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TRANSCRIPT

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Julian Roberts: Welcome to everybody here in the room with me in London and those in Johannesburg as well, I'm sure, there are some people who are watching the webcast and also are on the phones. And I see on my screen that we've got a link to Johannesburg. Morning, Ralph, can you hear us okay?

Ralph Mupita: Morning Julian, I can hear you loud and clear.

Julian Roberts: Good, thanks very much. Naturally when we come to Q&A later on after the presentation we will link through to Johannesburg, so welcome to everybody in Johannesburg. On the stage with me is Ingrid Johnson, our Finance Director, and a number of executives as usual with me here and also executives in Johannesburg with Ralph.

In our presentation today I will talk about the group and business unit performance and strategy. I will then hand over to Ingrid to review the financial results. And then I'll finish with some brief concluding remarks before opening the session to questions, so a slightly different format from the one that we normally have.

So let me get started. I'm delighted with the way the group performed in 2014. We delivered strong financial results. We've invested in line with our strategy. We've sold non-core European businesses. We've delivered a successful IPO of Old Mutual Asset Management. We've shown that we are a responsible business and we have positioned our businesses for growth. I'll touch on all of these points during my presentation this morning.

Starting with the financial headlines. Underlying financial performance was excellent with 16% growth in adjusted operating profit and 13%

growth in adjusted earnings per share. Trading across all of our businesses was good. Net client cash flows were £4.9 billion positive. If however we exclude non-US institutional flows and funds, overall NCCF was £11.2 billion, equivalent to around 5% of opening funds under management. Funds under management grew 6% to £319 billion.

The board is recommending a final dividend of 6.25p per ordinary share or its equivalent in other currencies. The total dividend for 2014 will be 8.7p per share, a 7% increase. So they're the headlines. Let me now talk about each of the businesses. Firstly, I want to talk about them strategically, and then I'll go through the performance for 2014.

So let's start with Africa. Our aim, as you know, is to build an African financial services champion. At the heart of our strategy is our strong South African franchise. We are driving growth with innovative products and improvements in our distribution capabilities. We are pleased with the progress we've made over the last couple of years addressing single premium issues in Retail Affluent, growing Mass Foundation, and improving investment performance in OMIG. Customer numbers are growing in Nedbank Retail and in the corporate and investment banking areas.

We already have significant collaboration between our businesses in South Africa and enhancing this is an important part of the strategy. We've integrated Property & Casualty into OMEM, increased our stake in Old Mutual Finance, and are making progress towards our goal of delivering an additional R1 billion of synergies from collaboration by 2017. In the short term, strengthening our franchise in South Africa will require some investment in technology in all of our businesses in order to improve the customer experience and enable simpler back office processes.

In the rest of Africa we will continue to strengthen our established businesses in the SADC region whilst expanding in East and West Africa. We've made a number of important acquisitions which we're now integrating. Nedbank exercised its subscription rights for a 20% stake in ETI, strengthening an existing strategic alliance and creating the largest banking network in Africa comprising more than 2,000 branches. Our investment in Africa is to build long-term value and it is important that we take time to find the right opportunities at the right price which meet our capital allocation criteria, but also have a strong cultural and strategic fit with Old Mutual. With the acquisition of UAP in Kenya we will have deployed R3.6 billion of the R5 billion that OMEM had identified to fund acquisitions and Nedbank spent R5.9 billion on its investment in ETI.

So let me say a few words about UAP. As we announced in January we intend to acquire a majority stake subject to receiving the necessary regulatory approvals. UAP is the third largest general insurer in Kenya, the largest P&C market in East Africa, and the second largest health insurer. It has a substantial property investment portfolio and a fast-growing life insurance business. We plan to integrate UAP into Old Mutual Kenya. The combined business will be ranked number four in the Kenyan life insurance market and number three in general insurance. UAP also has a substantial P&C health insurance and life business in Uganda with smaller operations in four other countries in East and Central Africa. So the combination of UAP with our existing business hits our mark of being in the top three in East Africa.

Let me turn now to actual performance in 2014. In Old Mutual Emerging Markets adjusted operating profit was over R11 billion. The increase from 2013 was helped by higher asset-based fees, continued good mortality, improving disability experience, the turnaround in the underwriting result in Property and Casualty, and the consolidation of Old Mutual Finance which was previously equity accounted. In Retail Affluent single premium covered sales grew by 29% driven by *Xtramax* and non-covered sales grew by 16% benefiting from flows into the new wealth offering. We've enhanced *Greenlight* by adding a new range of severe illness benefits and updating our price competiveness for disability income. We've also focused on increasing distribution in the highly competitive Gauteng region. The operating result for Retail Affluent was up 16% year on year.

We're continuing to grow Mass Foundation. We've added net 255,000 new customers in 2014. After a slow first half, Mass Foundation had a very strong second half in part due to the successful launch of the 2-in-one savings product as well as increased advisor headcount. Margins reflected the shift in business mix and operating result was up 36% or 18% when adjusted for the OMF consolidation. It's really pleasing to see this second half improvement in one of our key growth areas.

As a result of healthcare intervention in South Africa, specifically the increased use of anti-retroviral treatment, life expectancy for HIV positive people has improved. Although this goes across customer boundaries, we have revised our mortality assumptions in Mass Foundation where policies are not underwritten. A significant amount of the benefit realised from this has been allocated to existing policyholders in the form of higher levels of benefit for the same levels of premiums. We're also able to offer an enhanced funeral product range providing a higher level of cover at a lower premium. We believe that sharing the upside with our customers is the responsible thing to do.

Corporate profits were up by 7% with higher underwriting profits and lower new business strain. Recurring premiums sales more than doubled. The business has launched new products including the SuperFund umbrella which have sold well. Annuity sales were poor due to competitors pricing aggressively to win business.

Profit in Old Mutual Investment Group was broadly flat with higher completion fees in the Alternatives Boutique, offset by the non-repeat of some one-off OMSFIN profits in 2013.

Property and Casualty achieved a significant improvement over 2013 and made a small underwriting profit in the year. The business still has some way to go in turning round its previous periods of underperformance but progress is pleasing.

Operating profit in the rest of Africa before LTIR and central costs was up by 11% benefiting from the inclusion of Faulu, higher asset management profits in Namibia and improved CABS profits in Zimbabwe. And in Asia and Latin America profits were up by 39% largely due to higher profits from Aiva, and strong performance in our Colombian business.

Let me now move onto Nedbank. AOP of R13.8 billion was up by 14%. The chart on the right-hand side shows headline earnings by business cluster. Here I think it's important to look at the actual percentages rather than just the bars as the scale tends to flatten a very good story of growth across all of the clusters. I'd highlight in particular the 23% increase in Nedbank capital. Net interest income grew by 8% due to an increase in average interest earning banking assets, mainly in Nedbank Capital and Nedbank Corporate. Non-interest revenue was up by 5% with considerably improved performance in the second half. Higher commissions and fees and significantly increased private equity income in Capital and Corporate were partly offset by the impact of earlier strategic decisions, slower personal loan growth, reduced pricing on credit life, and we made the decision, you will recall, to hold prices at 2013 levels. Impairments were down by 19% and the credit loss ratio continued to improve as a result of ongoing improvements in the effectiveness of underwriting and risk management and improvements in asset quality. All clusters were within or below their target levels. So, a positive story yet again for Nedbank.

Before I move on from Africa, let me just say a few words on outlook. In South Africa clearly there are concerns over the impact on the economy of the continuing power outages. In the long run a prolonged period of low oil prices will keep inflation down which will be positive for the consumer and the economy, but in the short-term GDP growth will be challenged. Our South African businesses are in good shape. They faced headwinds in 2014 and delivered good results and I'm optimistic about their performance in 2015.

Let me now turn to Old Mutual Wealth. Looking back at what has happened in the UK financial services over the past ten years, we see an industry that has and is changing beyond recognition. The global financial crisis and the sustained period of historically low interest rates following quantitative easing has brought about fundamental change. Insurers with traditional products have been unable to find yield and we have seen dramatic changes in product pricing, for example, annuity rates. Matching long-term liability for guarantees has become a lot harder resulting in the disappearance of new guarantee products and investment risk being pushed back onto customers as demonstrated by the continuing trend from defined benefit to defined contribution schemes. Regulatory change, including RDR, pension reform and a new capital regime, has further driven this fundamental change in the UK life and savings arena.

In this new world the old business models are no longer appropriate. The winners will be those who put their customers first, guide them through the savings minefield and earn their trust by offering quality service and solutions at fair prices in a market in which trust in financial services has been badly eroded.

We entered this new world well placed with the UK's leading open architecture retail platform and a strong multi-manager as well as Old Mutual asset management capability. We have then adapted our model. We are building a vertically integrated business which aligns with our belief of what customers need and want and value. We will offer affluent and high net worth customers tailor-made investment and retirement solutions with advice from independent or restricted advisors, offered face to face, digitally or direct, on modern tax efficient platforms.

And all of this is underpinned by leading asset management and seamless customer service. In 2014 we made substantial progress. We strengthened our position in the advice market with the acquisition of Intrinsic. We added discretionary investment management capability with the acquisition of Quilter Cheviot, which completed, as you will have seen this week. We launched new wealth solutions including Wealth Select which has attracted around £700 million of net investment. We continued to build asset management capabilities and are receiving good industry recognition, for example, Old Mutual Global Investors was awarded 2014 Global Group of the Year by Investment Week. And we've embarked on a major IT development which will give us a scalable and function rich platform. We are ready for the pensions freedom that come in force in April and will be offering a flexi access drawdown facility via our collective retirement account.

Recent research by Old Mutual Wealth indicated that only 17% of people believe that they have a good understanding of drawdown. We are acting responsibly by promoting the need for customers to take professional financial advice before making such important decisions. And our drawdown product will offer an annual review so that customers are aware of where they stand.

In this new world I believe we have the right model, we're in the right place, and we're focusing on the right things. With strong execution I believe we're on track to a significant value uplift of the Old Mutual Wealth business.

Let me say just a few words on those acquisitions of Intrinsic and Quilter Cheviot. The Intrinsic acquisition completed in July and we've now integrated that business into Old Mutual Wealth. The number of restricted advisors has increased to over 900 and the UK platform personal protection products and elements of Old Mutual Global Investors fund range have been added to the intrinsic product panel. In December we also acquired the remaining 50% of Cirilium which wasn't owned by Intrinsic. For the full year 2014, Cirilium delivered net flows of over half a billion pounds. We're delighted with what we're seeing with Intrinsic at this very early stage.

Turning to Quilter Cheviot. We've acquired a high quality discretionary investment manager of scale which gives us access to the top end of the market where investable assets are estimated to be £0.9 trillion, a huge market. This is in addition to the estimated £1.7 trillion in our existing affluent and mass affluent target markets. Performance of Quilter Cheviot in 2014 was in line with our acquisition case. Our integration plans include the realisation of synergies with existing wealth business, for example, using Old Mutual Wealth's capabilities and solutions to enhance the proposition for Quilter Cheviot clients and aligning our financial planners to the unadvised portion of their asset book. They will also benefit from our buying power for external fund management. Having received the necessary approvals and completed the acquisition, we will now drive forward with the integration and clearly say more when we come to the Interims this year.

So let's turn to performance in 2014. Adjusted operating profit was up by 5% on a reported basis, but 11% like for like. Remember that during this year we sold businesses in continental Europe enabling us to increase our focus on our core UK and our cross border markets. Profit from our open books is growing strongly while the Heritage books are declining slowly and for the first time open book profits overtook Heritage.

Profit from Old Mutual Global Investors more than doubled to £33 million. The vertically integrated model is working. Around 12% of platform funds are now managed by Old Mutual Global Investors up from 8.5% in 2013. OMGI now accounts for some 25% of Old Mutual Wealth funds under management up from 20%. And we have seen good flows from Intrinsic onto our platforms. Net client cash flows were up 61% at £3.7 billion. In fact if we exclude the run off from the Heritage books, NCCF from the open books was £4.8 billion, almost 8% of opening funds under management. I'm particularly pleased with this result against a background of virtually flat net retail sales as reported by the Investment Management Association.

Profits in the international business were down 24% in part due to exchange rate movements, and a number of one-off costs connected with the implementation of the new international platform, Wealth Interactive, and product development in Asia. Although international sales were down overall largely due to currency, sales for instance from South Africa were up by 50%.

We remain confident that Old Mutual Wealth will achieve its £270 million profit target in 2015 excluding, of course, profit and integration costs from Quilter Cheviot. The target will be achieved through top line growth, particularly in Old Mutual Global Investors, and our UK platform, and also from a positive contribution from Intrinsic. As you can tell I am really pleased with how the wealth business is progressing.

And so finally in this section, to the United States. The figures on this chart are solely in relation to the listed entity Old Mutual Asset Management. Three years ago, when we started talking about the potential for an IPO, we knew that we had a lot of hard work to do to get this business into shape. I think the results of 2014 illustrate how far this business has come. Adjusted operating profit up 32%, net client cash flows strongly positive, operating margin up 30 basis points. And we're starting to see real momentum in global distribution. This initiative we set up around two years ago and sales in 2014 were ahead of plan at over $5 billion of assets raised. Non-US clients now account for around 20% of total funds under management in OMAM.

The chart on the right of the slide illustrates the annualised revenue impact of quarterly NCCF. What you see here is that although 2014 NCCF was down on 2013, something which I think was a common experience across the industry, our inflows were at a higher margin than our outflows with a consequent beneficial impact on revenue. I think this is a very creditable performance and having completed the IPO, OMAM now has the financial flexibility to grow without recourse to group capital, though we remain a committed and supportive shareholder.

So that concludes my review of strategy and performance. I'm now delighted to hand over to Ingrid.

Ingrid Johnson: Thank you Julian and good morning. I'm pleased to be presenting the Old Mutual results for 2014 and I'm delighted to see some familiar faces from the interims. I look forward to meeting many of you in the next month or so as we talk through the results in more detail.

Today I will start with some comments about the macro environment in 2014. My presentation will then cover group profit and sources of earnings, cash, debt, capital and dividend, and finish with some concluding remarks.

Let me begin with the macro background which provides some context for these results. The FTSE 100 was down 3% over the year with some volatility in the second half, but the JSE All Share and the S&P 500 indices were strongly up, 8 and 11% respectively. Higher average markets boosted fund based earnings and year end levels added around £20 billion to our reported 2014 funds under management of £319 billion.

Next, in terms of currency. The rand was, on average, around 18% weaker than in 2013 but traded within a reasonably tight range over the year, and weakened by just 3% year-end to year-end. The effect of currency translation on funds under management was overall positive for the year with a slight deterioration in the rand more than offset by the strengthening of the dollar. However, the impact of sterling's strength on our reported results once again masked the underlying strong profit performance.

Turning to GDP. Growth in sub-Saharan Africa was strong at 4.8%. Although this was lower than 2013, it was ahead of most developed economies. It was also muted by the inclusion of South Africa where the economy was weaker on the back of the labour disputes, the widest trade deficit on record, and towards the end of the year, the electricity constraints. UK growth at 2.6% was the highest since 2007 and the US economy was strong with increased levels of GDP growth. These macro factors are all familiar dynamics to us and we continued to deliver well against a mixed and uncertain background.

Turning to our financial results. We show the diversity of the group's earnings by geography and line of business. AOP after tax and non-controlling interests was £868 million in the year. Geographically earnings continued to reflect the size and strength of South Africa, but there is a growing contribution from the UK and we expect this to continue as the wealth business delivers on its growth plans.

Looking at the split by line of business, less than half our earnings in the period came from life and savings. This is a shift that has emerged over the last few years as we have been transforming our business away from traditional, more capital intensive life insurance products towards the modern new world wealth, asset management and banking. We will see this trend continue into the future.

Moving onto the simplified P&L, you see AOP from the business units, stated here before tax and non-controlling interests, at £1.745 billion. This is similar to the prior year on a reported basis but is up 16% in constant currency. Julian has already talked through the underlying drivers of this good performance. The reduction in finance cost to £78 million follows completion of the debt repayment programme. Other costs contain a number of moving parts. The principle changes from 2013 are a lower long-term investment return on excess rand denominated assets which themselves reduced following acquisition activity in Old Mutual Emerging Markets, lower fair value gains on seed capital, and costs associated with Old Mutual brand building. Taxation at £439 million represents an effective tax rate of 27% up on the 26% in 2013 but consistent with the rate in the first half of the year. The ETR increase is mainly due to a higher effective tax rate in Old Mutual Emerging Markets due to a reduction in non-taxable and low taxed income and the impact of non-deductible losses in Africa.

Moving to non-controlling interests. The increase reflects the change in minorities for Old Mutual Asset Management following the IPO and the consolidation of Old Mutual Finance.

The £868 million of AOP is equivalent to a 13.3% return on equity at a group level, within our target range. Here you see how shareholders' equity is deployed across our businesses. For the purpose of this calculation, the group share of goodwill and other intangible assets, as per the segmental balance sheet, has been excluded from the individual business units and is shown at holding company level. We have both scale and competitive advantage in our businesses through acquisition and have carried out our annual test, we are satisfied that the carrying value of our goodwill is reasonable in comparison to the calculated value in use.

We are deploying equity in structurally attractive markets and with good growth prospects and our businesses are generating good returns. Over half of the equity sits within our African operations, which is as one would expect given our heritage and our aspirations. The negative equity shown for institutional asset management is reflective of asset managers typically having low levels of capital, higher goodwill and therefore making high ROEs on this basis of calculation.

Going forward the building blocks are in place to drive growth, cash flow and improve returns on a sustainable basis organically and through integration. Adjusted group net asset value at 31 December was £10.9 billion or 221.9p per share. This was calculated using an MCEV valuation basis for the covered business in Old Mutual Emerging Markets and UK heritage as well as the market value of listed subsidiaries and IFRS net asset value for other assets and liabilities. The uplift from 2013 year end reflects growth in the underlying business contributions, the improvements in the Nedbank share price, and valuation uplift as a result of the IPO of Old Mutual Asset Management.

Moving now to cash generation. This next slide is an adaptation of the one you've seen many times before which highlights the conversion of business unit profit to cash at the PLC. For Old Mutual Emerging Markets and Old Mutual Wealth, the gross free surplus column is a sum of the transfers from the value of in-force business, the release of capital as products run off, initial strain from writing new business, operating and economic variances, and also free surplus generated from non-covered businesses. For Nedbank and since listing OM Asset Management, the gross free surplus represents the actual amount paid to us in line with the declared dividend policy and distribution.

The operating businesses generated £773 million of gross free surplus, equivalent to an efficient 78% conversion of AOP. In 2014 we invested £120 million on strategic investment. The £23 million of investment within Old Mutual Emerging Markets in principally IT development costs including digital capability and the £97 million in Old Mutual Wealth includes costs of the outsourcing project, brand building and IT infrastructure costs associated with wealth interactive and building digital capability. The net free surplus after this investment at £653 million was therefore lower than the prior year. Going forward we expect free surplus generation to improve as we complete this investment cycle.

Turning now to remittances. £464 million, equivalent to 47% of total business unit AOP, was remitted by the businesses to the PLC. This remittance was covered 1.4 times by the net free surplus. We have flexibility over the level of remittances from Old Mutual Emerging Markets and Old Mutual Wealth and 2014 was an inflexion point in this regard.

Let me illustrate this point. In 2013 and in previous years rand remittances were closely matched to total group ordinary cash dividends. Hard currency flows of £210 million in 2013 therefore funded the £132 million of interest payments and group costs leaving the surplus to part fund the repayment of debt. By contrast in 2014, total rand sourced remittances were £310 million which funded 75% of the dividend. Hard currency operational receipts of £154 million funded the remainder of the dividend and a portion of the £119 million of interest in group costs including preference shareholder dividends. The remainder of these group costs were funded by the group reflecting our commitment to executing our growth strategy. But remember from the previous slide that only 71% of the net free surplus was remitted by the business units and we could have fully covered the group costs by taking a higher level of remittance had we chosen to do so. Going forward, Old Mutual Wealth will contribute more to the dividend as the business completes its investment phase and generates higher levels of return and the African businesses will therefore be able to retain more of their surplus for reinvestment. South African cash remittances are hedged which mitigates the impact of rand movements and the resulting FX hedging gains are included here within the other operational flows line.

Moving onto to net capital flows. Net corporate activity of £453 million includes the acquisition of Intrinsic, the IPO of OMAM, sale of businesses in continental Europe and additional deferred proceeds in relation to the sale of the Chinese joint venture to Old Mutual Emerging Markets. Net funding flows include the return of OMGI seed capital and the repatriation of capital from Bermuda.

Bringing all this together. The PLC closing balance at 31 December was £1 billion. Of the £1 billion, £566 million of cash has been used since the year end in settlement of the Quilter Cheviot acquisition. On a pro forma basis, including the revolving credit facility, we have total liquidity of £1.1 billion. Our liquidity levels are more than adequate.

In addition to the group position, each individual business maintains liquidity and credit facilities sufficient to support their normal trading operations and to withstand severe stress events. At 31 December on an IFRS basis, the group had £1.5 billion of gross debt excluding banking related debt and gross gearing of 13.3%. The run rate benefit of the debt repayment programme is seen here with total interest cover increasing to 16.8 times and hard interest cover to 5 times. Gearing and interest cover ratios remain good and at levels with which we are comfortable.

In terms of future debt the box to the right of the slide illustrates our first call debt maturity profile with £457 million of hybrid bonds callable in 2015 including a R3 billion bond issued by OMLACSA.

Normal course debt management is important to us in terms of our liquidity and solvency positions given that qualifying debt compromises approximately 30% of our capital resource on an FGD basis.

Moving now to capital. Our individual businesses continue to operate within our predefined levels of risk appetite and they maintain sufficient local statutory capital to support their normal trading operations, even when applying regulatory and internal stress scenarios.

The table on the slide shows the local surplus in both absolute terms and level of coverage and the translation to sterling highlights the extent of local capital strength.

At a group level our capital surplus at 31 December calculated on an FGD basis, was £2 billion, equivalent to a coverage ratio of 163%. In the FGD waterfall shown on the slide you can see the addition of £550 million from statutory profits. We then paid £394 million of ordinary dividends to shareholders. Net corporate activity, including the IPO of Old Mutual Asset Management and the disposals in continental Europe contributed a further £58 million. Changes in requirements, for example in Nedbank due to the growth in risk weighted banking assets, reduced the surplus by £218 million and there was a reduction of £64 million primarily from foreign exchange.

On a pro forma basis the Quilter Cheviot and UAP transactions would reduce the FGD surplus by around £0.7 billion or 20 percentage points. As we have done previously, we have run a scenario with the rand considerably weaker against sterling. At an exchange rate of 25, compared with the 18 at year end, the overall capital surplus would have been lower at £1.7 billion but the coverage ratio would have been higher at 168%. The point to appreciate is that irrespective of any likely movements in the rand, and indeed against all our stress scenarios, we retain excellent capital strength and resilience. There are, however, a number of lenses through which one can look at group capital depending on the assumptions and methodologies used within the calculations. For example, FGD is not a risk based regime and assumes full fungibility and transferability of capital across geographies. Solvency II on the other hand uses a more conservative 1 in 200 stress scenario in determining the capital requirement. It also uses a rules based determination of fungibility and transferability. Consequently solvency II is likely, given its inherent conservatism, to result in lower levels of surplus regulatory capital and coverage ratios than the existing regime, particularly for those companies opting for the standard formula as is the case for Old Mutual.

In line with our regulator's timetables we will submit a relevant application in the second quarter of 2015 and anticipate receiving a response in the second half ready for implementation in 2016.

Importantly nothing changes our actual capital position and strength, nor where the risks lie. And accordingly we are comfortable that we are appropriately, yet not excessively capitalised, under the evolving capital rules.

Turning now to dividend. Having delivered a good financial performance in 2014 and mindful of our capital strength and cash position, as well as taking into account the market and economic conditions and outlook, the board is recommending payment of a final dividend of 6.25p per share. If approved by shareholders, this will make a full year ordinary dividend of 8.7p per share, up 7% on 2013. Based on exchange rates at the end of 2014, the full year increase for shareholders on the South African register would be 13%. Please note though that this is simply a guide and the actual conversion will not be made until 9 April.

The proposed full year dividend represents a coverage ratio of 2.06 times AOP earnings. Our dividend recommendation is set by reference to our dividend policy which remains unchanged. The board intends to pursue a progressive dividend policy consistent with our strategy, having regard to overall capital requirements, liquidity and profitability, and targeting a dividend cover in the range of two to two and a quarter times AOP earnings. And we will continue to set interim dividends at 30% of the prior year total.

To summarise. Notwithstanding the macro environment Old Mutual delivered another good financial performance in 2014. Strong underlying profit growth, AOP up 16% in constant currency; well diversified earnings, both geographically and by line of business, leveraging our South African heritage and growing in our chosen markets; and earnings per share of 17.9p.

Our businesses remain strongly cash generative, £653 million of net free surplus, and Old Mutual Emerging Markets and Old Mutual Wealth locally funding investment in growth initiatives. We have a strong and resilient balance sheet maintaining appropriate levels of capital, liquidity and gearing which is prudent given economic and regulatory uncertainties.

Our dividend policy is unchanged supported by our financial position and outlook. The group is well placed with appropriate level of financial resources to pursue our growth agenda and vision for the benefit of all of our stakeholders.

That concludes my presentation this morning as I hand back to Julian.

Julian Roberts: Thank you Ingrid. So, a few brief concluding remarks. If I look back to 2008 our priority was to stabilise and fix the business. Then we had to de-risk, simplify what we'd got and focus on where we were going. That gave us some strategic choices, and over the last two to three years we've been taking strategic decisions and have executed a huge amount of meaningful strategic activity.

So we've done what we told you we would do. We've improved our business and redeployed our capital. We've had issues and we've addressed them. We're in good shape. We're in the right places in Africa, we've got the right model for the UK, and we're growing again in the US. The focus now is on operational execution and delivering returns from our investments. This is what my executive team are charged with delivering and I'm confident that they're the right team to do it. The result will be stronger franchises, stronger profits and even stronger cash flow from all of our markets.

I haven't so far said very much about responsible business, so a few words before I finish. Our immediate priorities are to focus on responsible investing as well as financial wellbeing which for us includes access to suitable products as well as financial education, something that we've got a long history of doing in South Africa. We believe that being responsible is the right thing to do, for our customers, our business and our shareholders. I referred earlier to the benefits of revised mortality assumptions being used in part to fund additional benefits for policy holders. It's the right thing to do. I also mentioned support for customers in the new UK pensions world. It's the right thing to do. And Gail Klintworth, the latest appointment to my group executive committee, is embedding this in our business to make sure that we drive towards our goal of being a leader in responsible business in the financial services industry.

So let me summarise. It was an excellent year for Old Mutual with good trading performance across the group and growth in all our businesses. Over three million customers in Africa, outside South Africa, growth in profits in Mass Foundation and Retail Affluent, a good result from Nedbank. Old Mutual Wealth, like for like profits up 11% and sales beating market trends. And a fantastic year for OMAM, profit up 32%.

These results are a credit to all the people around the Old Mutual group who have worked hard and with dedication and have contributed to a strong performance. As Ingrid has discussed, we are well capitalised. Our dividend policy remains unchanged. And one of the consequences of our business transformation is that we now have flexibility over the sources of funding of dividends. This flexibility will increase as the Wealth business exits its investment phase and grows earnings. We've reshaped the group and that is behind us. What lies ahead is operational execution, driving returns from the investments we've made, growing value for our shareholders, and indeed for all our stakeholders. I feel positive about the business moving forward. I see huge upside potential and I look forward to talking to you either in meetings over the next few months or back here in August for our interim results presentation.

Ladies and gentlemen, I'd now like to open the session to questions. As always, please wait for a microphone. If you can say your names so everybody both here and in Johannesburg can hear your question before we start and I'm going to start this time with Mr Hocking in London.

Jon Hocking: Thank you. Morning everybody. Jon Hocking, Morgan Stanley. I've got three questions please, two on capital and one on the UK. I understand that you're not able to give details about Solvency II, but just looking at your solvency ratio, given that Ingrid said that you'd expect the capital requirement to be higher under a Solvency II framework, and also I guess the sensitivity to stresses to be higher, and given that the dividend is costing 12 or 13 points of capital it doesn't seem to be a huge amount of slack given your starting of 160% or so. I wonder whether you could comment on how you think about the capital policy post Solvency II and I realise that the numbers aren't clear. But what sort of buffer are you likely to be running at above 100% of Solvency II ratio? That's the first question. Second question, just on the UK, are you now done with acquisitions in the UK? Do you have all the component parts you think you need to build the retail business, actually just a third question, did the re-platforming you were previously talking about, probably I think of IFDS, for the business pre-Quilter Cheviot, does Quilter Cheviot now get rolled into that re-platforming process? Thank you.

Julian Roberts: Do you want to tackle the capital problem first?

Ingrid Johnson: With pleasure. As we highlighted there's still a number of considerations that we are working through and the slide actually outlines those, and what we've then sought to do in terms of our capital, for the appropriate level of capital for what we believe would be needed in Solvency II over what we've also highlighted, it's not excessively so, and that's really to manage the expectations and also highlighting because we are planning to be on the standard formula, it's important not to read through to our economic capital as an indicator of potential surpluses. It's a very, very different methodology that's done on a very pure economic basis with no geographic constraints and cross border diversification but really is uncertain but in the context of what we're operating in we're very comfortable we've got appropriate levels.

Julian Roberts: You asked a question whether we've got the all the component parts and I should say, Martin, welcome, Martin Baines, Chief Executive of Quilter Cheviot. I should have welcomed you to your first Old Mutual gathering. We're delighted to have completed that transaction just yesterday, was it? Yesterday or the day before yesterday, or this week anyway.

Where we are at the moment is yes you can assume it's done, but it's going to be organic growth, so we haven't stopped adding teams into Julian's Old Mutual Global Investors. We haven't stopped adding advisors into Intrinsic. I am sure we will have more asset managers coming into Quilter Cheviot, so yeah, right now, fundamentally we have the bits, but clearly we will add to each of the bits as we move forward. That's where we are so the focus anyway is to make sure, as I've said, we get every bit humming and we get it fully integrated right now. And on the platforming, look, I don't want to go through what we're going to do and the level of integration with Quilter Cheviot until I think it's the half year. We've only just completed it and now we go through the process, the full integration plans, and then we'll come back and go back into more detail.

Andy Sinclair: Morning, it's Andy Sinclair from Bank of America, Merril Lynch. Three questions please. Firstly we had £97 million of free surplus generated by Old Mutual Wealth being invested in 2014. Could you remind us of how this figure will move over the next few years and what would be a typical longer term level of investment. Secondly on Mutual and Federal, we had a strong turnaround in H2. I just wondered is H2 a reasonable run rate going forwards or is there more that can be done here or any one-offs to starting the number? And finally, OMGI is now managing about 12% of platform funds under management. Where do you think this can go over the longer run? Thanks.

Julian Roberts: Do you want to cover the first one?

Ingrid Johnson: So on the first one, clearly we don't give you a forward looking outlook, but what we have indicated previously is the investment that we're making in the underlying platform and that's still in the early stages of the plan and is probably, you know, going to be implemented in 2016 or so, so that is going to take continuing investment and then as we've said, in investing in teams etc that's also going to take continued investment so I think what we've outlined is in the near term expect continued investment. Over longer term that will then change the free surplus generation.

Julian Roberts: The second answer, are you satisfied with Mutual and Federal? No. You know, I think we are at the beginning of the turnaround, you know, I expect this business to have an underwriting surplus of, you know, between 4 and 6%, it's nowhere near there at the moment so there is still a lot of progress, but what is very pleasing is, you know, the profit generation that we've had this time but there is more to do and Paul do you want to come up with a number for the 12% - to what and what sort of period?

Paul Feeney: I think there's two numbers because Old Mutual Global Investors manages about 25% of Old Mutual Wealth's funds under management right now as we sit here today, so about 12% of the platform assets, now depending on where you look, certainly we're seeing that rise over time, but 25, 30% would not be, you know, overstretching I think over the next few years. And again I think we will see increasing amount of assets under management as a percentage of our total assets managed in-house. So we've got two numbers there, one is the 25% which is of total funds under management and one is of the platform funds under management.

Julian Roberts: Okay, thanks very much. I'm going to take this question then if anybody's got a question particularly on the South African business, we can do a seamless shift to Johannesburg.

Will Elderkin: Thank you, yeah. It's Will Elderkin from Goldmans. Just on the UK, can you just remind me what the restructuring costs you've disclosed were and how have those been expensed in in the year and what the remaining schedule is. And then in terms of the South African business, in terms of the income statement affecting Mass Foundation from I think the reserve review, can you just clarify what that was and also within Mass Foundation what the contribution from Old Mutual Finance was with the full consolidation. And then finally on the Mass Foundation, just give us an update on the competitive landscape there. I think you've mentioned more non-traditional competitors at the investor day and also whether sort of double digit growth rates, I think you had 11%, in 14, whether that is sustainable?

Julian Roberts: Oh you've given us a lot of questions there, so... Mark can do the first one. See if he's going to give the same answer I would have given.

Mark Satchel: So the first one's about what we've disclosed so far in Wealth and Interactive and on that we've spoken about a cost of about 175, 180 million previously of total cost and in terms of what your expense in the current year, it's just a little bit over 50 million, it's 52 million so what Ingrid had is the 96 or whatever up there, the component part of that involves the re-platforming of the business.

Will Elderkin: Thank you.

Julian Roberts: Do you want to answer any of the questions or shall I hand them straight over to Ralph?

Ingrid Johnson: To Ralph.

Julian Roberts: Ralph, I hope you're writing down the questions that Will's just asking?

Ralph Mupita: Julian I was, and I will answer the last two questions around the competitive landscape as well as where we see growth rates while Katie gets out her schedule and to answer the question about the profit mix for MFC. On the competitive landscape I think we are seeing the same trends that there are in new and traditional competitors and we're seeing some of them actually pretty regionally based but we feel confident that we have a strong enough franchise to take on those new competitor threats, you know, in the foreseeable future and in the way that we've launched the new two in one savings range, it was part of the strong growth we saw in the second half, so we've launched that as a response to some of the competitive threats and our funeral range we have been able to improve benefits and also become a lot more competitive so we feel pretty strong around that. In terms of the growth rates, I mean we've guided that, you know, running through the cycle basis we should be between 10 and 15% and nothing changes in that regard. Katie do you want to pick up the questions on the mix of MFC profits?

Katie Murray: Yeah sure, thanks Ralph. If you look at the MFC profits the way to think of them is to about 15% came from the consolidation impact of OM Finance which is something like 8, before it was about 8% last year, so effectively kind of doubling of that profitability in the year.

Julian Roberts: Ralph I'm going to leave you to see if there are any questions in the room in Johannesburg.

Ralph Mupita: Michael, Michael Christelis

Michael Christelis: Hi, Mike Christelis from UBS. Two questions, firstly in the South African Retail Affluent space we've seen, you know, extensive pressure on risk products both at your business and across your competitors. In an environment where mortality profits have been exceptionally strong and people are releasing reserves why is there not an opportunity to sort of massively undercut on pricing in order to spur growth back into that market? I mean is there an opportunity or am I missing something there? And then the second one on group capital and forgive me if I'm oversimplifying this, but if fungibility under Solvency II is potentially an issue surely from a juristic perspective it makes sense to move the head office back to

Johannesburg just from a point of view that's where 90 whatever percent of your capital requirement and resources sits? Thanks.

Ralph Mupita: Julian I'll pass on the second question to you and...

Julian Roberts: Oh thank you Ralph!

Ralph: And you can build on my response. But I think the way we've understood the markets in 2014 is that the risk market has been pretty flat across the piece and what makes the comparators pretty difficult is that there are credit life sales in some of our competitors and our Retail Affluent business we don't have any credit life sales that comes through our protection sales. We look at it from a year on year growth. But there is certainly, the consumer is under pressure, and generally what we see is that in the middle market consumers are under pressure of risk sales and it will come down quite substantially and you know, we've remained focused on trying to write profitable new risk business and haven't been willing to, you know, dramatically reduce our margins to capture more volume, so, you know, we are, you know, pretty satisfied that given the market conditions, the consumer under pressure, the volume, the margins we would like to get, you know, us being 6% down in our Retail Affluence sales, you know, we're comfortable with that. Now, you know, to the point of, you know, is there scope for further pricing, you know, Iain I don't know if you want any particular points there.

Iain Williamson: I think you've largely covered. It's really a judgement call around pricing strategy, margin versus, you know, as you say, low mortality surplus that might be available. We do look at that on a regular basis and we continue to relook at it, but right now, you know, I think we would be looking to maintain margin rather than to chase volume at a much lower margin.

Ralph Mupita: Julian I'll pass the other question up to you.

Julian Roberts: Yeah, it's... one of the interesting debates that I've been having with the Chief Executive at another global insurance group in London recently is that the fungibility issue that you are raising that is coming through on Solvency II actually turns round and says, "Is Europe the right place, is Europe a welcoming place to hold the ownership of businesses, international businesses?" Because if you are absolutely well funded right the way across a subsidiary company but then there is a haircut when it comes down into Europe, then, you know, then the whole thing doesn't work. And that's why really we're not talking about the Solvency II numbers now because there's still a debate and dialogue, and that is the last thing the regulators want to happen and so that's the debate that's going on with capital. We run the business based upon the capital that we've got in each subsidiary business, not the calculated amount that is run at the group and that's why we turn round and say we're well capitalised. And it doesn't have any impact of course of the cash flows that are moving around the group. Back to you again, Ralph.

Ralph Mupita: Brian Mushonga

Brian Mushonga: Morning Ralph. Two questions please. You've mentioned combining your businesses in Kenya. Are you going to drop one of the brands there, if so, which one? Then back to Mass Foundation, can you just give us an idea of the quantum of the mortality release?

Ralph Mupita: Okay, I'll get Gary Palser to talk about the mortality release, but on the, with the UAP acquisition it's very early days at the moment. As Julian noted we're still going through regulatory approvals. We are hoping to have those approvals certainly by the end of the first half of the year. I can't comment around issues such as what brand we will use. That runs foul of potential pre-implementation risks, we're going through a competition commission approval, so, but you know, at the half year we'll be able to update you exactly on those sort of details. Gary?

Gary Palser: Alright, so in our disclosures we showed total release from mortality assumption changes of 1.5 billion in the embedded value and 1.1 billion of that is from MFC.

Julian Roberts: Any last questions in Johannesburg Ralph?

Ralph Mupita: Risto?

Risto Ketola: Risto from Standard Bank here. Just two questions, the M&F brand, is that really important to keep going forward and then second question is about the size of your tier two programme in South Africa. Most of your competitors have increased their local debt over the last few years and

I'm wondering whether you look to do the same now that you have the first call date.

Ralph Mupita: Okay. Raimund, I don't know if you want to pick up the Mutual & Federal brand question then Katie, the tier two programme?

Raimund Snyders: Thank you Ralph. Well the M&F brand I think two points to make. The one is that M&F is obviously a business with a long heritage, it's a well-recognised brand, certainly amongst the intermediaries in the business by and large and it's an intermediary driven business, so deep relationships, long track records of books that we run with intermediaries. And that you have to keep into account as you consider your brand. At the same time Risto has got a good point and it is something that we are working on at the moment in terms of the broader strategy. Julian mentioned that we've integrated the business, certainly from a financial perspective, and from a collaboration perspective with that of Old Mutual's, and it is one of the things that we are considering, I would also venture to say that that an appropriate time we will be able to come to the market and say, "Well, this is what our strategy is going to be, we've researched this well and this is how we'll take it going forward". At this stage it continues as a Mutual and Federal brand, intermediary driven business and we'll continue to leverage on that heritage.

Ralph Mupita: Thank you. Katie?

Katie Murray: Thanks Ralph. Risto, you may have seen our disclosure in the bowels of the document that we basically are announcing today that we are looking to do a further tier two debt issuance to build up on the one that we did in November last year, so we're looking to come to market March 16th with the kind of initial of 2/2.5 billion exact size and tenors and things will be discussed over the next few weeks as we talk to the bond investors. Thanks.

Julian Roberts: Ralph, can I say thank you to everybody in the room in Johannesburg for their questions. Just before we wrap up are there any final questions from London? Blair's got one.

Blair Stewart: I've got a couple actually if I can. Thank you. The first point just on Solvency II, you've given economic capital details and you've given that before and after the diversification credit, so I wonder Ingrid, could we take the 3.8 billion surplus that you give just summing up the operational entities, is that a reasonable proxy for where you might land on Solvency 2 and if not, why not? And you also talked about the, as a wealth business, starts to increase its profitability, that may allow you, it may allow the Emerging Markets business to remit less in order to grow more? I just wonder is that, is that really necessary? You've got about 40% remittance at the moment. You've still got a billion and a half left. I would have thought that you've got more than enough capacity to grow as it stands rather than starting to cap that further.

Julian Roberts: I think you may have misinterpreted what I was saying. It gives us more flexibility, you know, up until recently 100% of the dividend has had to come from South Africa because we haven't been generating enough cash flow in the northern hemisphere. The situation has now changed and with the significant increase in the amount of cash flow, that gives us flexibility. We'll work out what we need to do and we'll spend what we need to spend and I know you're trying to get through the dividend policy but our dividend policy is two to two and a quarter times but it just gives us the flexibility that I think is right and you saw the chart on here in Ingrid's slide. 64% I think it is of the profits come from South Africa, so you can see the boost in the profits coming for around the rest of the group and they should therefore be able to pay their proportionality of dividend. The first question?

Ingrid Johnson: I would really treat with caution trying to do any read through from an e-cap through to the Solvency II, there are so many different moving parts and we're still actually working through those whether you choose, as we said in the slide, around the considerations with deduction and aggregation, there's also cross business diversification benefits. There's so many things that in an economic model, even on a standalone business, there are things that maybe would be included from a business perspective but in a Solvency II excluded and that's why we're treating it with caution, we're giving you a direction of travel, but not an absolute outcome and I wouldn't read through even on the standalone view of that being an indicator of Solvency 2 outcome.

Julian Roberts: We're not trying to be unhelpful, it's just not clear what the final outcome will be and as you know, what's happening in the UK, everybody's submitted their models, the PRA wants to have everything in before they will come through and see how it comes out and I'm afraid on this one you'll just have to come to your own assumptions until we can give that further clarification, but it's not trying to be unhelpful.

Blair Stewart: No, thanks for that. Can I just ask one further question on an operational point of view? You talked about the UK business and your plans for drawdown, about giving an annual review to the customer. I just wonder if you could talk a bit more generally about where you're position in drawdown, what is going to improve from the re-platforming set, is that going to improve your drawdown offering and you actually go around that, how you go about offering that annual review, how that's done and...because the drawdown market's going to increase significantly in the UK I would expect, I just wonder if you could talk a little bit about what you can offer in that market at the moment please.

Julian Roberts: It will be no surprise to you Mr Paul Feeney.

Paul Feeney: Thanks Blair. Well there's a lot of talk about drawdown and flexibility and a lot of people talking about whether it's, you know, they can do it. A lot of the market won't be able to do it when April comes. We will be able to do it and what the "it" is basically is the ability for people to use their pension pot now flexibly to draw an income from their pension pot, or to take capital from their pensions pots as they desire. Now clearly there's a number of elements that go with that. One of the elements is the flexibility and the functionality on the platform to be able to do it. So those without a strong platform are going to struggle to do that. So you'll hear a lot of people talking about whether they should be doing it or they shouldn't be doing it. A lot of those companies won't be able to do it and that's why they're saying that. So first of all it's the functionality to take that income or to take that capital and to do so as they require it.

Secondly is the investment proposition, this goes behind it. Because now a lot of people in retirement won't have to buy an annuity and won't want to buy an annuity. We've already seen annuity sales collapse in this country. So, the main proposition for that now will, against that, will be drawdown. But drawdown requires a strong total return and investment proposition behind it. So, what are they going to invest in? So we've been spending a lot of time with Old Mutual Global Investors, with Julian and his guys as well to develop that income and total return investment proposition which will link with our platform and the drawdown tools, the drawdown functionality and flexibility that we'll have delivered for April this year. So, it comes down to functionality, it comes down to tools on the platform and so advisors can actually sit down with their clients and say, "Look, this is what it means, this is the type of income you can take, if you invest in this type of product, here's how you can take it". If they want to take it monthly, it they don't want to take it quarterly, people don't draw their salaries quarterly. They want to take it monthly. And hitherto what it will mean in terms of longevity. So the tools, the flexibility, the functionality and the investment proposition, altogether in one package. And we're calling that Life 2. So you've heard it here first. So we'll offer an annual review for all those who want to take our drawdown capability, we do have the largest financial advisory network in the UK, called Intrinsic. We also have, we also operate with 9,000 open market financial advisors. So we're probably in as good a position, if not a better position, than anybody else to make that offer and it's quite a significant offer.

Blair Stewart: Who's going to pay for it?

Paul Feeney: Well, it's people who want to take our drawdown proposition, so they have to be with our drawdown proposition as opposed to, it's not a case of think about it, if people are opting for our drawdown proposition as a part of that they will get that annual review, so clearly there is, you know, there's fees to us when they take our drawdown proposition, so we will be getting the revenue and as part of that we'll offer the financial review.

Julian: I think that's a good place to finish, looking at the prospects moving forward for 2015, so as I said, 2014's been a good year. 2015 is a focus on operational execution to make sure we continue making progress in our existing business and then get the value out of the strategic initiatives we've put in train in 2014 and in 2013 before. Thanks very much everyone for joining us both here in London and in Johannesburg as well.