loss using the effective interest method, taking into account the expected timing and amount of cash flows. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income and expense on financial instruments carried at fair value through profit or loss are presented as part of interest income or expense.

(h) Non-interest revenue

Non-interest revenue in respect of financial instruments principally comprises fees and commission and other operating income. These are accounted for as set out below.

Fees and commission income

Loan origination fees, for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Fees and commission arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Other income

Revenue other than interest, fees and commission (including fees and insurance premiums), which includes exchange and securities trading income, dividends from investments and net gains on the sale of banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably and it is probable that the economic benefits of the transaction or service will flow to the Group.

(i) Financial assets

Non-derivative financial assets are recorded as held-for-trading, designated as fair value through profit or loss, loans and receivables, held-to-maturity or available-for-sale. An analysis of the Group's statement of financial position, showing the categorisation of financial assets, together with financial liabilities is set out in note E1.

(j) Classification of financial instruments

Held-for-trading financial assets

Held-for-trading financial assets are those that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists, or are derivatives that are not designated as effective hedging instruments.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L1: Accounting policies on financial assets and liabilities continued

(j) Classification of financial instruments continued

Financial assets designated as fair value through profit or loss

Financial assets that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis (for instance with respect to financial assets supporting insurance contract liabilities) or are managed, evaluated and reported using a fair value basis (for instance financial assets supporting shareholders' funds).

All financial assets carried at fair value through profit or loss, whether held-for-trading or designated, are initially recognised at fair value and subsequently remeasured at fair value based on bid prices quoted in active markets. If such price information is not available for these instruments, the Group uses other valuation techniques, including internal models, to measure these instruments. These techniques use market observable inputs where available, derived from similar assets and liabilities in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data is not available for some or all parameters, the Group estimates the non-market observable inputs used in its valuation models. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Fair values of certain financial instruments, such as over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads, and volatility factors.

Realised and unrealised fair value gains and losses on all financial assets carried at fair value through profit or loss are included in investment return (non-banking) or in banking trading, investment and similar income as appropriate.

Interest earned whilst holding financial assets at fair value through profit or loss is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, when a dividend is declared.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. Loans and receivables are carried at amortised cost less any impairment write-downs. Third-party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

Held-to-maturity financial assets

Financial assets with fixed maturity dates which are quoted in an active market and where management has both the intent and the ability to hold the asset to maturity are classified as held-to-maturity. These assets are carried at amortised cost less any impairment write-downs. Interest earned on held-to-maturity financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate.

Available-for-sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices other than those designated fair value through profit or loss or as loans and receivables, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale financial assets are measured at fair value based on bid prices quoted in active markets. If such prices are unavailable or determined to be unreliable, the fair value of the financial asset is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on observable market data where available at the reporting date.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are disposed, the related accumulated fair value adjustments are included in profit or loss as gains and losses from available-for-sale financial assets. When available-for-sale assets are impaired the resulting loss is shown separately in profit or loss as an impairment charge.

Interest earned on available-for-sale financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, as appropriate when a dividend is declared.

Financial liabilities (other than investment contracts and derivatives)

Non-derivative financial liabilities, including borrowed funds, amounts owed to depositors and liabilities under acceptances are recorded as held-for-trading, designated as fair value through profit or loss or as financial liabilities at amortised cost.

Liabilities that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or are managed, evaluated and reported using a fair value basis.

For financial liabilities recorded at fair value and which contain a demand feature, the fair value of the liability is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial liabilities categorised at amortised cost are recognised initially at fair value, which is normally represented by the transaction price, less directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Equity classified conversion options included within financial liabilities are recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bondholders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other income.

(k) Reclassifications of financial assets

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was required to be categorised as held-for-trading (on the basis that it was held for the purpose of selling or repurchasing in the near term) may under exceptional circumstances be reclassified out of the fair value through profit or loss category if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable.

Other non-derivative financial assets that were required to be categorised as held-for-trading at initial recognition may be reclassified out of the fair value through profit or loss category in rare circumstances. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. Measurement of the asset after reclassification depends on the subsequent categorisation.

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was designated as available-for-sale may under exceptional circumstances be reclassified out of the available-for-sale category to the loans and receivables category if it meets the loans and receivables definition at the date of reclassification and if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable. In the case of a financial asset with a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is amortised to profit or loss over the remaining life using the effective interest method together with any difference between the new amortised cost and the maturity amount. In the case of a financial asset that does not have a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is recognised in profit or loss when the financial asset is sold or otherwise disposed.

(l) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as appropriate when considering the de-recognition criteria contained within IAS 39. The securities that are retained in the financial statements are reflected as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell at a pre-determined price are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the lives of agreements using the effective interest method.

Securities lent to counterparties are retained in the financial statements and any interest earned recognised in profit or loss using the effective interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(m) Parent Company investments in subsidiary undertakings and associates

Parent Company investments in subsidiary undertakings and associates are recorded at cost. Impairments of Parent Company investments in subsidiary undertakings and associates are accounted for in the same way as impairments of other non-financial assets.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L1: Accounting policies on financial assets and liabilities continued

(n) Impairments of financial assets

Indicators of impairment

A provision for impairment is established if there is objective evidence that the Group will not be able to recover all amounts relating to the financial asset. Observable data that could come to the attention of the Group that could lead to a provision for impairment to be made include:

- Significant financial difficulty of the counterparty
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group, for economic or legal reasons relating to the counterparty's financial difficulty, grants to the counterparty a concession that the Group would not otherwise consider
- It becoming probable that the counterparty will enter bankruptcy or other financial reorganisation
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including:
 - adverse changes in the payment status of counterparties in the group of financial assets; or
 - national or local economic conditions that correlate with defaults on the assets in the group of financial assets.

In addition, for an available-for-sale financial asset, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment.

Financial assets at amortised cost

The amount of the impairment of a financial asset held at amortised cost is the difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the effective interest rate at initial recognition. In estimating future expected cash flows the Group looks at the contractual cash flows of the assets and adjusts these contractual cash flows for historical loss experience of assets with similar credit risks, with this adjusted to reflect any additional conditions that are expected to arise or to account for those which no longer exist. This is done to predict inherent losses which exist in the asset as at the reporting date but have not been reported.

The impairment provision also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the reporting date, but these components have not yet been specifically identified. When a loan is uncollectable, it is written-off against the related impairment provision.

If the amount of impairment subsequently decreases due to an event occurring after the write-down, the release of the impairment provision is credited to profit or loss. Impairment reversals are limited to what the carrying amount would have been, had no impairment losses been recognised.

Interest income on impaired loans and receivables is recognised on the impaired amount using the original effective interest rate before the impairment.

Available-for-sale financial assets

The amount of the impairment loss of an available-for-sale financial asset is the cumulative loss that has been recognised in other comprehensive income, being the difference between the acquisition cost and the asset's current fair value, less any impairment loss on that asset previously recognised in profit or loss. For available-for-sale debt securities, fair value is determined as the present value of expected future cash flows discounted at the current market rate of interest.

All such impairments are recognised in profit or loss. The release of an impairment allowance in respect of a debt instrument categorised as available-for-sale is credited to profit or loss, the release in respect of an equity instrument categorised as available-for-sale is credited to the available-for-sale reserve within equity.

L2: Related undertakings of the Group

The following provides a list of the Group's related undertakings. These disclosures are required by Section 409 of the Companies Act 2006. It should be noted that this is a statutory disclosure and does not represent the way that the Group accounts for these entities.

(a) Group subsidiaries

The table below sets out the Group's subsidiary undertakings (including investment funds and collective investment schemes controlled by the Company). All shares are held indirectly by the Company (unless indicated) and their results are included in the Company's consolidated financial statements.

Name	Country of incorporation	Percentage holding	Shareholding
22 Seven Digital (Pty) Limited	Republic of South Africa	100	Class A and Class B shares
Acadian Asset Management (Australia) Ltd	Australia	100	Ordinary
Acadian Asset Management (Japan)	Cayman Islands	100	Ordinary
Acadian Asset Management (Singapore) Pte Ltd.	Singapore	100	Ordinary
Acadian Asset Management (UK) Ltd	England & Wales	100	Ordinary
Acadian Asset Management LLC	Delaware, USA	100	Class A and Class B shares
ACED Bedford Wind Farm (Pty) Limited	Republic of South Africa	50	Ordinary
Acsis Licence Group (Pty) Limited	Republic of South Africa	100	Ordinary
Acsis Limited	Republic of South Africa	100	Ordinary
Adviceworx (Pty) Limited	Republic of South Africa	100	Ordinary Class A and Class B shares
Adviceworx Old Mutual Enhanced Income FoF B1	Republic of South Africa	100	B1 shares
Adviceworx Old Mutual Inflation Plus 2-3% FoF B1	Republic of South Africa	80	B1 shares
Adviceworx Old Mutual Inflation Plus 3-4% FoF B1	Republic of South Africa	76	B1 shares
Adviceworx Old Mutual Inflation Plus 4-5% FoF B1	Republic of South Africa	77	B1 shares
Adviceworx Old Mutual Inflation Plus 5-7% FoF B1	Republic of South Africa	77	B1 shares
African Fund Managers (Mauritius)	Mauritius	100	Ordinary
African Infrastructure Holding Company 2 (Mauritius)	Mauritius	50	Ordinary
African Infrastructure Investment Holding Company 2 (Mauritius)	Mauritius	50	Ordinary
African Infrastructure Investment Managers (Pty) Limited	Republic of South Africa	100	Ordinary
Agility Broker Services (Pty) Limited	Republic of South Africa	100	Ordinary
AIIF2 Power Holdings	Republic of South Africa	100	Ordinary
AIIF2 Towers SA (Pty) Limited	Republic of South Africa	100	Ordinary
Aiva Florida Inc. de Miami	Florida, USA	100	Ordinary
Aiva Health S.A.	Uruguay	100	Ordinary
Aiva Holding Group S.A.	Panama	86	Ordinary
Aiva Investments S.A.	Uruguay	100	Ordinary
Aiva S.A.	Uruguay	100	Ordinary
Aiva Tpa Services S.A.	Uruguay	100	Ordinary
Amber Mountain Investment 3 (Pty) Ltd	Republic of South Africa	100	Ordinary
Analytic Investors, LLC	Delaware, USA	100	Class A and Class B shares
Anduin (Pty) Limited	Republic of South Africa	100	Ordinary
Anduin Trust	Republic of South Africa	100	Ordinary
APF OldCo Inc	Massachusetts, USA	100	Ordinary
Apollo Advisors (Pty) Limited	Republic of South Africa	100	Ordinary
Apollo II GP Partnership General Partner	Republic of South Africa	93	Ordinary
Apollo Investment Partnership General Partner (Pty) Limited	Republic of South Africa	100	Ordinary
Apollo Investment Partnership II En Commandite Partnership	Republic of South Africa	51	Ordinary
Ashfield Capital Partners LLC	Delaware, USA	100	Ordinary
Asia Storage GP, LLC	Delaware, USA	100	Ordinary
Barprop (Pty) Limited	Republic of South Africa	100	Ordinary
Barrow, Hanley, Mewhinney & Strauss LLC	Delaware, USA	75	Ordinary
Bene Inventa (Pty) Ltd	Republic of South Africa	100	Ordinary
BHMS Investment GP LLC	Delaware, USA	100	Ordinary
Black Distributors SPV Limited	England & Wales	100	Ordinary
Bloemfontein Board of Executors and Trust Company Ltd	Republic of South Africa	100	Ordinary
Blueprint Distribution Limited	England & Wales	100	Ordinary
Blueprint Financial Services Limited	England & Wales	100	Ordinary
Blueprint Organisation Limited	England & Wales	100	Ordinary
BNS Nominees (Pty) Ltd	Republic of South Africa	100	Ordinary
BoE 187 Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
BoE Developments (Pty) Ltd	Republic of South Africa	100	Ordinary
BoE Holdings (Pty) Ltd	Republic of South Africa	100	Ordinary
BoE Investment Holdings Ltd	Republic of South Africa	100	Ordinary
BoE Link Nominees (Proprietary) Limited	Republic of South Africa	100	Ordinary
BoE Management Ltd	Republic of South Africa	100	Ordinary
BoE Private Client & Trust Company (Pty) Ltd	Republic of South Africa	100	Ordinary
BoE Private Client Investment Holdings Ltd	Republic of South Africa	100	Ordinary
BoE Private Equity Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
Boness Development Phase 3 (Pty) Ltd	Republic of South Africa	100	Ordinary
BPCC Security Company (Pty) Ltd	Republic of South Africa	100	Ordinary
C.I.P.M Nominees Limited	Jersey	100	Ordinary
Campbell (RTC Acquisition), LLC	Delaware, USA	100	Ordinary
Campbell Global Administracao de Ativos Florestais Ltda, LLC	Brazil	100	Ordinary
Campbell Global Brazil, LLC	Delaware, USA	100	Ordinary
Campbell Global New Zealand, LLC	Delaware, USA	100	Ordinary
Campbell Global, LLC	Delaware, USA	75	Ordinary

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
Campbell Opportunity Timber Fund GP, LLC	Delaware, USA	100	Ordinary
Campbell Opportunity Timber Fund GP-TE, LLC	Delaware, USA	100	Ordinary
Campbell Opportunity Timber Fund IV GP, LLC	Delaware, USA	100	Ordinary
Campbell Opportunity Timber Fund VI GP, LLC	Delaware, USA	100	Ordinary
Campbell Timber Fund II GP, LLC	Delaware, USA	100	Ordinary
Campbell Timber Fund III Manager, LLC	Delaware, USA	100	Ordinary
Capegate Crescent Development (Pty) Ltd	Republic of South Africa	100	Ordinary
Capital Developments Limited	Malawi	100	Ordinary
Capital Growth Investments Trust	Zimbabwe	100	Ordinary
Capital Investments Limited	Malawi	51	Ordinary
CBI (OldCo), Inc.	Pennsylvania, USA	100	Ordinary
CBN Nominees (Pty) Ltd	Namibia	100	Ordinary
CCF Old Mutual Multi-Style Global Equity	Ireland	100	A and C shares
CCF Old Mutual Opp Global Equity	Ireland	83	A and C shares
Celestis Broker Services (Pty) Limited	Republic of South Africa	100	Ordinary
Central Africa Building Society	Zimbabwe	100	Ordinary
Central Consortium SPV One Investments (Pty) Limited	Namibia	100	Ordinary
Central Consortium SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
CEPS 1, LLC	Delaware, USA	90	Ordinary
CG Snoqualmie Logco, LLC	Delaware, USA	100	Ordinary
CG Snoqualmie, LLC	Delaware, USA	100	Ordinary
CGU Insurance Limited	Republic of South Africa	100	Ordinary
Cheviot Asset Management Limited	England & Wales	100	Ordinary
Cheviot Capital (Nominees) Limited	England & Wales	100	Ordinary
Cheviot GP Limited	England & Wales	100	Ordinary
Cirilium Asset Management Limited	England & Wales	100	Ordinary
City Centre Properties (Private) Limited	Zimbabwe	93	Ordinary
CMAC Asset Management, Inc.	Delaware, USA	100	Ordinary
Coastal Consortium SPV One Investments (Pty) Limited	Namibia	100	Ordinary
Coastal Consortium SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
Commsale 2000 Limited ¹	England & Wales	100	Ordinary
Community Property Company (Pty) Limited	Republic of South Africa	100	Ordinary
Community Property Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Constantia Insurance Company (Guernsey) Limited ¹	Guernsey	100	Ordinary
Consumer Credit (Namibia) (Pty) Ltd	Namibia	100	Ordinary
Consumer Credit (Swaziland) (Pty) Ltd	Swaziland	100	Ordinary
Copper Rock Capital Partners LLC	Delaware, USA	65	Ordinary
Cougar Investment Holding Company Limited	Republic of South Africa	100	Ordinary
CP Holdings GP, LLC	Delaware, USA	100	Ordinary
CPT Logco, Inc.	Delaware, USA	100	Ordinary
CPT Logco, LLC	Delaware, USA	100	Ordinary
Credit Guarantee Insurance Corporation of Africa Limited	Republic of South Africa	53	Ordinary
Crown Pine Parent GP, LLC	Delaware, USA	100	Ordinary
CSM Holdings, Inc.	Pennsylvania, USA	100	Ordinary
CU Property Holdings (Private) Limited	Zimbabwe	100	Ordinary
Deferred Compensation Trust	Oregon, USA	100	Ordinary
Depfin Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
Desert SPV One Investments (Pty) Limited	Namibia	100	Ordinary
Eastern Consortium SPV One Investment (Pty) Limited	Namibia	100	Ordinary
Eastern Consortium SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
Echo Point Investment Management LLC (DE)	Delaware, USA	100	Ordinary
Education SPV Limited	England & Wales	100	Ordinary
Eighty One Main Street Nominees Ltd	Republic of South Africa	100	Ordinary
Embeca Properties (Private) Ltd	Zimbabwe	100	Ordinary
Emerald Investment Associates LLC	Delaware, USA	75	Ordinary
Epic Properties (Pty) Limited	Republic of South Africa	100	Ordinary
EPSLP Inc.	Delaware, USA	100	Ordinary
Equipond (Pty) Ltd	Republic of South Africa	100	Ordinary
Erf 7 Sandown (Pty) Ltd	Republic of South Africa	100	Ordinary
ESF Finance (Pty) Ltd	Republic of South Africa	100	Ordinary
Esimio Trading 101 Ltd	Republic of South Africa	100	Ordinary
Fairbairn Investment Company Limited	England & Wales	100	Ordinary

Name	Country of incorporation	Percentage holding	Shareholding
Fairbairn Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Fairheads Bond Managers (Pty) Limited	Republic of South Africa	100	Ordinary
Fairheads Mortgage Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Faulu Microfinance Bank Limited	Kenya	67	Ordinary
Fidelity Nominees (RF) (Pty) Ltd	Republic of South Africa	100	Ordinary
Finansfin (Pty) Ltd	Republic of South Africa	100	Ordinary
Finlac Trust Ltd	Republic of South Africa	100	Ordinary
Fintrade 1838 Ltd	Republic of South Africa	100	Ordinary
Friedshel 1168 (Pty) Limited	Republic of South Africa	100	Ordinary
Friedshel 1475 (Pty) Limited	Republic of South Africa	100	Ordinary
Frittlewell Investments (Private) Limited	Zimbabwe	100	Ordinary
Front Line Investment Limited	Malawi	70	Ordinary
Futuregrowth Agri Fund	Republic of South Africa	43	Ordinary
Futuregrowth Agri-fund (South Africa)-1GP (Pty) Limited	Republic of South Africa	100	Ordinary
Futuregrowth Asset Management (Mauritius)	Mauritius	100	Ordinary
Futuregrowth Asset Management (Pty) Limited	Republic of South Africa	100	Ordinary
Futuregrowth Collective Investments Limited	Republic of South Africa	100	Ordinary
Futuregrowth Property Development Company (Pty) Limited	Republic of South Africa	100	Ordinary
G.E.O.C. Nominees Ltd	Republic of South Africa	100	Ordinary
Galilean Properties (Prop) Limited	Republic of South Africa	100	Ordinary
Glenmore Seaside Resort (Pty) Ltd	Republic of South Africa	100	Ordinary
Global Bond Feeder Fund	Republic of South Africa	48	A and B2 shares
Global Edge Technologies (Pty) Limited	Republic of South Africa	100	Ordinary
Golddunn Property Developments (Pty) Ltd	Republic of South Africa	100	Ordinary
Golden dividend 416 (Pty) Limited	Republic of South Africa	100	Ordinary
Green Horizon Environment Rehabilitation Company (NPC)	Republic of South Africa	100	Ordinary
Hawthorne Investment LLC	Delaware, USA	80	Ordinary
HCEPP Management Co. S.à r.l.	Luxembourg	100	Ordinary
HIFSA Housing Impact Fund South Africa	Republic of South Africa	55	Ordinary
Housing Investment Partners (Pty) Limited	Republic of South Africa	68	Ordinary
HVP III-OM (GP) LLC	Delaware, USA	100	Ordinary
HVP II-OM (GP) LLC	Delaware, USA	100	Ordinary
HVP-OM (GP) LLC	Delaware, USA	100	Ordinary
HVP-OM (LP) LLC	Delaware, USA	100	Ordinary
IBL Asset Finance and Services Ltd	Republic of South Africa	100	Ordinary
Ideas Nedbank AIF Investors Trust	Republic of South Africa	60	The Group owns 60% of the trust contributions
IFA Holding Company Limited	England & Wales	100	Ordinary
IFA Services Holdings Company Limited	England & Wales	100	Class A and Class B ordinary shares
IMFUNDO SPV Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Imvelo Facilities Management (Pty) Limited	Republic of South Africa	60	Ordinary
Infrastructure Empowerment Fund Managers (Pty) Limited	Republic of South Africa	100	Ordinary
Intrinsic Cirilium Investment Company Limited	England & Wales	100	Class A, Class B and preference shares
Intrinsic Financial Planning Limited	England & Wales	100	Ordinary
Intrinsic Financial Services Limited	England & Wales	90	Ordinary
Intrinsic Financial Solutions Limited	England & Wales	100	Ordinary
Intrinsic Mortgage Planning Limited	England & Wales	100	Ordinary
Intrinsic Wealth Financial Solutions Limited	England & Wales	100	Ordinary
Intrinsic Wealth Limited	England & Wales	100	Ordinary
Investage 91 (Pty) Ltd	Republic of South Africa	100	Ordinary
Investment Strategies (UK) Limited	England & Wales	100	Ordinary
Iracure (Pty) Limited	Republic of South Africa	100	Ordinary
Jefferson Timber Properties, LLC	Delaware, USA	100	Ordinary
K2012150042 (South Africa) (Pty) Limited	Republic of South Africa	100	Ordinary
K2013236459 South Africa (Pty) Limited	Republic of South Africa	100	Ordinary
Ki Pacific Asset Management, Inc.	Delaware, USA	100	Ordinary
Kingsmead Properties (Pty) Ltd	Republic of South Africa	100	Ordinary
Kirkney Securitisation (Pty) Ltd	Republic of South Africa	100	Ordinary
L & S Properties Limited	Guernsey	100	Ordinary
LIBERO International SICAV PLC	Malta	100	Ordinary
Liberty Ridge Capital, LLC	Delaware, USA	100	Ordinary
Lighthouse Development (Pty) Ltd	Republic of South Africa	100	Ordinary
Lincoln Investment Associates, LLC	Delaware, USA	85	Ordinary
Lincoln Timber, LP	Delaware, USA	100	Ordinary
Linton Projects (Pty) Ltd	Republic of South Africa	100	Ordinary
LML Holdings LLC	Delaware, USA	100	Ordinary
M.C.Z. (Pvt) Limited	Zimbabwe	70	Ordinary
Malawian Dividend Access Trust	Malawi	100	Ordinary
Managed Alpha Hedge Fund	Republic of South Africa	100	A and L shares
Marriott Asset Management (Pty) Limited	Republic of South Africa	100	Ordinary
Marriott Corporate Services (Pty) Limited	Republic of South Africa	100	Ordinary
Marriott Isle of Man Limited	Isle of Man	100	Ordinary
Marriott Property Services (Pty) Limited	Republic of South Africa	100	Ordinary
Marriott Retirement Fund Administrators (Pty) Limited	Republic of South Africa	100	Ordinary
Marriott Unit Trust Management Company (RF) (Pty) Limited	Republic of South Africa	100	Ordinary
Masisizane Fund NPC	Republic of South Africa	100	Ordinary
Masisizane Trust	Republic of South Africa	100	Ordinary

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
Masthead (Pty) Limited	Republic of South Africa	75	Ordinary
Masthead Financial Advisors (Pty) Limited	Republic of South Africa	100	Ordinary
Masthead Financial Planning (Pty) Limited	Republic of South Africa	100	Ordinary
Masthead Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Max Payment Solutions (Pty) Limited	Republic of South Africa	100	Ordinary
MBCA Bank Ltd	Zimbabwe	100	Ordinary
MBCA Holdings Ltd	Zimbabwe	65	Ordinary
MBCA Nominees (Private) Ltd	Zimbabwe	100	Ordinary
Melbek Holding (Private) Ltd	Zimbabwe	100	Ordinary
Mercury Securities (Pty) Ltd	Republic of South Africa	100	Ordinary
Mettle Property Solutions Securitisation (RF)(Pty) Limited	Republic of South Africa	100	Ordinary
MHF Properties Ltd	Republic of South Africa	100	Ordinary and cumulative redeemable preference shares
MHLP-OM (GP) LLC	Delaware, USA	100	Ordinary
Millpencil Limited	England & Wales	100	Ordinary
Morened (Pty) Ltd	Republic of South Africa	100	Ordinary
Mortgage Investment Corporation (Pty) Ltd	Republic of South Africa	100	Ordinary
MPICO Limited	Malawi	57	Ordinary
MPICO Malls Limited	Malawi	90	Ordinary
MPL (UK) Limited	England & Wales	100	Ordinary
MPL US LLC	Delaware, USA	100	Ordinary
Mitha Financial Services Trust	Republic of South Africa	100	Ordinary
Mutual & Federal Company of Zimbabwe (Pvt) Limited	Zimbabwe	100	Ordinary
Mutual & Federal Insurance Company Limited	Republic of South Africa	100	Ordinary
Mutual & Federal Investments (Pty) Limited	Republic of South Africa	100	Ordinary
Mutual & Federal Risk Financing Limited	Republic of South Africa	100	Ordinary
N.B.S.A. Ltd	England & Wales	100	Ordinary
N.H.S. Properties (Pty) Ltd	Republic of South Africa	100	Ordinary
Nasionale Dorpsontwikkelingskorporasie Ltd	Republic of South Africa	100	Ordinary
National Board (P.E.) Ltd	Republic of South Africa	100	Ordinary
National Board of Executors Ltd	Republic of South Africa	100	Ordinary
NBG Capital Management (Pty) Ltd	Republic of South Africa	100	Ordinary
Ned Investment Trust	Republic of South Africa	100	Ordinary
Ned Settle Services (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedamericas Investments Ltd	Mauritius	75	Ordinary
Nedbank (Lesotho) Ltd	Lesotho	100	Ordinary
Nedbank (Malawi) Ltd	Malawi	100	Ordinary
Nedbank (Swaziland) Ltd	Swaziland	65	Ordinary
Nedbank Group Insurance Company Ltd	Isle of Man	100	Ordinary
Nedbank Group Insurance Holdings Ltd	Republic of South Africa	100	Ordinary
Nedbank Group Ltd	Republic of South Africa	55	Ordinary
Nedbank Ltd	Republic of South Africa	100	Ordinary
Nedbank Namibia Ltd	Namibia	100	Ordinary
Nedbank Nominees (RF) (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedbank Private Wealth Ltd	Isle of Man	100	Ordinary
Nedcap International Ltd	Isle of Man	100	Ordinary
Nedcapital Investment Holdings (Pty) Ltd	Namibia	100	Ordinary
NedCapital Namibia (Pty) Ltd	Namibia	100	Ordinary
Nedcor Bank Nominees (RF) (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedcor Investments Ltd	Republic of South Africa	100	Ordinary
Nedcor Trade Services (Asia) Ltd	Hong Kong	100	Ordinary
Nedcor Trade Services Ltd	Mauritius	100	Ordinary
Nedeurope Ltd	Isle of Man	100	Ordinary
Nedgroup Administrators Ltd	Republic of South Africa	100	Ordinary
Nedgroup Beneficiary Solutions Ltd	Republic of South Africa	100	Ordinary
Nedgroup Beta Solutions (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Collective Investments Ltd	Republic of South Africa	100	Ordinary
Nedgroup Financial Services 104 Ltd	Republic of South Africa	100	Ordinary
Nedgroup Insurance Administrators Ltd	Republic of South Africa	100	Ordinary
Nedgroup Insurance Company Ltd	Republic of South Africa	100	Ordinary
Nedgroup International Holdings Ltd	Isle of Man	100	Ordinary
Nedgroup Investment 102 Ltd	Republic of South Africa	100	Ordinary

Name	Country of incorporation	Percentage holding	Shareholding
Nedgroup Investment Advisors (UK) Ltd	England & Wales	100	Ordinary
Nedgroup Investment Advisors Ltd	Republic of South Africa	100	Ordinary
Nedgroup Investments (IOM) Ltd	Isle of Man	100	Ordinary
Nedgroup Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Investments Africa	Mauritius	100	Ordinary
Nedgroup Investments Alpha (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Life Assurance Company Ltd	Republic of South Africa	100	Ordinary
Nedgroup Private Wealth (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Private Wealth Corporate Services Ltd	Jersey	100	Ordinary
Nedgroup Private Wealth Directors Ltd	Guernsey	100	Ordinary
Nedgroup Private Wealth Fiduciary Services Ltd	Jersey	100	Ordinary
Nedgroup Private Wealth Nominees (IOM) Ltd	Isle of Man	100	Ordinary
Nedgroup Private Wealth Nominees (Jersey) Ltd	Jersey	100	Ordinary
Nedgroup Private Wealth Nominees (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Private Wealth Nominees (UK) Ltd	Isle of Man	100	Ordinary
Nedgroup Private Wealth Secretarial Ltd	Guernsey	100	Ordinary
Nedgroup Private Wealth Stockbrokers (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Secretariat Services (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Securities (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Structured Life Ltd	Republic of South Africa	100	Ordinary
Nedgroup Trust (IOM) Ltd	Isle of Man	100	Ordinary
Nedgroup Trust (Jersey) Ltd	Jersey	100	Ordinary
Nedgroup Trust (KZN) (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedgroup Trust Ltd	Republic of South Africa	100	Ordinary
Nedgroup Trust Ltd	Guernsey	100	Ordinary
Nedgroup Wealth Management (Pty) Ltd	Republic of South Africa	100	Ordinary
Nedinvest (pty) Ltd	Republic of South Africa	100	Ordinary
NedInvestments (Namibia) (Pty) Ltd	Namibia	100	Ordinary
Nedloans (Pty) Ltd	Namibia	100	Ordinary
NedNamibia Holdings Ltd	Namibia	100	Ordinary
NedNamibia Life Assurance Company Ltd	Namibia	100	Ordinary
NedPlan Insurance Brokers Namibia (Pty) Ltd	Namibia	100	Ordinary
Nedport Developments (Pty) Ltd	Republic of South Africa	100	Ordinary
NedProperties (Pty) Ltd	Namibia	100	Ordinary
NES Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
New Capital Properties Limited	Malawi	100	Ordinary
Newtown Leasing (Pty) Ltd	Republic of South Africa	100	Ordinary
NIB 61 Share Block (Pty) Limited	Republic of South Africa	100	Ordinary
NIB Blue Capital Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
NIB Mining Finance (Pty) Ltd	Namibia	100	Ordinary
NIB Nominees (Pty) Ltd	Republic of South Africa	100	Ordinary
Nitella (Pty) Ltd	Republic of South Africa	100	Ordinary
Northern Consortium SPV One Investments (Pty) Ltd	Namibia	100	Ordinary
Northern Consortium SPV Two Investments (Pty) Ltd	Namibia	100	Ordinary
Northern Empowerment SPV Three Investments (Pty) Limited	Namibia	100	Ordinary
Northern Empowerment SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
Oakleaf Investment Holding 83 (Pty) Limited	Republic of South Africa	77	Ordinary Class A and Class B shares, Class A preference shares and class B redeemable cumulative preference shares
Old ICM, Inc.	Maryland, USA	100	Ordinary
Old Mutual (Africa) Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual (Bermuda) Holdings Limited	Bermuda	100	Ordinary
Old Mutual (Bermuda) Re Limited	Bermuda	100	Ordinary
Old Mutual (Blantyre) Nominees Limited	Malawi	100	Ordinary
Old Mutual (Malawi) Limited	Malawi	100	Ordinary
Old Mutual (Namibia) Black Distributors Trust	Namibia	100	Ordinary
Old Mutual (Namibia) Discretionary Trust	Namibia	100	Ordinary
Old Mutual (Namibia) Management Incentive Trust	Namibia	100	Ordinary
Old Mutual (Netherlands) B.V	Netherlands	100	Ordinary
Old Mutual (South Africa) Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual (South Africa) Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual (South Africa) Share Trust	Republic of South Africa	100	Ordinary
Old Mutual (Swaziland) Investments (Pty) Limited	Swaziland	100	Ordinary
Old Mutual (Zimbabwe) Unclaimed Share Trust	Zimbabwe	100	Ordinary
Old Mutual 130/30 (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Actuaries & Consultants (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Administradora De Fondos De Pensiones y Cesantias S.A.	Colombia	100	Ordinary
Old Mutual Africa Private Equity Fund of Funds	Republic of South Africa	100	A shares
Old Mutual African Frontier FD	Ireland	100	B shares
Old Mutual Albaraka Balanced Fund	Republic of South Africa	22	A, B1, B0 and B2 shares
Old Mutual Alternative Investment Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Alternative Investments (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Alternative Investments (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Alternative Investments GP (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Alternative Risk Transfer Limited	Republic of South Africa	100	Ordinary
Old Mutual Alternative Solutions Limited	Republic of South Africa	100	Ordinary

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
Old Mutual Arbea Fund	England & Wales	28	Ordinary
Old Mutual Asian Equity Fund	England & Wales	90	Class A, A Income, B, C, I shares
Old Mutual Asistencia Profesional S.A de C.V.	Mexico	100	Ordinary
Old Mutual Asset Managers (East Africa) Limited	Kenya	100	Ordinary
Old Mutual Asset Managers (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Asset Managers Alternative Strategies	Ireland	99	A shares
Old Mutual Asset Solutions Limited ¹	England & Wales	100	Ordinary
Old Mutual Balanced Fund	Republic of South Africa	87	A, A3, B1, B2, C and R shares
Old Mutual Bermuda Business Services Inc.	Delaware, USA	100	Ordinary
Old Mutual Bond Fund	Republic of South Africa	66	B1, B2, C and R shares
Old Mutual Botswana Life Insurance Company (Pty) Ltd	Botswana	100	Ordinary
Old Mutual Business Services (Mauritius) Limited	Mauritius	100	Ordinary
Old Mutual Business Services Limited	England & Wales	100	Ordinary
Old Mutual Capital Builder Fund	Republic of South Africa	99	A1, B1, B2 and B3 shares
Old Mutual Capital Holding (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Capital Limited	Kenya	100	Ordinary
Old Mutual Capital Partners (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Capital, LLC	Delaware, USA	100	Ordinary
Old Mutual Cirilium Balanced Fund	England & Wales	33	Accumulation R and I shares
Old Mutual Cirilium Balanced Passive Fund	England & Wales	67	Accumulation shares
Old Mutual Cirilium Conservative Fund	England & Wales	38	Accumulation R and I shares
Old Mutual Cirilium Conservative Passive Fund	England & Wales	66	Accumulation shares
Old Mutual Cirilium Dynamic Fund	England & Wales	22	Accumulation R and I shares
Old Mutual Cirilium Dynamic Passive Fund	England & Wales	47	Accumulation shares
Old Mutual Cirilium Moderate Fund	England & Wales	23	Accumulation R and I shares
Old Mutual Cirilium Moderate Passive Fund	England & Wales	45	Accumulation shares
Old Mutual Cirilium Strategic Income Fund	England & Wales	43	Income R and I shares
Old Mutual Compania De Seguros de Vida S.A.	Colombia	100	Ordinary
Old Mutual Core Diversified Fund	Republic of South Africa	98	A, A2, B1 and B2 shares
Old Mutual CoreGrowth Product	Republic of South Africa	100	Ordinary
Old Mutual Corporate Real Estate Asset Management (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Credit Investments Holdings (Pty) Ltd	Republic of South Africa	100	Ordinary
Old Mutual Customised Solutions (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Deuda Corto Plazo S.A. de C.V. Sociedad de inversion en Instrumentos de Deuda	Mexico	100	Ordinary
Old Mutual Deuda Estrategica S.A. de C.V. Sociedad de Inversion en Instrumentos de Deuda	Mexico	100	Ordinary
Old Mutual Dividend Access Company (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Dividend Access Trust	Republic of South Africa	100	Ordinary
Old Mutual Dynamic Floor Fund	Republic of South Africa	83	A1, B1, B2 and C shares
Old Mutual Emerging Markets Limited	Republic of South Africa	100	Ordinary
Old Mutual Emerging Markets Local Currency Debt	Ireland	85	A shares
Old Mutual Enhanced Income Fund	Republic of South Africa	67	A1, B1, B2, B3, B4 and C shares
Old Mutual Europe Ex UK Smaller companies Fund	England & Wales	65	A, I, R, R Income, R Hedged, U1, U1 Hedged, U2 shares
Old Mutual Europe GmbH ¹	Germany	100	Ordinary
Old Mutual European Best Ideas	England & Wales	68	Class A, A Income, C, I, R and U2 shares
Old Mutual Finance (Pty) Limited	Republic of South Africa	75	Ordinary shares and Class B and Class D redeemable cumulative preference shares
Old Mutual Finance House 1 (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Financial Services (UK) Limited	England & Wales	100	Ordinary
Old Mutual Financial Services Botswana (Pty) Limited	Botswana	100	Ordinary
Old Mutual Financial Services Fund	Republic of South Africa	29	A, B2 and R shares
Old Mutual Flexible Fund	Republic of South Africa	88	A1, B1, B2, C and R shares
Old Mutual Foundation (Charitable Trust)	Namibia	100	Ordinary
Old Mutual Foundation Management (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Foundation Trust	Zimbabwe	100	Ordinary
Old Mutual Fund Administration Services (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Fund Managers (Guernsey) Limited	Guernsey	100	Ordinary
Old Mutual Fund Managers (Guernsey) PCC Limited	Guernsey	100	Ordinary

Name	Country of incorporation	Percentage holding	Shareholding
Old Mutual Fund Managers Limited	England & Wales	100	Ordinary
Old Mutual Fund Services	Pennsylvania, USA	100	Ordinary
Old Mutual Funding Company (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual FundsNet Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Global Aggregate Bond Fund	Ireland	91	A and C shares
Old Mutual Global Bond	England & Wales	24	Class A, A Income, A Hedged, B, B Income, C, C Income, S Income shares
Old Mutual Global Currency Feeder Fund	Republic of South Africa	49	A1, B1, B2 and C shares
Old Mutual Global Currency Fund	Ireland	75	A, B and C shares
Old Mutual Global Emerging Market Fund	Republic of South Africa	86	A, B1, B2, B3 and C shares
Old Mutual Global Emerging Markets	England & Wales	64	A, B, B Income, C, I, S, U2, R shares
Old Mutual Global Equity Fund	Republic of South Africa	43	A1, B1, B2, C and R shares
Old Mutual Global FTSE RAFI Index Feeder Fund	Republic of South Africa	36	A, B1, B2 and C shares
Old Mutual Global Index Trackers (UK) Limited	England & Wales	100	Ordinary
Old Mutual Global Investors (Asia Pacific) Limited	Hong Kong	100	Ordinary
Old Mutual Global Investors (UK) Limited	England & Wales	100	Ordinary
Old Mutual Global Investors Holdings Limited	England & Wales	100	Ordinary
Old Mutual Global REIT Fund	Ireland	77	A and C shares
Old Mutual Group Holdings (SA) (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Health Insurance Limited	Republic of South Africa	100	Ordinary
Old Mutual High Yield Opportunity Fund	Republic of South Africa	54	A, B and C shares
Old Mutual Holding Company (Ghana) Limited	Ghana	100	Ordinary
Old Mutual Holding De Colombia S.A.	Colombia	94	Ordinary
Old Mutual Holdings (Bahamas) Limited	Bahamas	100	Ordinary
Old Mutual Holdings (Guernsey) Limited	Guernsey	100	Ordinary
Old Mutual Holdings (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Holdings Limited	Kenya	100	Ordinary
Old Mutual Income Fund	Republic of South Africa	31	A3, B1, B3, C and R shares
Old Mutual Industrial Fund	Republic of South Africa	26	A2, B2 and R shares
Old Mutual Institutional Money Market Fund	Republic of South Africa	86	B1 and B2 shares
Old Mutual Insurance Company (Private) Limited	Zimbabwe	100	Ordinary
Old Mutual Interest Plus Fund	Republic of South Africa	83	A, B1, B3, B5 and C shares
Old Mutual Internal Growth Global Equity	Ireland	99	A shares
Old Mutual International (Guernsey) Limited	Guernsey	100	Ordinary
Old Mutual International (Ireland) Limited	Ireland	100	Ordinary
Old Mutual International (Middle East) Limited	Dubai	100	Ordinary
Old Mutual International Business Services Limited	Isle of Man	100	Ordinary
Old Mutual International Growth Fund of Funds	Republic of South Africa	28	A, B1 and C shares
Old Mutual International Holdings Limited	Isle of Man	100	Ordinary
Old Mutual International Ireland Limited	Ireland	100	Ordinary
Old Mutual International Isle of Man Limited	Isle of Man	100	Ordinary
Old Mutual International Trust Company Limited	Isle of Man	100	Ordinary
Old Mutual Investment Administrators (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Investment Grade Corporate Bond	England & Wales	71	A, A Income, A Hedged, C, U2 Hedged, I, S Hedged shares
Old Mutual Investment Group (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Investment Group (Pty) Limited	Republic of South Africa	100	Ordinary shares and Class A, B, C, D, E, F, H and I ordinary par value shares
Old Mutual Investment Group Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Investment Group Limited	Malawi	100	Ordinary
Old Mutual Investment Group Limited (Kenya)	Kenya	100	Ordinary
Old Mutual Investment Group Swaziland (Pty) Limited	Swaziland	100	Ordinary
Old Mutual Investment Group Zimbabwe (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Investment Management Limited	England & Wales	100	Ordinary
Old Mutual Investment Partners	Pennsylvania, USA	100	Ordinary
Old Mutual Investment Services (Kenya) Limited	Kenya	100	Ordinary
Old Mutual Investment Services (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Investment Services (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Investment Services Nominees (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Investment Services Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Japanese Equity	England & Wales	52	Accumulation A, P, R, U1 and U2 shares
Old Mutual Life Assurance Co (Swaziland) Limited	Swaziland	85	Ordinary
Old Mutual Life Assurance Company (Ghana) Limited	Ghana	100	Ordinary
Old Mutual Life Assurance Company (Malawi) Limited	Malawi	100	Ordinary
Old Mutual Life Assurance Company (Namibia) Limited	Namibia	100	Ordinary
Old Mutual Life Assurance Company (South Africa) Limited	Republic of South Africa	100	Ordinary
Old Mutual Life Assurance Company (South Africa) Limited – Guernsey Branch	Guernsey	100	Ordinary
Old Mutual Life Assurance Company (South Africa) Limited – Hong Kong Branch	Hong Kong	100	Ordinary
Old Mutual Life Assurance Company (South Africa) Limited – Isle of Man Branch	England & Wales	100	Ordinary
Old Mutual Life Assurance Company Limited	Kenya	63	Ordinary

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
Old Mutual Life Assurance Company Limited	Ghana	100	Ordinary
Old Mutual Life Assurance Company Zimbabwe Limited	Zimbabwe	100	Ordinary
Old Mutual Life S.A. de C.V.	Mexico	100	Ordinary
Old Mutual Liq Macro Fund	England & Wales	99	Ordinary
Old Mutual Local Currency Emerging Market Debt Fund	England & Wales	70	Class A, A Income, B, B Income, C, C Income, I, U2 shares
Old Mutual Maximum Return Fund of Funds	Republic of South Africa	80	A, B1, B2 and C shares
Old Mutual Medium Term Incentive Trust	Republic of South Africa	100	Ordinary
Old Mutual Metis Alternative Fund (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Metis Alternative Fund Trust	Republic of South Africa	100	Ordinary
Old Mutual Metis Alternative Trust	Republic of South Africa	100	C and L shares
Old Mutual Mid & Small-Cap Fund	Republic of South Africa	24	A, B1, B2 and R shares
Old Mutual Mining and Resources Fund	Republic of South Africa	37	A, B1, B2, C and R shares
Old Mutual Money Market Fund	Republic of South Africa	78	A, A2, B1, B2, B3, B5 and C shares
Old Mutual Monthly income High yield Bond Fund	England & Wales	91	A, A Income, X Hedged, N Income, R Income shares
Old Mutual MSCI Africa ex-South Africa Index Fund	Ireland	100	G, H and I shares
Old Mutual Multi-Managers Aggressive Balanced FoF	Republic of South Africa	94	A and B4 shares
Old Mutual Multi-Managers Balanced Fund of Funds	Republic of South Africa	94	A, B2, B4, C and C2 shares
Old Mutual Multi-Managers Cautious Fund of Funds	Republic of South Africa	89	A, B4 and C shares
Old Mutual Multi-Managers Defensive Fund of Funds	Republic of South Africa	91	A, B2, B4, C and C2 shares
Old Mutual Multi-Managers Enhanced Income FoF	Republic of South Africa	94	B4, C2, A and C shares
Old Mutual Multi-Managers Equity Fund of Funds	Republic of South Africa	93	A, B2, B4, C and C2 shares
Old Mutual Multi-Managers Income Fund No. 1	Republic of South Africa	100	B1 and B3 shares
Old Mutual Multi-Managers Income Fund No. 2	Republic of South Africa	100	B1 and B3 shares
Old Mutual Multi-Managers Income Fund No. 3	Republic of South Africa	99	B1, B2 and B3 shares
Old Mutual Multi-Managers Income Fund No. 4	Republic of South Africa	100	B1, B2 and B3 shares
Old Mutual Multi-Managers Income Fund No. 5	Republic of South Africa	100	B1, B2 and B3 shares
Old Mutual Multi-Managers Inflation Plus Fund No.3	Republic of South Africa	100	B1 and B2 shares
Old Mutual Multi-Managers Inflation Plus Fund No.4	Republic of South Africa	100	B1, B2 and B3 shares
Old Mutual Multi-Managers Inflation Plus Fund No.5	Republic of South Africa	100	B1 and B2 shares
Old Mutual Multi-Managers Inflation Plus Fund No.6	Republic of South Africa	100	B1, B2 and B3 shares
Old Mutual Multi-Managers Inflation Plus Fund No.7	Republic of South Africa	100	B1 and B2 shares
Old Mutual Multi-Managers Maximum Return FoF	Republic of South Africa	87	A and B4 shares
Old Mutual Multi-Managers Money Market Fund	Republic of South Africa	100	A, B4 and C shares
Old Mutual Multi-Mgrs Property Equity Fund No.1	Republic of South Africa	100	B1 and B3 shares
Old Mutual Multi-Mgrs Satellite Equity Fund No. 1	Republic of South Africa	100	B1, B2, B3 and B5 shares
Old Mutual Multi-Mgrs Satellite Equity Fund No. 2	Republic of South Africa	100	B1, B2, B3 and B5 shares
Old Mutual Multi-Mgrs Satellite Equity Fund No. 3	Republic of South Africa	100	B1, B2, B3 and B5 shares
Old Mutual Multi-Mgrs Satellite Equity Fund No. 4	Republic of South Africa	100	B1, B2 and B3 shares
Old Mutual Multi-Strategy (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Multi-Strategy Trust	Republic of South Africa	100	Ordinary
Old Mutual Multi-Style Global Equity	Ireland	100	A and C shares
Old Mutual Namibia Dividend Access Trust	Namibia	100	Ordinary
Old Mutual Nigeria General Insurance Company Limited	Nigeria	70	Ordinary
Old Mutual Nigeria Life Assurance Company Limited	Nigeria	70	Ordinary
Old Mutual Nigeria Services Company Limited	Nigeria	100	Ordinary
Old Mutual Nominees (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Nominees (Swaziland) (Pty) Limited	Swaziland	100	Ordinary
Old Mutual North American Equity Fund	England & Wales	27	Accumulation A, P, R, U1 and U2 shares
Old Mutual Operadora De Fondos S.A. De C.V. Sociedad Operadora de Sociedades de Inversión	Mexico	100	Ordinary
Old Mutual Opportunities Global Equity	Ireland	60	A and C shares
Old Mutual Pan African Fund	England & Wales	97	A, R, U3 shares
Old Mutual Pension Services Company Limited	Malawi	100	Ordinary
Old Mutual Planeación Financiera S.A.	Colombia	100	Ordinary
Old Mutual Premium Equity Fund	Republic of South Africa	100	B1 and B3 shares
Old Mutual Properties (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Properties Limited	Kenya	100	Ordinary
Old Mutual Property (Pty) Limited	Republic of South Africa	100	Ordinary shares and Class A ordinary par value shares

Name	Country of incorporation	Percentage holding	Shareholding
Old Mutual Property Investment Corporation (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Property Zimbabwe (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual QUA (PTY) Limited	Republic of South Africa	100	Ordinary
Old Mutual RAFI 40 Tracker Fund	Republic of South Africa	86	A, B1, B2 and C shares
Old Mutual Real Estate Holding Company (Pty) Ltd	Republic of South Africa	100	Ordinary
Old Mutual Real Estate Zimbabwe (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Real Income fund	Republic of South Africa	62	A, B1, B2 and C shares
Old Mutual Reassurance (Ireland) Limited ¹	Ireland	100	Ordinary
Old Mutual Renta Variable Estrategica, S.A. de C.V. Sociedad de Inversion de Renta Variable	Mexico	100	Ordinary
Old Mutual Renta Variable Mexico S.A. de C.V. Sociedad de Inversion de Renta Variable	Mexico	100	Ordinary
Old Mutual S.A. de C.V.	Mexico	100	Ordinary
Old Mutual SA Quoted Property Fund	Republic of South Africa	75	A, B1, B2, B4, C and C3 shares
Old Mutual Securities (Pvt) Limited	Zimbabwe	70	Ordinary
Old Mutual Securities Limited	Kenya	70	Ordinary
Old Mutual Securities Nominees (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Servicios Mexico S.A. de C.V.	Mexico	100	Ordinary
Old Mutual Shared Services (Pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Short Term Insurance Company (Namibia) Limited	Namibia	100	Ordinary
Old Mutual Short-Term Insurance (Botswana) Limited	Botswana	100	Ordinary
Old Mutual Sociedad Fiduciaria S.A.	Colombia	100	Ordinary
Old Mutual South Africa Equity Trust	Massachusetts, USA	100	Ordinary
Old Mutual Specialised Finance (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Specialty Insurance Limited	Mauritius	100	Ordinary
Old Mutual Stable Growth Fund	Republic of South Africa	88	A, B1, B2, B3 and C shares
Old Mutual Swaziland (Pty) Limited	Swaziland	99	Ordinary
Old Mutual Technology Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Top 40 Fund	Republic of South Africa	34	A, A12 and B1 shares
Old Mutual Top Companies Fund	Republic of South Africa	53	A, B1, B2, C and R shares
Old Mutual Transaction Services (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Transactional Services (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Trust (Namibia) Limited	Namibia	100	Ordinary
Old Mutual Trust Company Ltd	Ghana	100	Ordinary
Old Mutual Trust Ltd	Republic of South Africa	100	Ordinary
Old Mutual Unit Trust Company (Malawi) Limited	Malawi	100	Ordinary
Old Mutual Unit Trust Management Co. (pvt) Limited	Zimbabwe	100	Ordinary
Old Mutual Unit Trust Management Company (Namibia) Limited	Namibia	100	Ordinary
Old Mutual Unit Trust Managers Limited	Republic of South Africa	100	Ordinary
Old Mutual Unit Trusts (Pty) Limited	Swaziland	100	Ordinary
Old Mutual US Dividend	England & Wales	42	A Income, A, A Hedged, B, B Income, C, C Income, I, I Income, R Income, S, U2 shares
Old Mutual VAF (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual VAF 2 (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual VAF 2 Trust	Republic of South Africa	100	Ordinary
Old Mutual VAF 3 (Pty) Limited	Republic of South Africa	100	C and L shares
Old Mutual VAF 3 (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual VAF 3 Trust	Republic of South Africa	100	Ordinary
Old Mutual VAF Trust	Republic of South Africa	100	Ordinary
Old Mutual Valores S.A. Comisionista de Bolsa	Colombia	100	Ordinary
Old Mutual Value Global Equity	Ireland	100	A shares
Old Mutual Voyager International Conservative Fund	England & Wales	45	Ordinary
Old Mutual Wealth (Namibia) (Pty) Limited	Namibia	100	Ordinary
Old Mutual Wealth Business Services Limited	England & Wales	100	Ordinary
Old Mutual Wealth Holdings Limited	England & Wales	100	Ordinary
Old Mutual Wealth Italy S.p.A.	Italy	100	Ordinary
Old Mutual Wealth Life & Pensions Limited	England & Wales	100	Ordinary
Old Mutual Wealth Life Assurance Limited	England & Wales	100	Ordinary
Old Mutual Wealth Limited	England & Wales	100	Ordinary
Old Mutual Wealth Management Limited ¹	England & Wales	100	Ordinary
Old Mutual Wealth Nominees Limited	England & Wales	100	Ordinary
Old Mutual Wealth NTS Limited	England & Wales	100	Ordinary
Old Mutual Wealth Pensions Trustee Limited	England & Wales	100	Ordinary
Old Mutual Wealth Private Client Advisers Limited	England & Wales	100	Ordinary
Old Mutual Wealth Proprietary Limited	Republic of South Africa	100	Ordinary
Old Mutual Wealth Services Company Proprietary Limited	Republic of South Africa	100	Ordinary
Old Mutual Wealth Trust Company (Pty) Limited	Republic of South Africa	100	Ordinary
Old Mutual Wealth UK Holding Limited	England & Wales	100	Ordinary
Old Mutual Woodford Equity Income	England & Wales	100	Ordinary
Old Mutual World Equity	England & Wales	22	Class A, B, C, I and S shares
Old Mutual Zimbabwe Dividend Access Trust	Zimbabwe	100	Ordinary
Old Mutual Zimbabwe Limited	Zimbabwe	75	Ordinary
Old Mutual Zimbabwe Nominees (Pvt) Limited	Zimbabwe	100	Ordinary
OLD VAF 2 (Pty) Ltd	Republic of South Africa	72	C and L shares
OM Aberdeen Asia Pacific Fund	England & Wales	100	Accumulation A and U2 shares
OM Artemis Income Fund	England & Wales	100	Income A, U2, Accumulation U2 shares

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
OM Artemis UK Special Situations Fund	England & Wales	100	Accumulation A and U2 shares
OM Asia Pacific Fund	England & Wales	32	Accumulation A, P, R, U1 and U2 shares
OM Asset Management plc	England & Wales	66	Ordinary
OM Blackrock Gold & General Fund	England & Wales	100	Accumulation A, U2 and Income U2 shares
OM BlackRock UK Special Situations Fund	England & Wales	100	Accumulation A and U2 shares
OM Bond 1 Fund	England & Wales	100	Income A shares
OM Bond 2 Fund	England & Wales	100	Accumulation A and Income A shares
OM Bond 3 Fund	England & Wales	100	Income A and R shares
OM Botswana Holdco Limited	England & Wales	100	Ordinary
OM Corporate Member Limited	England & Wales	100	Ordinary
OM Equity 1 Fund	England & Wales	100	Accumulation A shares
OM Equity 2 Fund	England & Wales	100	Accumulation A shares
OM Ethical Fund	England & Wales	76	Accumulation A and R shares
OM European Equity (ex UK) Fund	England & Wales	51	Accumulation A, P, R, U1 and U2 shares
OM Fidelity Global Focus Fund	England & Wales	98	Accumulation A and U2 shares
OM Fidelity Moneybuilder Income Fund	England & Wales	100	Accumulation U2, Income A and U2 shares
OM Fidelity Strategic Bond Fund	England & Wales	100	Accumulation U2, Income A and U2 shares
OM Foundation 3 Fund	England & Wales	89	Accumulation A, R, U1, O, Income R and U1 shares
OM Foundation 4 Fund	England & Wales	100	Accumulation A, R, U1, O shares
OM Foundation 5 Fund	England & Wales	100	Accumulation A, R, U1, O shares
OM Generation Target 3:4 Fund	England & Wales	86	Income A, R, U1 and U2 shares
OM Generation Target 4:4 Fund	England & Wales	98	Income A, R, U1 and U2 shares
OM Gilt Fund	England & Wales	99	Accumulation A, U2, Income A, R, U2 shares
OM Global Best Ideas Fund	England & Wales	69	Accumulation A, R, U1 and U2 shares
OM Global Equity Fund	England & Wales	37	Accumulation A, P, R, U1 and U2 shares
OM Global Property Securities Fund	England & Wales	80	Income A, R, Accumulation A shares
OM Global Strategic Bond Fund	England & Wales	28	Accumulation A, Income A and R shares
OM Group (UK) Limited ¹	England & Wales	100	Ordinary
OM Henderson China Opportunities Fund	England & Wales	100	Accumulation A and U2 shares
OM Henderson European Growth Fund	England & Wales	100	Accumulation A and U2 shares
OM Invesco Perpetual Asian Fund	England & Wales	100	Accumulation A and U2, Income U2 shares
OM Invesco Perpetual Corporate Bond Fund	England & Wales	100	Accumulation U2, Income A and U2 shares
OM JPM Emerging Markets Fund	England & Wales	100	Accumulation A and U2, Income U2 shares
OM JPM Natural Resources Fund	England & Wales	100	Accumulation A and U2 shares
OM Latin America Holdco UK Limited	England & Wales	100	Ordinary
OM Monthly Income Bond Fund	England & Wales	74	Accumulation A, Income A, Income P, Accumulation P, Income R, Accumulation R, Accumulation U1, Income U1, Accumulation U2 shares
OM Newton Global Higher Income Fund	England & Wales	100	Income A and U2, Accumulation U2 shares
OM Newton Higher Income Fund	England & Wales	100	Accumulation U2, Income A shares
OM North American Equity Fund	England & Wales	33	Class A, B, C, I, R and S shares
OM Portfolio Holdings (South Africa) (Pty) Limited	Republic of South Africa	100	Ordinary
OM Portfolio Holdings Zimbabwe Limited	Zimbabwe	100	Ordinary
OM Schroder Tokyo Fund	England & Wales	99	Accumulation A and U2, Income U2
OM Schroder US Mid Cap Fund	England & Wales	99	Accumulation A and U2, Income U2
OM Seed Investment (UK) Limited	England & Wales	100	Ordinary
OM Spectrum 3 Fund	England & Wales	91	Accumulation A, R, U1 and U2 shares
OM Spectrum 4 Fund	England & Wales	91	Accumulation A, R, U1 and U2 shares
OM Spectrum 5 Fund	England & Wales	92	Accumulation A, R, U1 and U2 shares
OM Spectrum 6 Fund	England & Wales	91	Accumulation A, R, U1 and U2 shares
OM Spectrum 7 Fund	England & Wales	90	Accumulation A, R, U1 and U2 shares
OM Spectrum 8 Fund	England & Wales	88	Accumulation A, R, U1, U2 and U3 shares
OM Threadneedle American Select Fund	England & Wales	100	Accumulation A shares
OM Threadneedle European Select Fund	England & Wales	99	Accumulation A and U2 shares
OM Threadneedle High Yield Bond Fund	England & Wales	100	Income A and U2, accumulation U2 shares
OM UK Alpha Fund	England & Wales	17	Accumulation A, R, U1, U2, X, Income A, R, U1 and U2 shares

Name	Country of incorporation	Percentage holding	Shareholding
OM UK Equity Income Fund	England & Wales	50	Accumulation A, P, R, U1, U2, Income A, P, R, U1 shares
OM UK Index Fund	England & Wales	100	Accumulation A, R and U2 shares
OM UK Opportunities Fund	England & Wales	40	Accumulation A, R, U1 shares
OM Voyager Diversified Fund	England & Wales	98	Accumulation A and R shares
OM Voyager Global Dynamic Equity Fund	England & Wales	99	Accumulation A and R shares
OM Voyager International Diversified Fund	England & Wales	70	Accumulation A shares
OM Voyager International Growth Fund	England & Wales	82	Accumulation A shares
OM Voyager Strategic Bond Fund	England & Wales	90	Accumulation A, P, R, U1, U2, Income A, P, R, U1, U2 shares
OM World Index Fund	England & Wales	100	Accumulation U2 shares
OM Zimbabwe Holdco Limited	England & Wales	100	Ordinary
OMAM (HFL) Inc.	Delaware, USA	100	Ordinary
OMAM Affiliate Holdings LLC	Delaware, USA	100	Ordinary
OMAM Axiom Investments (Pty) Limited	Republic of South Africa	100	Ordinary
OMAM Charitable Foundation Inc.	Massachusetts, USA	100	Ordinary
OMAM Holdings Ltd	England & Wales	100	Ordinary
OMAM Inc.	Delaware, USA	100	Ordinary
OMAM Intermediary (Analytic) LLC	Delaware, USA	100	Ordinary
OMAM Intermediary (BHMS) LLC	Delaware, USA	100	Ordinary
OMAM International Ltd	England & Wales	100	Ordinary
OMAM Marketing, LLC	Delaware, USA	100	Ordinary
OMAM UK, Limited	England & Wales	100	Ordinary
OMAM US, Inc.	Delaware, USA	100	Ordinary
OMAMTC Holding Company	Delaware, USA	100	Ordinary
OMF (IOM) Limited	Isle of Man	100	Ordinary
OMFS (GGP) Limited	England & Wales	100	Ordinary
OMFS Company 1 Limited	England & Wales	100	Ordinary
OMGI Switzerland LLC	Switzerland	100	Ordinary
OM-Heitman Sponsored Fund Investors LLC	Delaware, USA	100	Ordinary
OMIGSA Alternative Assets Trust	Republic of South Africa	100	Ordinary
OMIGSA Alternative Strategies plc	Ireland	100	Ordinary
OMIGSA Black Management Trust	Republic of South Africa	100	Ordinary
OMIGSA BM Holdings (Pty) Limited	Republic of South Africa	100	Ordinary
OMIGSA Green Hands Trust	Republic of South Africa	100	Ordinary
OMIGSA Imfundo Trust	Republic of South Africa	100	Ordinary
OMIGSA International Private Equity fund of funds	Republic of South Africa	100	A and B shares
OMIGSA International Private Equity fund of funds 2	Republic of South Africa	95	C and F shares
OMIGSA Management Company Limited	Ireland	100	Ordinary
OMIGSA Management Trust	Republic of South Africa	100	Ordinary
OMIGSA New Retail Fund II Trust	Republic of South Africa	100	Ordinary
OMIGSA Select Equity 130/30 Trust	Republic of South Africa	100	Ordinary
OMLA Holdings Limited	England & Wales	100	Ordinary
OMLACSA (Ideas) Limited Partner	Republic of South Africa	100	Ordinary
OMLB, Inc.	Delaware, USA	100	Ordinary
OMP Africa Holding Company (Pty) Ltd	Republic of South Africa	100	Ordinary
OMP Africa Investment (Pty) Ltd	Republic of South Africa	100	Ordinary
OMPE Fund IV Co-Investment Trust	Republic of South Africa	100	Ordinary
OMPLC Brands AB ¹	Sweden	100	Ordinary
OMQI Managed Alpha GP (Pty) Ltd	Republic of South Africa	100	Ordinary
OMSA Broad-Based Employee Share Trust	Republic of South Africa	100	Ordinary
OMSA Management Incentive Trust	Republic of South Africa	100	Ordinary
Onote Limited	England & Wales	100	Ordinary
Onrus Manor (Pty) Ltd	Republic of South Africa	100	Ordinary
Oryx Management Services (Pty) Limited	Republic of South Africa	90	Ordinary
Pacific Financial Research, Inc.	Massachusetts, USA	100	Ordinary
Pacific West LogCo, LLC	Delaware, USA	100	Ordinary
Pamela J Cum & Associates (Pty) Limited	Republic of South Africa	100	Ordinary
Pembroke Quilter (Ireland) Nominees Limited	Ireland	100	Ordinary
Penrose Bidco Limited	Jersey	100	Ordinary
Penrose Midco Limited	Jersey	100	Ordinary
Penrose Topco Limited	Jersey	100	Ordinary
Peoples Mortgage Ltd	Republic of South Africa	100	Ordinary and cumulative redeemable preference shares
Positive Solutions (Financial Services) Limited	England & Wales	100	Class A and Class B ordinary shares
Prestige College OPCO (RF) NPC	Republic of South Africa	100	Ordinary
Proclare (Pty) Ltd	Republic of South Africa	100	Ordinary
Pyraned Ltd	Republic of South Africa	100	Ordinary and cumulative redeemable preference shares
QGCI Nominees Limited	Jersey	100	Ordinary
QUILPEP Nominees Limited	England & Wales	100	Ordinary
Quilter Cheviot Holdings Limited	England & Wales	100	Ordinary
Quilter Cheviot Limited	England & Wales	100	Ordinary
Quilter Fund Management Limited	England & Wales	100	Ordinary
Quilter Nominees Limited	England & Wales	100	Ordinary
Rainbow Beach Trading 180 (Pty) Limited	Republic of South Africa	100	Ordinary
Real Living Spaces (Pty) Limited (RF)	Republic of South Africa	100	Ordinary

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

Name	Country of incorporation	Percentage holding	Shareholding
RM Insurance Holdings Limited	Zimbabwe	51	Ordinary
RMB Holdings Limited	Jersey	100	Ordinary
Rodina Investments (Pty) Limited	Republic of South Africa	100	Ordinary
Rogge Alternative Investment Company Limited	England & Wales	100	Ordinary
Rogge Global Partners Asia (Pte) Limited	Singapore	100	Ordinary
Rogge Global Partners Plc	England & Wales	79	Ordinary
Rogge Global Partners, Inc.	Delaware, USA	100	Ordinary
Royal Deal Operations Company (RF) NPC	Republic of South Africa	100	Ordinary
RTC Acquisition Company, LLC	Delaware, USA	100	Ordinary
SA Axle Finance (Pty) Ltd	Republic of South Africa	66	Ordinary
Salestalk 298 (Pty) Limited	Republic of South Africa	100	Ordinary
School and Education Grant Impact Fund of South Africa NPC (RF) (Pty) Limited	Republic of South Africa	100	Ordinary
Seaside SPV One Investments (Pty) Limited	Namibia	100	Ordinary
Seaward Development (Pty) Ltd	Republic of South Africa	100	Ordinary
Selestia Investments Limited	England & Wales	100	Ordinary
Selestia Services Limited	England & Wales	100	Ordinary
Sentrasure Limited	Republic of South Africa	100	Ordinary
Sion Hall Services Limited	England & Wales	100	Ordinary
Sirach Capital Management, Inc.	Washington, USA	100	Ordinary
SIS Nominees (Pty) Limited	Republic of South Africa	100	Ordinary
Skandia America LLC	Delaware, USA	100	Ordinary
Skandia Continental Europe Holdings SA	Luxembourg	100	Ordinary
Skandia Global Investments S.A.	Colombia	100	Ordinary
Skandia Retail Europe Holding GmbH	Germany	100	Ordinary
Skandia UK Limited ¹	England & Wales	100	Ordinary
SMK Nominees (Pty) Ltd	Republic of South Africa	100	Ordinary
Soetwater Wind Farm	Republic of South Africa	50	Ordinary
Southern Consortium SPV One Investments (Pty) Limited	Namibia	100	Ordinary
Southern Consortium SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
Southern Diversified LogCo. LLC	Delaware, USA	100	Ordinary
Spectrum Nominees Ltd	Guernsey	100	Ordinary
Spice Finance (Pty) Limited	Republic of South Africa	100	Ordinary
Spice Insurance Limited	Republic of South Africa	100	Ordinary
Stella Business Park Owners Association (NPC)	Republic of South Africa	100	Ordinary
Strategic Implementation Services Administration (Pty) Limited	Republic of South Africa	100	Ordinary
Strategic Investment Services Life Company Limited	Republic of South Africa	100	Ordinary
Strategic Investment Services Management Company Limited	Republic of South Africa	100	Ordinary
Swaziland Automated Electronic Clearing House	Swaziland	20	Ordinary
Swaziland Balanced Fund	Swaziland	91	A, B, C and D shares
Swaziland Money market fund	Swaziland	45	A, B, C and D shares
Syfrets Ltd	Republic of South Africa	100	Ordinary
Syfrets Mortgage Nominees (RF) (Pty) Ltd	Republic of South Africa	100	Ordinary
Syfrets Nominees Ltd	Republic of South Africa	100	Ordinary
Syfrets Participation Bond Managers (Pty) Ltd	Republic of South Africa	100	Ordinary
Syfrets Property Brokers (Pty) Ltd	Republic of South Africa	100	Ordinary
Syfrets Securities Ltd	Republic of South Africa	100	Ordinary
Syfrets Securities Nominees (Pty) Ltd	Republic of South Africa	100	Ordinary
Syfrets Trust & Executor (Eastern Cape) Ltd	Republic of South Africa	100	Ordinary
Syfrets Trust & Executor (Grahamstown) Co. Ltd	Republic of South Africa	100	Ordinary
TC&I-Chinook Log Corp	Delaware, USA	100	Ordinary
TC&I-Chinook Manager LLC	Delaware, USA	100	Ordinary
TC&I-Shasta Manager LLC	Delaware, USA	100	Ordinary
TCG L&C GP, LLC (DE)	Delaware, USA	100	Ordinary
TCG L&C, LLC (DE)	Delaware, USA	100	Ordinary
TCG/Southern Diversified Manager, LLC	Delaware, USA	100	Ordinary
TCG-FSA, LLC	Delaware, USA	100	Ordinary
Telle Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
The Board of Executors	Republic of South Africa	100	Ordinary
The Board of Executors Mortgages (Pty) Ltd	Republic of South Africa	100	Ordinary
The C.O.C. Trust Company Ltd	Republic of South Africa	100	Ordinary

Name	Country of incorporation	Percentage holding	Shareholding
The Campbell Group, Inc.	Delaware, USA	100	Ordinary
The Colonial Orphan Chamber & Trust Company	Republic of South Africa	100	Ordinary
The Correlation Fund (Pty) Limited	Republic of South Africa	100	Ordinary
The Correlation Fund (Pty) Limited	Republic of South Africa	100	C and L shares
The Correlation Fund Trust	Republic of South Africa	100	Ordinary
The General Estate & Orphan Chamber	Republic of South Africa	100	Ordinary
The IR Company	Illinois, USA	100	Ordinary
The Masisizane Fund	Republic of South Africa	100	Ordinary
The Motor Finance Corporation (Pty) Ltd	Republic of South Africa	100	Ordinary
The Mutual & Federal Black Broker Trust	Republic of South Africa	100	Ordinary
The Mutual & Federal Community Trust	Republic of South Africa	100	Ordinary
The Mutual & Federal Management Incentive Trust	Republic of South Africa	100	Ordinary
The Mutual & Federal Namibia Discretionary Trust	Namibia	100	Ordinary
The Mutual & Federal Namibia Management Incentive Trust	Namibia	100	Ordinary
The Mutual & Federal Namibia Senior Black Management Incentive Trust	Namibia	100	Ordinary
The Mutual & Federal Senior Black Management Trust	Republic of South Africa	100	Ordinary
The Old Mutual (South Africa) Foundation	Republic of South Africa	100	Ordinary
The Old Mutual Black Distributors Trust	Republic of South Africa	100	Ordinary
The Old Mutual Education Trust	Republic of South Africa	100	Ordinary
The South African Association	Republic of South Africa	100	Ordinary
The Waterbuck Trust	Republic of South Africa	51	Ordinary
Thembokwesi SPV (Pty) Limited	Republic of South Africa	100	Ordinary
Think Synergy Limited	England & Wales	100	Ordinary
Thompson, Siegel & Walmsley LLC	Virginia, USA	74	Ordinary
Three Anchor Investments (Pvt) Limited	Zimbabwe	100	Ordinary
Toontjiesrivier Landgoed (Edms) Bpk	Republic of South Africa	100	Ordinary
Triangle Real Estate Fund (Pty) Limited	Republic of South Africa	100	Ordinary
TS&W Investment GP LLC	Delaware, USA	100	Ordinary
UAM Columbia Holdings, LLC	Delaware, USA	100	Ordinary
UAM Columbia Holdings, LLC	Delaware, USA	100	Ordinary
UAM Retirement Plan Services, Inc.	Delaware, USA	100	Ordinary
UAM UK Holdings Limited	Scotland	100	Ordinary
UAM/CEPS 1, LLC	Delaware, USA	100	Ordinary
UAP Africa Limited	Mauritius	100	Ordinary
UAP Credit Services	Kenya	100	Ordinary
UAP Financial Services Limited	Uganda	94	Ordinary
UAP Global Services	Mauritius	100	Ordinary
UAP Holdings Limited	Kenya	61	Ordinary
UAP Insurance Company Limited	Kenya	100	Ordinary
UAP Insurance Rwanda Limited	Rwanda	100	Ordinary
UAP Insurance South Sudan Limited	South Sudan	100	Ordinary
UAP Insurance Tanzania Limited	Tanzania	60	Ordinary
UAP Insurance Uganda Limited	Uganda	53	Ordinary
UAP Investments Limited	Kenya	100	Ordinary
UAP Investments Limited	Mauritius	100	Ordinary
UAP Life Assurance Limited	Kenya	100	Ordinary
UAP Life Assurance Uganda Limited	Uganda	53	Ordinary
UAP Properties Limited	Kenya	100	Ordinary
UAP Properties Limited	Mauritius	100	Ordinary
UAP Properties Limited	Uganda	55	Ordinary
UAP Properties Limited	South Sudan	70	Ordinary
UAP RDC sprl	Democratic Republic of the Congo	100	Ordinary
UAP Trust Corporation	Kenya	100	Ordinary
United Asset Management Corporation	Delaware, USA	100	Ordinary
Villager Investments No. 1 (Pty) Ltd	Republic of South Africa	100	Ordinary
Visigro Investments (Pty) Ltd	Republic of South Africa	100	Ordinary
Volume and Affinity Risk Management (Pty) Limited	Republic of South Africa	100	Ordinary
Western SPV One Investments (Pty) Ltd Namibia	Namibia	100	Ordinary
Western SPV Three Investment (Pty) Limited	Namibia	100	Ordinary
Western SPV Two Investments (Pty) Limited	Namibia	100	Ordinary
Whirlprops 33 (Pty) Limited Ordinary	Republic of South Africa	98	Ordinary
Winter Breeze Investment Holding Company (Pty) Limited	Republic of South Africa	100	Ordinary
Woman Investment Holdings Portfolio Limited	Republic of South Africa	100	Ordinary
Zadar Investments SPV 2 (Pty) Limited	Republic of South Africa	100	Ordinary

1 Held directly by the Company.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(a) Group subsidiaries continued

The following securitisation vehicles have been included in the consolidated financial statements and represent subsidiary undertakings, as they are controlled by the Company. The Company has no direct or indirect ownership interest in these entities.

Name	Country of incorporation	Shareholding
Dr Holsboer Benefit Fund	Republic of South Africa	Ordinary
Greenhouse Funding (RF) Ltd	Republic of South Africa	Ordinary and cumulative redeemable preference shares
Greenhouse Funding 4(RF) Ltd	Republic of South Africa	Ordinary and cumulative redeemable preference shares
Greenhouse Funding 5(RF) Ltd	Republic of South Africa	Ordinary and cumulative redeemable preference shares
Greenhouse Funding 6(RF) Ltd	Republic of South Africa	Ordinary and cumulative redeemable preference shares
Greenhouse Funding III (RF) Ltd	Republic of South Africa	Ordinary and cumulative redeemable preference shares
Ndala Investments No 1 (RF) Ltd	Republic of South Africa	Ordinary
Octane ABS 1 (Pty) Ltd	Republic of South Africa	Ordinary
Octane ABS 2 (Pty) Ltd	Republic of South Africa	Ordinary
Precinct Funding 1 (RF) Ltd	Republic of South Africa	Ordinary
Synthesis Funding Ltd	Republic of South Africa	Ordinary
West Road South No 3 (RF) Ltd	Republic of South Africa	Ordinary

(b) Investments in associated undertakings

The table below sets out the Group's investments in associated undertakings and entities where the Company directly or indirectly owns at least 20% of the voting rights. All shares are held indirectly by the Company (unless indicated).

Name	Country of incorporation	Percentage holding	Shareholding
Aard Mining Equipment (Pty) Ltd	Republic of South Africa	49	Ordinary
Aquarella Investments 509 (Pty) Ltd	Republic of South Africa	28	Ordinary
Bara Mall (Pty) Ltd	Republic of South Africa	35	Ordinary
Bea Ned (Pty) Ltd	Republic of South Africa	50	Ordinary
Bond Choice (Pty) Ltd	Republic of South Africa	29	Ordinary
Campuskey (Pty) Ltd	Republic of South Africa	20	Ordinary
Cape Commodities Traders and Investors 9 (Pty) Ltd	Republic of South Africa	35	Ordinary
Capricorn Business and Technology Park (Pty) Ltd	Republic of South Africa	33	Ordinary
Cliffon Dunes Investments 487 (Pty) Limited	Republic of South Africa	22	Ordinary
Consep Developments (Pty) Ltd	Republic of South Africa	31	Ordinary
CRD Management (Pty) Ltd	Republic of South Africa	40	Ordinary
Crossroads Distribution (Pty) Ltd	Republic of South Africa	40	Ordinary
Datacraft Americas Trading Ltd (Bermuda)	Bermuda	40	Ordinary
Ecobank Transnational Incorporated	Togo	22	Ordinary
Elderberry Investments 110 (Pty) Ltd	Republic of South Africa	49	Ordinary
Eveready (Pty) Ltd	Republic of South Africa	20	Ordinary
Farm Bothasfontein (Kyalami) (Pty) Ltd	Republic of South Africa	30	Ordinary
Farm Rietfontein 31 (Pty) Ltd	Republic of South Africa	30	Ordinary
Finishing Touch Trading 55 (Pty) Ltd	Republic of South Africa	20	Ordinary
Firefly Investments 74 (Pty) Ltd	Republic of South Africa	35	Ordinary
Friedshelf 113 (Pty) Ltd	Republic of South Africa	20	Ordinary
Friedshelf 1514 (Pty) Ltd	Republic of South Africa	40	Ordinary
Gateway Central Park (Pty) Ltd	Republic of South Africa	30	Ordinary
Gateway Park Avenue (Pty) Ltd	Republic of South Africa	45	Ordinary
Golddurb Investments (Pty) Ltd	Republic of South Africa	25	Ordinary
Golden Pond Trading 350 (Pty) Ltd	Republic of South Africa	20	Ordinary
Great Fish River Wind Farm (Pty) Limited	Republic of South Africa	25	Ordinary
Great Karoo Wind Farm	Republic of South Africa	40	Ordinary
Hazeldean Retreat (Pty) Ltd	Republic of South Africa	20	Ordinary
Ideal Infinity Services (Pty) Ltd	Republic of South Africa	20	Ordinary
Heitman LLC	Delaware, USA	50	Ordinary
Iliza Elitsha JV Co (Pty) Ltd	Republic of South Africa	33	Ordinary
Imbumba Aganang Private Party (Pty) Limited	Republic of South Africa	24	Ordinary
Investment Counselors of Maryland, LLC	Delaware, USA	64	Class B economic interest
Isegen South Africa (Pty) Ltd	Republic of South Africa	45	Ordinary
Ixia Trading 630 (Pty) Ltd	Republic of South Africa	35	Ordinary
Izwe Loans Securitisation (Pty) Limited	Republic of South Africa	27	Ordinary
Klein Steenberg (Pty) Ltd	Republic of South Africa	33	Ordinary
Kotak Mahindra Old Mutual Life Insurance Limited ¹	India	26	Ordinary
L&C Coinvest, LLC	Delaware, USA	50	Ordinary

Name	Country of incorporation	Percentage holding	Shareholding
Liberty Lane 329 (Pty) Ltd	Republic of South Africa	33	Ordinary
Little Green Beverages (Pty) Ltd	Republic of South Africa	30	Ordinary
Lulama Property Management (Pty) Limited	Republic of South Africa	49	Ordinary
Manappu Investments (Pty) Ltd	Republic of South Africa	20	Ordinary
Masingita Property Investment Holdings (Pty) Ltd	Republic of South Africa	35	Ordinary
Mercury Administrator and Underwriter Agency (Pty) Ltd	Republic of South Africa	25	Ordinary
Metropolis Health Services (Pty) Limited	Republic of South Africa	49	Ordinary
NamClear (Pty) Ltd	Namibia	25	Ordinary
Nedglen Property Developments (Pty) Ltd	Republic of South Africa	35	Ordinary
Northants Property Enterprises (Pty) Ltd	Republic of South Africa	50	Ordinary
Odyssey Developments (Pty) Ltd	Republic of South Africa	49	Ordinary
Off The Shelf Investments Forty One (Pty) Ltd	Republic of South Africa	33	Ordinary
Old Mutual US Dollar Money Market Fund	Mauritius	50	Ordinary
Olievenhout Plaza Share Block (Pty) Ltd	Republic of South Africa	25	Ordinary
Oukraal Developments (Pty) Ltd	Republic of South Africa	30	Ordinary
Pacific Eagle Properties 13 (Pty) Ltd	Republic of South Africa	25	Ordinary
Payments Association of Lesotho Ltd	Lesotho	20	Ordinary
Pearldale Property Developers (Pty) Ltd	Republic of South Africa	35	Ordinary
Platin Underwriting Managers (Pty) Ltd	Republic of South Africa	40	Ordinary
POD Property Fund (Pty) Ltd	Republic of South Africa	33	Ordinary
Polkadots Properties 117 (Pty) Ltd	Republic of South Africa	50	Ordinary
Primedia Interactive (Pty) Limited	Republic of South Africa	42	Ordinary
Primedia Lifestyle (Pty) Limited	Republic of South Africa	50	Ordinary
Pro-Active Health Solutions (Pty) Limited	Republic of South Africa	38	Ordinary
Quintado 126 (Pty) Ltd	Republic of South Africa	50	Ordinary
Raiden Investments (Pty) Ltd	Republic of South Africa	40	Ordinary
Real People Home Improvement Finance (Pty) Limited	Republic of South Africa	25	Ordinary
Real People Investment Holdings (Pty) Limited	Republic of South Africa	26	Ordinary
Robow Investments No 47 (Pty) Ltd	Republic of South Africa	50	Ordinary
RSPCE Devco (Pty) Ltd	Republic of South Africa	30	Ordinary
RZT Zelby 4558 (Pty) Ltd	Republic of South Africa	35	Ordinary
S.B.V. Services (Pty) Ltd	Republic of South Africa	25	Ordinary
Seihkho Private Party (Pty) Limited	Republic of South Africa	35	Ordinary
Setsing Financial Services (Pty) Limited	Republic of South Africa	35	Ordinary
Seventy Five On Maude (Pty) Ltd	Republic of South Africa	50	Ordinary
Silver Meadow Trading 255 (Pty) Ltd	Republic of South Africa	40	Ordinary
Skynet South Africa (Pty) Ltd	Republic of South Africa	40	Ordinary
South African Bankers Services Company Ltd	Republic of South Africa	23	Ordinary
South African Roll Company (Pty) Ltd	Republic of South Africa	50	Ordinary
Stella SGS Investments (Pty) Ltd	Republic of South Africa	33	Ordinary
Swaziland Automated Electronic Clearing House	Swaziland	20	Ordinary
Ten Kaiser Wilhelm Strasse (Pty) Ltd	Namibia	50	Ordinary
The Heron Banks Development Trust	Republic of South Africa	50	Ordinary
The Waterbuck Trust	Republic of South Africa	40	Ordinary
The Woodlands Property Trust	Republic of South Africa	20	Ordinary
Urban Growth Management Company (Pty) Limited	Republic of South Africa	49	Ordinary
Walvis Bay Land Syndicate (Pty) Ltd	Namibia	50	Ordinary
Woodland Investment Company (Pty) Ltd	Namibia	49	Ordinary
WPS Capital Management LLC	Delaware, USA	50	Ordinary
XDV Investments (Pty) Ltd	Republic of South Africa	25	Ordinary

1 Held directly by the Company.

GROUP FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

L2: Related undertakings of the Group continued

(c) Investments in joint ventures

The table below includes the Group's investments in joint ventures. All shares are held indirectly by the Company and the financial year end of all companies is 31 December, unless otherwise stated.

Name	Country of incorporation	Address of the principal place of business	Percentage holding
ACED De Aar Solar PV Park 2 (Pty) Limited ¹	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables De Aar (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables Dry River (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables Flagging Trees (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables Flat Top (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables Hidden Valley (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
ACED Renewables Somerset East (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
African Clean Energy Developments (Pty) Limited ²	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town	50
African Infrastructure Investment Fund 2 General Partner (Pty) Limited	Mauritius	Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700	50
ALFI Rogge Partners S.A.	Switzerland	Cours de Rive 14, 1204 Genève	50
Annapurna Capital (Pty) Ltd	Republic of South Africa	Gleneagles Fairway Office Park, 52 Grosvenor Road, Bryantson, 2021	30
Banco Unico S.A.	Mozambique	Julius Nyerere Avenue, n'500 Maputo	37
Bay West City (Pty) Ltd	Republic of South Africa	Eikestad Mall, 43 Andringa Street, 3rd Floor, Stellenbosch, 7600	25
Billion Property Developments (pty) Ltd (Forest Hill Retail)	Republic of South Africa	3rd Floor Palazzo Towers West, Montecasino Boulevard, Fourways 2055	25
Blue Horison Properties 49 (Pty) Ltd (Mont Blanc)	Republic of South Africa	4th Floor, Building 1 Illove Edge, cnr Fricker and Harries Rd, Illovo 2196	25
Community Growth Management Company Limited ³	Republic of South Africa	Mutual Park, Jan Smuts Drive, 7405 Pinelands	50
Copperzone 163 (Pty) Ltd	Republic of South Africa	24A Taute Street, Ermelo 2351	20
Curo Fund Services (Pty) Ltd	Republic of South Africa	Building 2, Mispel Street, Parc Du Cap, Belville 7530	50
Greater Atlantic Properties (Pty) Ltd	Republic of South Africa	24A Taute Street, Ermelo 2351	20
Griffin JD Rustenburg Properties (Pty) Ltd	Republic of South Africa	1st Floor Block 2, Freestone Park, 135 Patricia Road, Atholl, Sandton 2196	0
Imbali Props 21 (Pty) Ltd	Republic of South Africa	1 Richefond Circle, Ridgeside Office Park, Umhlanga 4319	20
Imbumba Aganang Facility Management Company (Pty) Limited	Republic of South Africa	71 Cotswold Drive, Westville 3629	50
Lion Hill Development Company (Pty) Ltd	Republic of South Africa	5th Floor, 14 Long Street, Cape Town 8001	40
Mooikloof JV (Forum SA Trading 284 (Pty) Ltd	Republic of South Africa	Allhart Office Park, 152 Western Services Road, Woodmead, Sandton	25
Mithatha Mall (Pty) Ltd	Republic of South Africa	3rd Floor Palazzo Towers West, Montecasino Boulevard, Fourways 2055	30
Newmarket Property Developments JV	Republic of South Africa	7 Danie Theron Street, Alberante Extension, Alberton 1449	40
Old Mutual Finance (Namibia) (Pty) Limited	Namibia	Mutual Tower, 223 Independence Ave, Windhoek	50
Old Mutual US Dollar Money Market Fund	Namibia	C/o NTS Office, 5th Floor Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius	50
Old Mutual-Guodian Life Insurance Company Limited	China	3rd Floor, Building D, Jinmao Center, No. 18 Xi Zhi Men Wai Road, Xicheng District, Beijing, P.R. China	50
OMIGPI Kerr Property Developers (Pty) Limited	Republic of South Africa	71 Cotswold Drive, Westville, 3629	50
OMPE GP IV (Pty) Limited	Republic of South Africa	West Campus Mutual Park, Jan Smuts Drive, Pinelands, Cape Town 7405	50
Parsec Properties (Pty) Ltd	Republic of South Africa	23 IDA Street, Menlo Park, Pretoria 0081	15

Name	Country of incorporation	Address of the principal place of business	Percentage holding
Pioneer Property Zone (Pvt) Limited	India	A-401, Business Square Solitaire Corporate Park, Chakala, Anderheri (East), Mumbai -400093 India	50
Savannah City Developments (Pty) Ltd	Republic of South Africa	Basil Read, 7 Romea Street, Hughes Extension, Boksburg 1459	50
Space Securitisation (Pty) Limited	Republic of South Africa	Old Mutual Alternative Investments, OMIG Building Entrance 2, West Campus, Mutual Park, Jan Smuts Drive, Pinelands 7405	50
The Boulevard Joint Venture	Republic of South Africa	Faircape Property Group, 1st Floor, Old Warehouse Building, Blackrivier Park, Fir Street, Observatory 7925	50
The Burgundy Estate Joint Venture	Republic of South Africa	Suite G18 Colosseum, Century Way, Century City 7441	50
The MPI Trust and Linton Projects (Pty) Ltd JV	Republic of South Africa	Abcon House, Fairway Office Park, 52 Grosvenor Road, Bryanston 2021	20
Tirasano Facilities Management (Pty) Limited	Republic of South Africa	71 Cotswold Drive, Westville 3629	50
Tokio Marine Rogge Asset Management Limited	England & Wales	Sion Hall, 56 Victoria Embankment, London, EC4Y 0DZ	50
Triangle Real Estate India Fund Managers Private Limited	Mauritius	c/o Abax Corporate Services Ltd, Level 6, One Cathedral Square Building, Jules Koenig Street, Port Louis, Mauritius	50
Wilriet Properties (Pty) Ltd (The Terraces)	Republic of South Africa	First Floor, Block 2, Freestone Office Park, 135 Patricia Road, Sandown 2196	25

1 Year end: 28 February

2 Year end: 31 March

3 Year end: 30 September.

All of the joint ventures are strategic in the Group's underlying operating model.

The joint ventures are evaluated according to the Group's contractual rights to jointly control the entity.

(d) Other qualifying undertakings

The Company is indirectly a member of the following Limited Partnerships which are consolidated into the Company's Group financial statements

Name	Country of incorporation	Address of the principal place of business
BHMS Investment Holdings LP	Delaware, USA	JP Morgan Chase Tower, 2200 Rose Avenue, 31st floor Dallas, Texas 75201
Lincoln Timber LP	Delaware, USA	One SW Columbia, Suite 1700, Portland, Oregon 97258 USA
TS&W Investment Holdings LP	Delaware, USA	6806 Paragon Place, Suite 300, Richmond, Virginia 23230
Millpencil (US) LP	Delaware, USA	Corporation Service Company, 27/11 Centerville Road, Suite 400, Wilmington, Delaware 19808

FINANCIAL STATEMENTS OF THE COMPANY

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2015		£m	
	Notes	At 31 December 2015	At 31 December 2014
Assets			
Investments in Group subsidiaries	2	5,562	5,729
Investments and securities	3	226	347
Investments in associated undertakings and joint ventures	4	26	26
Trade, other receivables and other assets	5	4,951	4,172
Derivative financial instruments – assets	6	60	71
Cash and cash equivalents		443	652
Total assets		11,268	10,997
Liabilities			
Borrowed funds	7	1,102	679
Trade, other payables and other liabilities	8	4,426	4,403
Derivative financial instruments – liabilities	6	6	1
Total liabilities		5,534	5,083
Net assets		5,734	5,914
Equity			
Equity attributable to equity holders of the parent		5,734	5,914
Total equity		5,734	5,914

The Company's financial statements on pages 298 to 305 were approved by the Board of Directors on 11 March 2016.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

FINANCIAL STATEMENTS OF THE COMPANY

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2015	£m	
	Year ended 31 December 2015	Year ended 31 December 2014
Profit after tax	83	399
Recognition of impairment losses	158	108
Fair value movement on derivatives and borrowed funds	(12)	28
Foreign exchange movement on assets and liabilities	–	(15)
Non-cash movements in profit after tax	146	121
Other operating assets and liabilities	237	(98)
Changes in working capital	237	(98)
Net cash inflow from operating activities	466	422
Net movement of interests in subsidiaries, associates and strategic investments	(4)	(89)
Disposal of interests in subsidiaries, associates and joint ventures	30	23
Other investing cash flows	122	(193)
Net cash inflow/(outflow) from investing activities	148	(259)
External interest received	38	38
External interest paid	(62)	(60)
Intercompany interest (paid)	(146)	(152)
Dividends paid to:		
Ordinary shareholders of the Company	(173)	(185)
Preferred security interests	(30)	(32)
Net proceeds from issue of ordinary shares	187	12
Net purchase of treasury shares	–	(17)
Subordinated and other debt issued	450	–
Subordinated and other debt repaid	(264)	–
Loan financing (paid to)/received from Group companies	(823)	494
Net cash (outflow)/inflow from financing activities	(823)	98
Net increase in cash and cash equivalents	(209)	261
Cash and cash equivalents at beginning of the period	652	391
Cash and cash equivalents at end of the year	443	652

FINANCIAL STATEMENTS OF THE COMPANY

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015		Millions					£m	
Notes	Number of shares issued and fully paid	Share capital	Share premium	Other Reserves	Retained earnings*	Perpetual preferred callable securities	Total	
Shareholders' equity of the Company at beginning of the year		560	857	1,473	2,498	526	5,914	
Profit for the year		–	–	–	59	24	83	
Items that will not be reclassified subsequently to profit and loss								
Actuarial gain on defined benefit plan		–	–	–	1	–	1	
Total comprehensive income for the year		–	–	–	60	24	84	
Dividends for the year		–	–	–	(173)	(30)	(203)	
Tax relief on dividends paid		–	–	–	(6)	6	–	
Merger reserve realised		–	–	(90)	90	–	–	
Preferred securities purchased		–	–	–	(11)	(253)	(264)	
Other movements in share capital and share-based payment reserve		22	3	183	–	–	186	
Fair value of equity settled share options		–	–	17	–	–	17	
Shareholders' equity of the Company at end of the year		4,928	563	1,040	1,400	2,458	273	5,734

* Included within retained earnings of £2,458 million (2014: £2,498 million) are distributable reserves of £2,440 million (2014: £2,495 million).

Year ended 31 December 2014		Millions					£m	
Notes	Number of shares issued and fully paid	Share capital	Share premium	Other Reserves	Retained earnings*	Perpetual preferred callable securities	Total	
Shareholders' equity of the Company at beginning of the year		560	845	1,832	1,948	526	5,711	
Profit for the year		–	–	–	374	25	399	
Actuarial gain on defined benefit plan		–	–	–	(2)	–	(2)	
Total comprehensive income for the year		–	–	–	372	25	397	
Dividends for the year		–	–	–	(185)	(32)	(217)	
Tax relief on dividends paid		–	–	–	(7)	7	–	
Merger Reserve realised		–	–	(375)	375	–	–	
Net purchase of treasury shares		–	–	–	(17)	–	(17)	
Other movements in share capital and share-based payment reserve		10	–	12	–	12	24	
Fair value of equity settled share options		–	–	16	–	–	16	
Shareholders' equity of the Company at end of the year		4,906	560	857	1,473	2,498	526	5,914

		£m	
		At 31 December 2015	At 31 December 2014
Other reserves			
Merger reserve		1,252	1,342
Share-based payment reserve		124	107
Cancellation of treasury shares		24	24
Attributable to equity holders of Company at end of the year		1,400	1,473

FINANCIAL STATEMENTS OF THE COMPANY

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 Financial assets and liabilities

Company statement of financial position

The Company is principally involved in the management of its investments in subsidiaries, with its risks considered to be consistent with those in the operations themselves. Full details of the financial risks are provided in the Group financial statements, note F3. The most important components of financial risk for the Company itself are interest rate risk, currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

(a) Categories of financial instruments

The financial instruments of the Company consist of derivative assets and liabilities, both of which are treated as held-for-trading, other assets and cash and cash equivalents which are treated as loan and receivables, borrowed funds of which £535 million is designated as fair value through the income statement and £567 million at amortised cost (2014: £565 million and £114 million respectively) and other liabilities which are also measured at amortised cost. For financial assets and liabilities measured at fair value through the income statement, the hierarchy classification (as detailed in the Group financial statements, note E3 of derivative assets and liabilities is level 2 and borrowed funds level 1).

(b) Capital risk management

Old Mutual plc is the holding company of the Group and is responsible for the raising and allocation of capital in line with the Group's capital management policies set out in note E1 to the consolidated financial statements and for ensuring the operational funding and regulatory capital needs of the holding company and its subsidiaries are met at all times.

(c) Currency risk

The Company is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows through the impact that currency movements have on its derivative. The principal foreign currency risk arises from the fact that the Company's functional currency is pounds sterling, whereas the functional currency of its principal operations is South African rand, US dollar and Euro. The exposure of the Group to currency risk is disclosed in the Group consolidated financial statements, note F4. The Company hedges some of this currency translation risk through currency swaps, currency borrowings and forward foreign exchange rate contracts. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts and currency swap agreements. A 10% deterioration in the values of the major currencies the Company is exposed to in relation to GBP would result in a decrease in the Company's equity holders' funds of £65 million (2014: decrease of £66 million).

(d) Credit risk

The Company is principally exposed to credit risk through its derivative asset positions, investment and securities, holdings of cash and cash equivalents which it holds to back shareholder liabilities and the ability of its subsidiaries to repay amounts due to the Company. The exposure of the Group to credit risk is disclosed in the consolidated financial statements, note F3(a). Credit risk is managed by placing limits on exposures to any single counterparty, or groups of counterparties and to geographical and industry segments. Credit risk is monitored with reference to established credit rating agencies, with limits placed on exposure to below investment grade holdings, or the financial position of companies within the Group. Of the Company's financial assets bearing credit risk, derivative assets, investment and securities, bonds and cash and cash equivalents are rated as investment grade (being AAA to BBB for Standard & Poor's or an equivalent). The other financial assets bearing credit risk are not rated.

(e) Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets, liabilities and capital.

The Company employs currency and interest rate swap transactions to mitigate against the impact of changes in the fair values of its borrowed funds. Details of the arrangements in place are shown in the Group financial statements note G5 (Hedge accounting).

(f) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company has net current assets of £46 million (2014: £387 million), all of which represent liabilities to other Group companies. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows of both the Company and its subsidiaries.

The key information reviewed by the Company's executive directors and Executive Committee, together with the Capital Management Committee, is a detailed management report on the Company's current and planned capital and liquidity position. Forecasts are updated regularly based on when new information is received, and as part of the annual business planning cycle. The Company's liquidity and capital position and forecast is presented to the Company's Board of Directors on a regular basis.

Further information on liquidity and the Company's cash flows is contained in other sections of this Annual Report, for example the business review and Group Finance Director's statement.

FINANCIAL STATEMENTS OF THE COMPANY

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

2 Principal subsidiaries

	At 31 December 2015	At 31 December 2014
Balance at beginning of the year	5,729	5,760
Additions	20	102
Disposals	(29)	(23)
Impairments	(158)	(110)
Balance at end of the year	5,562	5,729

On 1 May 2015, the Company sold 1,033,830 shares of its investment in Old Mutual Wealth Management Limited to Old Mutual Wealth JSOP Trust No 1, for £20 million.

On 13 October 2015, the Company sold 509,404 shares of its investment in Old Mutual Wealth Management Limited to Old Mutual Wealth JSOP Trust No 1, for £10 million.

On 8 April 2015 and 12 August 2015 respectively, the Company purchased an additional £0.20 per share on 10,000,000 ordinary shares in Constantia, for cash totalling £4,000,000 for the year.

During 2015, the Company impaired its investments in Constantia and Old Mutual Europe GmbH by £1 million and £157 million respectively.

The Company routinely makes share awards to employees of subsidiaries companies, for which no consideration is paid by these entities. The applicable accounting standard requires that this is reflected as a share-based payment expense in the subsidiary company and to be reflected as an increase in the value of the investment in the subsidiary, with a corresponding increase in the share-based payment reserve in the Company. The impact of these transactions in the financial statements was an addition of £16 million (2014: £13 million).

The principal subsidiary undertakings of the Company are as follows:

At 31 December 2015	Country of incorporation	Class of shares	% interest held
OM Group (UK) Ltd	England & Wales	Ordinary	100
Old Mutual Wealth Management Ltd	England & Wales	Ordinary	100
Old Mutual Europe GmbH	England & Wales	Ordinary	100
Old Mutual plc Brands AB	Sweden	Ordinary	100

A complete list of subsidiaries is in note L2 of the Group consolidated financial statements.

3 Investments and securities

	At 31 December 2015	At 31 December 2014
Other reserves		
Government and government-guaranteed securities	75	50
Other debt securities, preference shares and debentures	151	297
Total investment and securities	226	347

The government and government-guaranteed securities above are all rated AAA. The intention is to hold these investments to maturity. Other debt securities, preference shares and debentures are all rated AAA-BBB. The intention is to hold these investments to maturity.

4 Investments in associated undertakings

The Company holds the following interest in associated undertakings:

	Country of operation	% interest held	At 31 December 2015	At 31 December 2014
Kotak Mahindra Old Mutual Life Insurance Limited	India	26	26	26

5 Other assets

	At 31 December 2015	At 31 December 2014
Corporation tax receivable	–	3
Accrued interest and rent	3	3
Other prepayments and accrued income	3	5
Amounts owed by Group undertakings		
Amounts falling due within one year	52	49
Amounts falling due after one year	4,893	4,112
Total other assets	4,951	4,172

6 Derivative financial instruments

The following tables provide a detailed breakdown of the fair values of the Company's derivative financial instruments outstanding at the year end. These instruments allow the Company to transfer, modify or reduce foreign exchange and interest rate risks.

The Company undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with whom it deals, and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Company.

	£m			
	At December 2015		At December 2014	
	Fair values		Fair values	
Other reserves	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts				
Swaps	–	5	3	–
Forwards	5	1	1	1
	5	6	4	1
Interest rate contracts				
Swaps	55	–	67	–
Total	60	6	71	1

The contractual maturities of the derivative liabilities held are as follows:

	£m						Total
	Balance sheet amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	No contractual maturity date	
At 31 December 2015							
Derivative financial liabilities	6	1	–	5	–	–	6
At 31 December 2014							
Derivative financial liabilities	1	1	–	–	–	–	1

7 Borrowed funds

	At 31 December 2015	At 31 December 2014
Senior debt securities and term loans	114	114
Subordinated debt securities	988	565
Total borrowed funds	1,102	679

	At 31 December 2015	At 31 December 2014
Fair valued through income statement	535	565
Amortised cost	567	114
Total borrowed funds	1,102	679

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year-end exchange rates. In addition to the contractual cash flows detailed below, the Company is obligated to make interest payments on borrowed funds, details of which are in the Group consolidated financial statements in note G7.

FINANCIAL STATEMENTS OF THE COMPANY
NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

7 Borrowed funds continued

	At 31 December 2015	At 31 December 2014
Less than 1 year	112	–
Greater than 1 year and less than 5 years	500	112
Greater than 5 years	450	500
Borrowed funds	1,062	612

Additional details of these borrowings and undrawn facilities are included in Group consolidated financial statements in note G7.

8 Other liabilities

	At 31 December 2015	At 31 December 2014
Accruals and deferred income	21	19
Corporation tax	35	17
Amounts owed to Group undertakings:		
Amount falling due within one year	679	706
Amount falling due after one year	3,691	3,661
Total other liabilities	4,426	4,403

9 Post-employment benefits

The Company holds a provision in respect of the Old Mutual Staff Pension Fund Defined Benefit pension scheme, which provides benefits based on final pensionable pay for members within the Group. The assets of the scheme are held in separate trustee administered funds. Pension costs and contributions relating to the scheme are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to the scheme, together with existing assets, are adequate to secure members' benefits over the remaining lives of participating employees. The scheme is reviewed on a triennial basis. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. During the year two employees (2014: two) were directly employed by the Company. The costs for these Directors and ex-Directors are disclosed within the Remuneration Report on pages 124 to 151.

	£m	
	Pension plans	
	At 31 December 2015	At 31 December 2014
Liability for defined benefit obligation		
Change in projected benefit obligation		
Projected benefit obligation at beginning of the year	77	68
Past service cost	4	–
Interest cost on benefit obligation	3	3
Benefits paid	(2)	(2)
Actuarial (gain)/losses	(3)	8
Projected benefit obligation at end of the year	79	77
Change in plan assets		
Plan assets at fair value at beginning of the year	77	66
Actual return on plan assets	–	9
Benefits paid	(2)	(2)
Company contributions	4	4
Plan assets at fair value at end of the year	79	77
Net liability recognised in balance sheet	–	–
Expense recognised in the income statement	(4)	(1)

Actuarial assumptions used in calculating the projected benefit obligation are based on relevant mortality estimates, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries. The expected returns on plan assets have been determined on the basis of long-term expectations, the carrying value of the assets and the market conditions at the balance sheet date specific to the relevant locations. The detailed actuarial assumptions can be viewed on the Group's website at www.oldmutual.com.

Plan asset allocation	Pension plans		%
	At 31 December 2015	At 31 December 2014	
	Equity securities	34	35
Debt securities	65	64	
Other investments	1	1	

10 Contingent liabilities

In February 2008, the Company issued a guarantee to a third party over a subsidiary's (Old Mutual Bermuda) obligations under the reinsurance contracts relating to the offshore investment products sold by a third party. The maximum payment under this guarantee is \$250 million. This guarantee is accounted for as an insurance contract and payments will only arise should Old Mutual Bermuda be unable to meet its obligations under the relevant reinsurance contracts as they fall due.

11 Related parties

Old Mutual plc enters into transactions with its subsidiaries in the normal course of business. These are principally related to funding of the Group's businesses and head office functions. Details of loans, including balances due from/to the Company, are set out below. Disclosures in respect of the key management personnel of the Company are included in the Group's related parties disclosures in note J3.

There are no transactions entered into by the Company with associated undertakings.

	£m	
	At 31 December 2015	At 31 December 2014
Balances due from subsidiaries	4,940	4,161
Balances due to subsidiaries	(4,368)	(4,367)
Balances due from other related parties – Fairbairn Trust Company Limited	2	2

Income statement information

At 31 December 2015	Year ended 31 December 2015			Year ended 31 December 2014			£m
	Interest received	Ordinary dividends received	Other amounts paid	Interest received	Ordinary dividends received	Other amounts paid	
Subsidiaries	60	321	(97)	23	632	(84)	

SHAREHOLDER INFORMATION

Listings and shares in issue

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Limited (JSE). The primary listing, which is known as a premium listing, is on the London Stock Exchange and the other listings are all secondary listings. The Company's secondary listing on the Stockholm Stock Exchange ended in September 2007, but the Company's shares may still be traded on the Xternal list of the Nordic Exchange in Stockholm.

The ISIN number of the Company's ordinary shares of 11 $\frac{3}{4}$ p each is GB00B77J0862 and the SEDOL is B77J086.

The 11 $\frac{3}{4}$ p nominal value of the Company's shares reflects the seven-for-eight share consolidation that took place in April 2012. If your shareholding is certificated and you have not yet surrendered your old certificate for shares of 10p each for replacement by a certificate representing your consolidated shareholding, please contact our share registrars, whose details are set out later in this section.

The high and low closing prices of the Company's shares during 2015 and 2014 on the two main markets on which they are listed were as follows:

	High	2015 Low	High	2014 Low
London Stock Exchange	240.3p	155.7p	209.4p	169.5p
JSE	R45.71	R32.87	R37.10	R30.00

At 31 December 2015, the Company had approximately 455,000 underlying shareholders. Many of our retail shareholders hold their shares through Company-sponsored nominee arrangements, as described in the footnote to the second table below.

In more detail, the geographical analysis and shareholder profile of our share register at 31 December 2015 were as follows:

Register	Total shares	% of whole	Number of holders
UK	1,923,340,182	39.02	9,944
South Africa	2,933,923,340	59.53	27,152
Zimbabwe	54,734,804	1.11	27,337
Namibia	12,030,073	0.25	507
Malawi	4,614,238	0.09	4,488
Total	4,928,642,637	100	69,428

Source: Equiniti/Link Market Services

Size of holding	Total shares	% of whole	Number of holders
1-1,000	18,773,521	0.38	60,366
1,001-10,000	20,241,415	0.41	7,699
10,001-100,000	23,914,067	0.48	808
100,001-250,000	27,418,294	0.55	172
250,001+	4,838,295,340	98.18	383
Total	4,928,642,637	100	69,428

Source: Equiniti/Link Market Services

Note

The registered shareholdings on the South African branch register included PLC Nominees (Pty) Limited, which held a total of 2,907,591,963 shares, including 247,288,344 shares held for the Company's sponsored nominee, Old Mutual (South Africa) Nominees (Pty) Limited, for the benefit of 374,970 underlying beneficial owners. The registered shareholdings on the Zimbabwean branch register included Old Mutual Zimbabwe Nominees (Pvt) Limited, which held a total of 673,493 shares as nominee for 3,448 underlying beneficial owners. The registered shareholdings on the Namibian section of the principal register included Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 5,329,209 shares as nominee for 6,581 underlying beneficial owners. The registered shareholdings on the Malawian branch register included Old Mutual (Blantyre) Nominees Limited, which held a total of 36,179 shares as nominee for 135 underlying beneficial owners.

Registrars

The Company's share register is administered by the Global Share Alliance (comprising Equiniti Limited in the UK and Link Market Services South Africa (Pty) Ltd in South Africa) in conjunction with local representatives in the other jurisdictions where the Company's shares are listed. The Global Share Alliance replaced the Company's previous share registrars, Computershare Investor Services, with respect to the UK and South African registers, from September 2014. The following are the relevant contact details:

UK

Equiniti Limited
Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA
Tel no: 0871 384 2878 (if calling from the UK)
Tel no: +44 121 415 0833 (from overseas)
Website for shareholder information and queries:
www.shareview.co.uk

South Africa

Link Market Services South Africa (Pty) Ltd
13th Floor Rennie House, 19 Ameshoff Street
Braamfontein, Johannesburg 2001
PO Box 10462, Johannesburg, 2000
Tel no: +27 (0)86 140 0110
Email: oldmutualenquiries@linkmarketservices.co.za

Malawi

National Bank of Malawi
Legal Department
Cnr Victoria Avenue & Henderson Street
Blantyre
(PO Box 1438, Blantyre, Malawi)
Email: nbminvestment@natbankmw.com
Tel no: +265 182 0622/0054

Namibia

Transfer Secretaries (Pty) Limited
4 Robert Mugabe Avenue, Windhoek
(PO Box 2401, Windhoek)
Tel no: +264 (0)61 227647
Fax: +264 (0)61 248531
Email: ts@nsx.com.na

Zimbabwe

Corpserve Registrars (Pvt) Ltd
2nd Floor, ZB Centre
Cnr 1st Street and K. Nkrumah Avenue
Harare
(PO Box 2208, Harare, Zimbabwe)
Tel no: +263 (0)4 751559/61
Fax: +263 (0)4 752629
Email: enquiries@corpserve.co.zw

Dealings in the Company's shares on the JSE

All transactions in the Company's shares on the JSE are required to be settled electronically through Strate, and share certificates are no longer good for delivery in respect of such transactions. Shareholders who have any enquiries about the effect of Strate on their holdings in the Company should contact Link Market Services in Johannesburg on +27 (0)86 140 0110.

Dealings in the Company's shares on the Zimbabwe Stock Exchange

With effect from March 2015, all transactions in the Company's shares on the Zimbabwe Stock Exchange have been required to be settled in dematerialised form, and share certificates are no longer good for delivery in respect of such transactions. The Company sent a circular to its registered shareholders on the Zimbabwe branch register during the first quarter of 2015 to explain the consequences of this and inviting them to dematerialise their certificated shareholdings through an Issuer-Sponsored Nominee Programme. Shareholders on the Zimbabwe branch register who have any enquiries about dematerialising their holdings in the Company should refer to this circular (which is also available on the Company's website) or, in case of doubt, contact Corpserve Registrars on +263 (0)4 751559/61.

Electronic communications and electronic proxy appointment

The Company wrote to shareholders on its South African branch register and on the principal and Namibian sections of its UK register in November 2012 to inform them that it was moving to e-comms as the default form of communication, in line with provisions in the UK Companies Act 2006 and the Company's Articles of Association. Shareholders who wished to continue to receive physical copies of shareholder communications, rather than accessing these from the Company's website, were required to notify the Company's registrars of their election to do so by 4 January 2013. A similar process was followed, with different applicable dates, for new shareholders who bought shares between November 2012 and 15 August 2014. Such mailings will now take place for new shareholders annually.

Further exercises to extend these arrangements to shareholders on the Malawian and Zimbabwean branch registers took place during 2014 and 2015 respectively.

If you are currently still receiving documents by post, but would like to receive notification of future communications from the Company by email:

- If your shares are on the principal UK register, please log on to our website, www.oldmutual.com, select 'Investor Relations', then 'Shareholder Centre', then click on 'Shareholder investor centre' and follow the instructions to log into the Investor Centre. In order to register, you will need your Shareholder Reference Number, which can be found on the payment advice notice or tax voucher accompanying your last dividend payment or notification. Before you register, you will be asked to agree to the Terms and Conditions for Electronic Communications with Shareholders. It is important that you read these Terms and Conditions carefully, as they set out the basis on which electronic communications will be sent to you.
- If your shares are on the South African branch register, please call Link Market Services' contact centre on 086 140 0110 or email them at oldmutualenquiries@linkmarketservices.co.za
- If your shares are on the Zimbabwean or Malawian branch registers or the Namibian section of the principal register, please contact the applicable local share register representatives, whose details are set out above.

Any election to receive documents electronically will generally remain in force until you contact the Company's Registrars to terminate or change such election.

Electronic proxy appointment is available for this year's Annual General Meeting. This enables proxy votes to be submitted electronically, as an alternative to filling out and posting a form of proxy. Further details are set out on the form of proxy, which can be accessed in the AGM section of the Shareholder Information part of our website.

**SHAREHOLDER
INFORMATION**
CONTINUED

Second interim dividend for the year ended 31 December 2015 and timetable for payment

The Board has declared a second interim dividend (the 'Second Interim Dividend') for the year ended 31 December 2015 of 6.25p per share, which will be paid on 29 April 2016. Shareholders on the South African, Zimbabwean and Malawian branch registers and the Namibian section of the principal register will be paid local currency cash equivalents of the Second Interim Dividend under dividend access trust or similar arrangements established in each country. Shareholders who hold their shares through Euroclear Sweden AB, the Swedish nominee, will be paid the cash equivalent of the Second Interim Dividend in Swedish kronor.

The currency equivalents of the Second Interim Dividend are as follows:

South Africa	135.20563	South African cents per share
Malawi	63.71	Malawian kwacha per share
Namibia	135.20563	Namibian cents per share
Zimbabwe	8.89	US cents per share
Sweden	0.75	Swedish kronor per share

These currency equivalents have been calculated using the following exchange rates:

South Africa	21.6329	Rand/£
Malawi	1,019.3992	Malawian kwacha/£
Namibia	21.6329	Namibian dollars/£
Zimbabwe	1.4225	US dollars/£
Sweden	11.9898	Swedish kronor/£

Dividend Tax will be withheld at the rate of 15% from the amount of the gross dividend of 135.20563 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After Dividend Tax has been withheld, the net dividend will be 114.92479 South African cents per share. The Company had a total of 4,928,681,619 shares in issue at the date on which the dividend was announced, 11 March 2016. In South Africa, the dividend will be distributed by Old Mutual Dividend Access Company (Pty) Limited, a South African company with tax registration number 9460/144/14/1, in terms of the Company's dividend access share arrangements. No Secondary Tax on Companies (STC) credits will be used for the payment of the dividend.

The record date for this dividend payment is the close of business on 1 April 2016 for all the exchanges where the Company's shares are listed. The last day to trade cum-dividend will be 23 March 2016 on the JSE and on the Malawi, Namibian and Zimbabwe Stock Exchanges and 30 March 2016 for the London Stock Exchange. The shares will trade ex-dividend from the opening of business on 24 March 2016 on the JSE and the Malawi, Namibian and Zimbabwe Stock Exchanges and from the opening of business on 31 March 2016 on the London Stock Exchange.

No dematerialisation or rematerialisation within Strate and no transfers between registers may take place in the period from 24 March 2016 to 1 April 2016, both dates inclusive.

Financial calendar for the rest of 2016

The Company's financial calendar for the rest of 2016 is as follows:

Annual General Meeting	Date still to be determined
Interim results	11 August 2016
First interim dividend payment date	31 October 2016
Final results for 2016	March 2017

Forward-looking statements

This report contains certain forward-looking statements with respect to Old Mutual plc's and its subsidiaries' plans and expectations relating to their financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and general economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in territories where Old Mutual plc or its subsidiaries operate.

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

Acknowledgements

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Old Mutual plc

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