

An aerial photograph of a large concrete dam with multiple piers, with water flowing through the spillways. A white network of lines and dots is overlaid on the right side of the image, with a prominent orange dot and a green dot. A solid green vertical bar is on the left side.

OLDMUTUAL

IFRS 17 BRIDGING PACK

FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND
THE YEAR ENDED 31 DECEMBER 2022



DO GREAT THINGS EVERY DAY

Basis of preparation

At 31 December 2022, the Group prepared the reported set of results in accordance with IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 Insurance Contracts (IFRS 17) replaces IFRS 4 and is effective for annual periods beginning on or after 1 January 2023. The transition date for Old Mutual Limited (Old Mutual or the Group) was 1 January 2022. In accordance with the transition requirements of IFRS 17, we have restated comparative information for the half year ended 30 June 2022 and year ended 31 December 2022.

This document sets out the changes from IFRS 4 to IFRS 17 and how they impact the Group's key performance indicators. It includes guidelines to assist with the interpretation of our results. The Board of directors is responsible for the financial information contained herein, and the Group's external auditors have not reviewed or reported on it.

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Cautionary Statement

This report may contain forward looking statements with respect to certain of Old Mutual Limited's plans and its current goals and expectations relating to its future financial condition, performance and results and, in particular, estimates of future cash flows and costs. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual Limited's control including, among other things, domestic conditions across our operations as well as global economic and business conditions, market-related risks, such as fluctuations in equity market levels, interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual Limited and its affiliates operate. As a result, Old Mutual Limited's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual Limited's forward-looking statements. Any reference to future financial performance has not been reviewed or reported on by the Group's auditors. Old Mutual Limited undertakes no obligation to update the forward-looking statements contained in this report or any other forward-looking statements it may make. Nothing in this report shall constitute an offer to sell or the solicitation of an offer to buy securities.

About Old Mutual Limited

Old Mutual is a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key market segments in 14 countries. Our primary operations are in Africa, with a niche business in China. With over 178 years of heritage across sub-Saharan Africa, Old Mutual is a crucial part of the communities it serves and the broader African society.

For further information on Old Mutual Limited, and its underlying businesses, please visit the corporate website at www.oldmutual.com.



Cape Town, South Africa –
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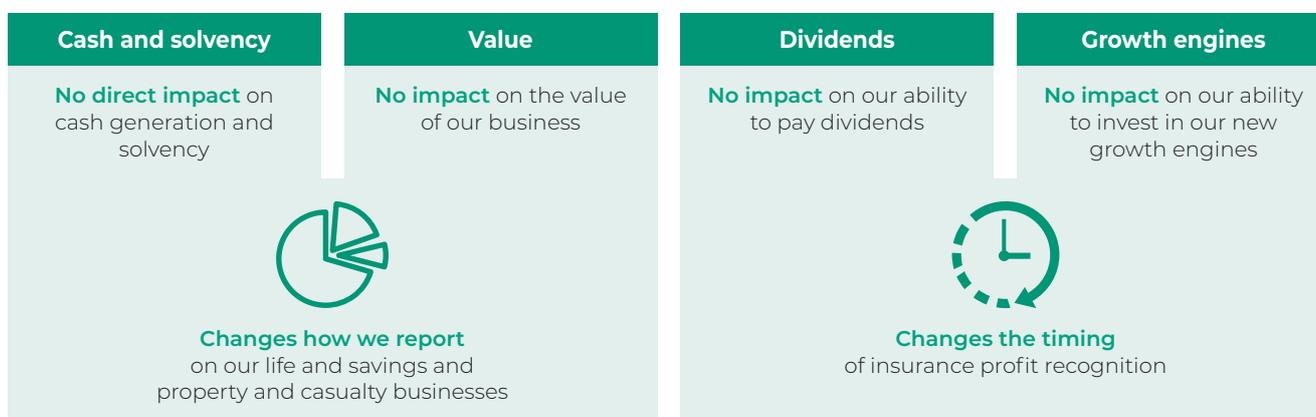
Introduction and overview

This document aims to provide a bridge between our IFRS 4 and IFRS 17 results for June and December 2022. This bridging pack focuses on impacts to our key performance indicators and is not intended to replace our detailed IFRS disclosures, which are covered separately in our financial statements.

This document consists of an introduction and overview section, covering IFRS 17 theory and application, and a financial highlights section. The financial highlights section follows the same approach and flow as our Group interim and annual results booklet and is intended to be a point of reference for how we adjust from IFRS 4 to IFRS 17 results for June and December 2022.

IFRS 17 is an international accounting change, introduced to provide consistent principles for all aspects of accounting for insurance contracts, with the intention of enabling more meaningful comparisons across the industry. While IFRS 17 changes how we report on our results and the timing of profit recognition, it does not directly impact the fundamentals of our business.

Changes to reporting under IFRS 17 impact our Life and Savings and Property and Casualty businesses. Although our earnings ability remains unaffected, IFRS 17 impacts how profit emerges over time. The main difference between IFRS 4 and IFRS 17 profit emergence relates to how margins are calculated and released over time, (i.e. compulsory and discretionary margins for prudence applied under IFRS 4, versus the risk adjustment for non-financial risk and contractual service margin (CSM) required under IFRS 17).



Key changes

R4.5 billion reduction to shareholders equity on transition

IFRS 4 allowed for the creation and release of discretionary margins to ensure appropriate profit emergence.

IFRS 17 does not allow for such discretion, **profit emergence is determined** by the mechanics of the **risk adjustment for non-financial risk** and **CSM**.

IFRS 17 theory and application

Implementation approach and accounting choices

IFRS 17 specifies that insurance contracts should be measured based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk (together these represent the fulfilment cash flows), and a CSM.

Estimates of the present value of future cash flows under IFRS 17 are calculated similarly to the local practice applied in South Africa under IFRS 4. Refer to pages 6 to 7 for more information on the CSM and risk adjustment for non-financial risk.

Contracts where components of the contract were separated between IFRS 4 and IFRS 9 '*Financial Instruments*' (IFRS 9) based on investment fund choice, can no longer be separated under IFRS 17. Investment contracts with smoothed bonus investment options meet the definition of an investment contract with discretionary participation features and are therefore accounted for under IFRS 17 as a whole, resulting in a reclassification from IFRS 9 to IFRS 17.

The below table summarises our implementation approach and key IFRS 17 accounting choices, with further detail on the underlying measurement models and transition approaches following on pages 4 to 5.

Key areas	Group approach
Transition approach	c40% of the transition date CSM was determined using the fair value approach, c33% the modified retrospective approach and c27% the full retrospective approach.
Measurement models	All savings type contracts, including legacy contracts that combine risk and savings benefits, meet the requirements for and are measured using the variable fee approach. For the remaining contracts we use the general measurement model, except for contracts with a coverage period of one year or less (or where the premium allocation approach would result in an outcome similar to the general measurement model) for which we use the simplified premium allocation approach.
Discount rate	We use a bottom-up approach to set discount rates. This is determined as the risk-free rate, with the addition of an illiquidity premium for non-profit annuities and similar contracts.
Risk adjustment for non-financial risk	We use a confidence level approach to determine the risk adjustment for non-financial risk, set at the 75th percentile over a one-year time horizon, allowing for entity-level diversification between risks.
Coverage units	The amount of the CSM allocated to profit for the period is determined based on the amount of coverage units for the current period, relative to coverage units for future periods. The Group discounts future coverage units when determining the ratio used to allocate the CSM for the reporting period.
Accounting policy choices	The Group applies the risk mitigation option for hedged effects on investment guarantee reserves. Insurance finance income and expenses are not disaggregated between profit or loss and other comprehensive income (consistent with the Group's practice under IFRS 4).
Consequential changes to other standards due to IFRS 17	Treasury shares held in policyholder funds were deducted from equity in the Group consolidation under IFRS 4. As a result of IFRS 17, we elected to measure treasury shares held in policyholder funds as financial assets at fair value through profit or loss, thereby not deducting these shares from equity.

IFRS 17 theory and application continued

Measurement models

IFRS 17 has three measurement models. Each model has distinct features, the following being the most significant:

1. The general measurement model is mainly used for measuring life risk (including reinsurance) and guaranteed annuity contracts. It uses the CSM to release profits as service is provided. The CSM accretes interest each period at interest rates determined at initial recognition of the contracts (locked-in rates).
2. This model is supplemented by a specific modification called the variable fee approach for measuring contracts where policyholders participate in underlying items (life savings contracts and other with profit contracts). Variable fee approach portfolios also use the CSM to release profits. The CSM is adjusted for changes in the time value of money and financial risks, which is not the case for the general measurement model.
3. IFRS 17 also makes provision for a simplified approach, named the premium allocation approach, which is mainly used for short-duration contracts, most of which are within the Property and Casualty business. Premium allocation approach portfolios are measured similarly to how they were measured under IFRS 4. The CSM is not used to release profits, as incurred profits are aligned to the receipt of cash flows.

The Group's application of measurement models is illustrated in the table below:

Categories of contracts issued by the Group	Insurance contracts	Participating	Long-term	Measurement models	Variable fee approach	Life savings Personal Finance savings (including legacy contracts and living annuities), Old Mutual Corporate savings (including with profit annuities), Wealth savings, Mass and Foundation Cluster savings and the Old Mutual Africa Regions equivalents of the aforementioned
		Non-participating	Long-term		General measurement model	Life risk and annuities Personal Finance risk (Greenlight, iWYZE Life and guaranteed annuities), Mass and Foundation Cluster risk, Old Mutual Corporate guaranteed annuities, Old Mutual Protect, reinsurance and the Old Mutual Africa Regions equivalents of the aforementioned
			Short-term		Premium allocation approach	Life risk Old Mutual Corporate group assurance products, Mass and Foundation Cluster (credit life and foundation market funeral plan), reinsurance and the Old Mutual Africa Regions equivalents of the aforementioned
	Investment contracts				IFRS 9	Property and Casualty Property and Casualty portfolios in Old Mutual Insure and Old Mutual Africa Regions
					Life savings Term certain annuities, all other savings contracts	

Transition approaches

On transition, IFRS 17 requires the standard to be applied either retrospectively (full or modified retrospective approaches) or using the fair value approach. The Group applied the full retrospective approach in instances where reliable and accurate data and actuarial models are available. For certain groups of contracts issued, the Group applied the modified retrospective approach and the fair value approach.

Full retrospective approach

This approach must be applied to a tranche of business if historical data is available from the inception of a contract to the transition date. It applies IFRS 17 as though it has always applied and calculates a balance sheet by stepping through each reporting period since inception of the contracts. This approach develops the CSM based on annual roll-forwards. The Group used this approach for all its premium allocation approach business, as well as for the larger general measurement model and variable fee approach insurance portfolios in Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) and Old Mutual Life Assurance Company (Namibia) Limited (OMLAC NAM).

Modified retrospective approach

This approach can be applied to a tranche of business if insufficient historical data is available to apply the full retrospective approach. Certain information is required to apply modifications permitted by the standard and this must be available. This approach is similar to the full retrospective approach calculation, with the exception of some modifications that allow insurers to use estimates to approximate the outcome of the full retrospective approach. The Group used the modified retrospective approach primarily for the larger general measurement model and variable fee approach insurance portfolios in OMLACSA.

Fair value approach

This approach can be applied to a tranche of business if insufficient historical data is available to apply the full retrospective approach. If the modified retrospective approach can also not be applied, the fair value approach must be applied. This approach calculates a fair value for the tranche of business by applying IFRS 13 (*fair value*). This fair value is used to derive a value for the CSM at transition date. No historical data is used. The fair value approach was used Group-wide for general measurement model and variable fee approach insurance portfolios where the modified retrospective approach could not be applied or would have involved an unjustifiable amount of effort.

IFRS 17 Theory and Application continued

Risk adjustment for non-financial risk

Cash flows from insurance contracts involve a high degree of uncertainty regarding the timing and amount of a potential claim and may also include changes in assumptions made about the business or policyholder behaviour. To account for this, IFRS 17 allows for explicit risk adjustments for non-financial risks that are determined to reflect the compensation that the Group would require for bearing such risk.

The risk adjustment for non-financial risk is determined using a confidence level technique. In applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over a one-year time horizon.

Contractual service margin guiding principles

The CSM is set up at the initial recognition of an insurance contract. It represents a store of future profit held on the balance sheet which, with the risk adjustment for non-financial risk, will be released into profit over the lifetime of the insurance contracts. The CSM is the key driver of insurance profit emergence under IFRS 17. Experience variances and assumption changes over the reporting period either adjust the CSM or affect profit. The below table summarises which impacts will adjust the CSM as opposed to profit.

	General measurement model (risk and annuities)	Variable fee approach (participating savings contracts)	
Onerous	At the date of initial recognition, the total discounted cash flows from the contract are a net outflow		
	Assumption changes and variances reflect in profit		
Non-onerous (profitable)	At the date of initial recognition, all policies that are not onerous		
	Non-economic assumption changes	CSM	
	Economic assumption changes	Profit	CSM
	Non-economic variances	Profit and CSM	
	Economic variances	Profit	Profit and CSM

The following factors are important to determine when the impact of experience adjusts the CSM, as opposed to being included in profit for the period:

- Whether a contract is onerous or non-onerous¹
- The contract's measurement model
- The nature of the assumption change or experience variance

An insurance contract is onerous if, at the date of initial recognition, the total discounted cash flows from the contract are a net outflow. IFRS 17 requires immediate recognition of losses for a group of onerous contracts. Onerous contracts basis changes and experience variances are immediately recognised in profit.

For non-onerous contracts the treatment of assumption changes and experience variances differs depending on the measurement model, which is linked to product type as outlined on page 4.

The final determining factor is the type of experience variance or assumption change. Generally experience items, including variances and assumption changes, that relate to the current period's service reflect in profit, while experience items that relate to future period's service reflect in the CSM.

¹ The above summary is a simplified explanation setting out the overarching principles applied by the Group and exceptions may exist. The true determinant of whether the CSM is adjusted is in fact whether the CSM is positive.

Contractual service margin application

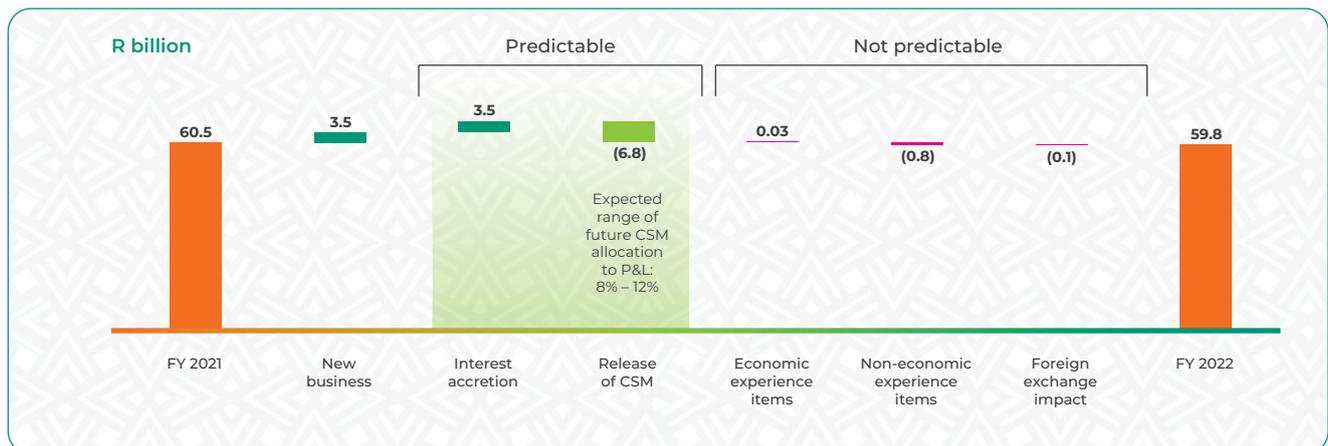
The CSM recognised in the profit or loss is the amount of contractual margin that is amortised to the income statement as revenue to reflect the services provided in that reporting period. We expect a certain amount to be released each year, and the final release depends on experience in the period. We expect the CSM to release at an average rate of 8% to 12% per annum over the lifetime of the in-force portfolio.

The majority of the combined R67 billion of CSM and risk adjustment at the transition date arises from our South African Life and Savings business, with each of the three segments contributing between 20% and 40% of the total CSM.

Changes in the CSM comprise predictable components as well as items that are less predictable. From our opening CSM of R60.5 billion on 1 January 2022, the main movements in the CSM for the 2022 financial year are as follows:

- » The effect of writing new business in 2022.
- » Annual interest is added to the CSM each year based on the locked-in rate from inception in respect of the general measurement model. This rate is locked in and therefore does not respond to any subsequent changes in discount rates due to market conditions. While this might create a loss in the current period, it is recycled over time through an increased CSM allocation. This creates a timing mismatch without impacting overall profitability. Additionally, the unwind of the discount rate on variable fee approach contracts' best estimate of cash flows adjusts the CSM over the period.
- » The effect of certain market and non-economic movements. As discussed in the previous section on page 5, non-economic assumption changes may or may not be reflected in the current period profit or loss for profitable business. If not in profit or loss, they are added to the CSM and released over the remaining life of the contract. Similarly, market impacts on variable fee approach business are absorbed by the CSM and released over time.

FY 2022 CSM build-up

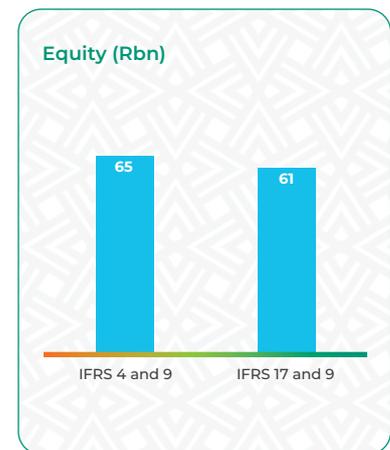
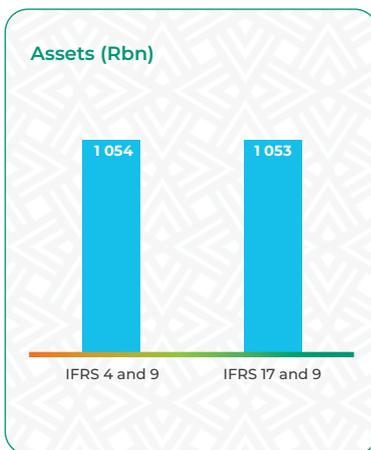


Summary of transitional balance sheet impacts

Although the size of the balance sheet does not change materially under IFRS 17, there are some significant changes to the composition of the balance sheet:

- » The main changes relate to the addition of the CSM and risk adjustment for non financial risks, which will be released into profit over the lifetime of the contract.
- » Some of our liabilities are reclassified from IFRS 9 to IFRS 17 for investment contracts with smoothed bonus investment options, as explained on page 3.
- » Best estimate liabilities are calculated by discounting the expected cash flows from our policies. This is similar to how we calculated liabilities under IFRS 4, but without the allowance for compulsory and discretionary margins.
- » There are minor asset differences relating to deferred tax and the treatment of reinsurance contracts.
- » Overall, this resulted in a relatively small reduction to shareholders' equity on transition of R 4.5 billion, which is within the range disclosed in the IAS 8 *Changes in Accounting Estimates and Errors* note in the December 2022 annual financial statements.

FY 2021 transitional balance sheet impact



Key impacts to drivers and metrics

Life and Savings profit drivers: IFRS 4 compared to IFRS 17

Component	IFRS 4	IFRS 17
New business strain	Expected profits or losses recognised on day one to the extent that they are not deferred by prescribed or discretionary margins.	Day one profit deferred over lifetime of contracts through CSM release. Losses recognised in full in current period profit or loss.
Expected profits	Various patterns possible, dependent on the release of margins.	Deferred in relatively predictable way over the lifetime of contracts through release of CSM and risk adjustment for non financial risks.
Non-economic assumption changes	Full impact capitalised in current period profit or loss, or offset through discretionary margins.	Impact deferred over the lifetime of contracts through CSM release for non-onerous contracts. Recognised in current profit or loss for onerous contracts.
Economic assumption changes	Full impact capitalised in current period profit or loss, or offset through discretionary margins.	Recognised in current period profit or loss for general measurement model contracts. Deferred through CSM release for non-onerous variable fee approach contracts, and recognised in current profit or loss for onerous contracts.
Experience variances	Cash flow and liability impacts recognised in current period (margin releases may also be recognised).	Cash flow variances recognised in current period profit or loss. Variances in the closing liability are deferred over lifetime of contracts through CSM release for non-onerous contracts, and recognised in current profit or loss for other contracts.
Investment variances	Variances recognised in current period profit or loss, or offset through discretionary margins.	Recognised in current period profit and loss for general measurement model contracts. Deferred through CSM release for non-onerous variable fee approach contracts, and recognised in current profit or loss for onerous contracts.

IFRS 17 impact on Property and Casualty metrics

IFRS 17 changes the line items that are disclosed for Property and Casualty in the IFRS accounts, but have very limited impact on profit. We have updated our Property and Casualty KPIs to align to this disclosure.

IFRS 4 KPIs	IFRS 17 KPIs	Summary of changes
Gross written premiums	Insurance revenue	Gross written premium falls away under IFRS 17 and is replaced with insurance revenue. We will continue to track gross written premiums as a key performance indicator.
Net earned premiums	Net insurance revenue	Net insurance revenue is defined as insurance revenue less reinsurance premiums allocated to the period
Net underwriting result	Net underwriting result	The calculation changes under IFRS 17 to insurance service result less non-attributable expenses
Results from operations	Results from operations	Principles remain largely unchanged
Net underwriting margin	Net underwriting margin	Denominator in the calculation changes to net insurance revenue
Insurance margin	Insurance margin	Denominator in the calculation changes to net insurance revenue
Claims ratio	Claims ratio	Denominator in the calculation changes to net insurance revenue

Group highlights

Key performance indicators

Rm (unless otherwise stated)	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Results from operations	7 310	8 743	4 254	4 097
Adjusted headline earnings	4 850	6 371	2 579	2 691
Headline earnings ¹	5 855	7 948	4 749	5 140
IFRS profit after tax attributable to equity holders of the parent ¹	5 232	7 325	4 831	5 222
Return on net asset value (%)	9.4%	11.1%	10.1%	9.6%
Group equity value	89 477	89 398		
Discretionary capital (Rbn)	3.5	3.5		
Group solvency ratio (%) ^{1,3}	188%	188%		
Dividend cover	1.3	1.7	2.2	2.3

Per share measures

Rm (unless otherwise stated)	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Adjusted headline earnings per share (cents) ²	106.4	139.8	56.8	59.2
Headline earnings per share ^{1,2}	129.2	180.1	104.9	116.3
Basic earnings per share (cents) ^{1,2}	115.5	166.0	106.8	118.1
Total dividend per share	76	76	25	25
Interim	25	25	25	25
Final	51	51	—	—
Group equity value per share ⁴	1 820.9	1 819.4		

1 These metrics include the results of Zimbabwe. All other key performance indicators exclude Zimbabwe.

2 Adjusted headline earnings per share is calculated with reference to adjusted weighted average number of ordinary shares. Headline earnings per share and basic earnings per share are calculated with reference to weighted average number of ordinary shares. The number of shares can be found on page 22.

3 FY 2022 has been re-presented to align with the submission to the Prudential Authority which was subject to external audit as per the scope set out in the Prudential Standards. The previously reported amount was 190%.

4 Group equity value per share is calculated with reference to the closing number of ordinary shares (the number of shares can be found on page 22).

For more information on our group financial review, see page 11.

Supplementary performance indicators

Rm (unless otherwise stated)	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Life and Savings and Asset Management				
Gross flows	178 027	178 027	83 385	83 385
Net client cash flow	(12 425)	(12 425)	(4 333)	(4 333)
Funds under management (Rbn)	1 231.1	1 228.9		
Life and Savings				
Life APE sales	12 501	12 501	6 171	6 171
Value of new business	1 400	1 465		
Value of new business margin (%)	2.2%	2.2%		
Banking and Lending				
Loans and advances	19 009	19 009		
Net lending margin ¹	13.1%	13.4%	14.2%	14.5%
Property and Casualty				
Insurance revenue	22 082	—	10 502	—
Net underwriting margin (%)	1.4%	0.5%	(0.7%)	(0.7%)

1 The calculation of net lending margin includes credit life profits which changed under IFRS 17 in Mass and Foundation Cluster.

For more information on our segmental financial review, see page 16.

Group financial review

Balance sheet and capital metrics

Rm (unless otherwise stated)	Notes	FY 2022		H1 2022	
		IFRS 17	IFRS 4	IFRS 17	IFRS 4
Return on net asset value	A	9.4%	11.1%	10.1%	9.6%
Invested shareholder assets	B	25 897	34 676	27 033	35 533
Embedded value	C	64 874	64 795		
Group equity value	C	89 477	89 398		
Group solvency ratio ^{1,2}		188%	188%		
Discretionary capital (Rbn) ¹		3.5	3.5	—	—
Gearing ratio	D	15.7%	14.3%	17.2%	15.8%
Interest cover (times)	D	12.4	15.3	13.6	13.7

¹ Remains unchanged under IFRS 17.

² The FY 2022 has been re-presented to align with the submission to the Prudential Authority which was subject to external audit as per the scope set out in the Prudential Standards. The previously reported amount was 190%.

Adjusted IFRS equity

Rm	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Closing adjusted IFRS equity	53 342	59 766	51 088	56 455
Equity attributable to the holders of the parent	57 585	63 841	57 257	62 227
Equity in respect of operations in hyperinflationary economies	(2 875)	(2 818)	(4 210)	(3 893)
Equity in respect of non-core operations ¹	(1 368)	(1 257)	(1 959)	(1 879)
Closing adjusted IFRS equity by geographical split	53 342	59 766	51 088	56 455
South Africa	41 328	47 816	39 974	45 482
Old Mutual Africa Regions	12 014	11 950	11 114	10 973
Average adjusted IFRS equity	51 822	57 352	51 122	56 145
South Africa	40 488	46 149	40 055	45 316
Old Mutual Africa Regions	11 334	11 203	11 067	10 829

¹ Under IFRS 4, this includes Residual plc and the consolidation adjustments reflecting own shares held by consolidated funds. Under IFRS 4, we eliminated the treasury shares on the balance sheet, even where these formed part of our policyholder funds. This created an artificial mismatch. IFRS 17 now corrects for this mismatch and this no longer has to be adjusted.

Group financial review continued

A Return on net asset value

%	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
South Africa	9.9%	11.4%	11.9%	11.0%
Old Mutual Africa Regions	7.5%	9.8%	3.4%	3.6%
Return on net asset value	9.4%	11.1%	10.1%	9.6%

%	FY 2022	H1 2022
IFRS 4 return on net asset value	11.1%	9.6%
Impact of change in adjusted headline earnings under IFRS 17	(2.6%)	(0.4%)
Impact of change in net asset value under IFRS 17	0.9%	0.9%
IFRS 17 return on net asset value	9.4%	10.1%

The definition of return on net asset value remains unchanged under IFRS 17. Return on net asset value for June 2022 and December 2022 decreased due to adjusted headline earnings impacts under IFRS 17, partially offset by the lower adjusted IFRS equity base reflecting IFRS 17 transition impacts.

Return on net asset value for the year ended December 2022 decreased by 170 bps from 11.1% under IFRS 4 to 9.4% under IFRS 17. The reduction in adjusted headline earnings accounted for a decrease of 260 bps, which includes a 210 bps impact of removing discretionary margins.

In June 2022, the impact of the change in adjusted headline earnings was more than offset by the impact of the change in net asset value resulting in an increase in return on net asset value of 50 bps.

B Invested shareholder assets

Rm	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
South Africa on IFRS 4	24 942	24 942	26 479	26 479
IFRS 17 - transfer to CSM	(8 779)	—	(8 500)	—
South Africa on IFRS 17	16 163	24 942	17 979	26 479
Old Mutual Africa Regions	9 734	9 734	9 054	9 054
Total invested shareholder assets	25 897	34 676	27 033	35 533

Invested shareholder assets decreased by R8 779 million under IFRS 17 for the year ended December 2022, due to the allocation of assets to segments to back the increased transition liabilities.

C Embedded value and group equity value

Embedded value

Rm	FY 2022	
	IFRS 17	IFRS 4
Adjusted net worth ¹	25 390	32 245
Value of in-force ¹	39 484	32 550
Embedded value	64 874	64 795

1. Reference the analysis of change in embedded value for a breakdown of the change in closing embedded value at December 2022.

Overall, the embedded value does not change significantly, as the underlying value of our Life and Savings business remains unchanged under IFRS 17. The mechanics of IFRS 17 does however introduce significant differences in the split between adjusted net worth and value of in-force.

The reduction in adjusted net worth under IFRS 17 was driven by higher insurance contract liabilities, which were offset by a corresponding increase in the value of in-force, resulting in embedded value increasing overall by R79 million under IFRS 17.

Group equity value

The impact of IFRS 17 on embedded value correspondingly resulted in a marginally higher group equity value of R89 477 million from R89 398 million as at December 2022 under IFRS 4.

D Gearing and interest cover

Rm (unless otherwise stated)	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Gearing				
IFRS value of debt	9 942	9 942	10 580	10 580
Closing adjusted IFRS equity	53 342	59 766	51 088	56 455
Gearing ratio (%) ¹	15.7%	14.3%	17.2%	15.8%
Interest cover				
Finance costs	662	662	330	330
Adjusted headline earnings before tax and non-controlling interests and debt service costs	8 236	10 158	4 479	4 532
Interest cover	12.4	15.3	13.6	13.7

¹ Gearing is calculated with reference to the IFRS value of debt that supports the capital structure of the Group and closing adjusted IFRS equity.

The gearing ratio increased by 140 bps under IFRS 17 for the year ended December 2022 to 15.7%, compared to the ratio of 14.3% reported under IFRS 4. This was driven by lower closing adjusted IFRS equity resulting from the IFRS 17 transitional impacts. A similar increase occurred in June 2022 as a result of a lower closing adjusted IFRS equity under IFRS 17.

Interest cover decreased by 290 bps under IFRS 17 for the year ended December 2022 to 12.4 times, compared to 15.3 times reported under IFRS 4. There was no change to finance costs under IFRS 17, and the reduction in interest cover was directly as a result of the IFRS 17 impacts on adjusted headline earnings. A similar decrease occurred in June 2022 as a result of a lower adjusted headline earnings under IFRS 17.

Group financial review continued

Supplementary income statement

Rm	Notes	FY 2022		H1 2022	
		IFRS 17	IFRS 4	IFRS 17	IFRS 4
Mass and Foundation Cluster		1 517	2 442	1 341	1 583
Personal Finance and Wealth Management		3 369	3 217	1 538	1 259
Old Mutual Investments ¹		1 240	1 240	566	566
Old Mutual Corporate		1 449	1 978	806	727
Old Mutual Insure		678	495	323	213
Old Mutual Africa Regions		535	842	166	212
Net result from group activities		(1 478)	(1 471)	(486)	(463)
Results from operations	A	7 310	8 743	4 254	4 097
Shareholder investment return	B	979	1 468	205	415
Finance costs ¹		(662)	(662)	(330)	(330)
Income from associates ¹		(53)	(53)	20	20
Adjusted headline earnings before tax and non-controlling interests		7 574	9 496	4 149	4 202
Shareholder tax ²		(2 512)	(2 866)	(1 447)	(1 375)
Non-controlling interests ²		(212)	(259)	(123)	(136)
Adjusted headline earnings		4 850	6 371	2 579	2 691

¹ Remains unchanged under IFRS 17.

² The movement between IFRS 4 and IFRS 17 was as a result of change in profit

A Results from operations

Group results from operations restated under IFRS 17 reduced to R7 310 million from the R8 743 million reported under IFRS 4 for the year ended 31 December 2022. The reduction was mainly due to the non-recognition of the release of excess non-economic and economic discretionary margins, which contributed R2 billion to earnings under IFRS 4. Under IFRS 17, discretionary margins are largely replaced by the CSM, the treatment of which does not allow for any management discretion. The release of these margins occurred in the second half of 2022. Thus there was less of an impact on the June 2022 results from operations.

Mass and Foundation Cluster

Mass and Foundation Cluster was the most impacted by the restatement under IFRS 17. Earnings reduced by R925 million under IFRS 17 for the year ended 31 December 2022 largely due to non-recognition of the release of excess discretionary margins. The majority of these releases occurred in the second half of 2022, explaining the smaller difference in June 2022 results from operations.

Personal Finance and Wealth Management

Under IFRS 17, absolute growth portfolio options made available under retail contracts are accounted for in the segment that issues the contract. This resulted in a reallocation of profit from Old Mutual Corporate to Personal Finance and Wealth Management. In addition, with the introduction of IFRS 17 the majority of Wealth Management's life and savings profits are determined using the IFRS 17 variable fee approach, which provides a different basis for determining the profitability of these contracts.

Old Mutual Corporate

The results from operations of Old Mutual Corporate were impacted by the non-recognition of the release of excess discretionary margins under IFRS 17 and a reallocation of retail client related absolute growth portfolio profits to Personal Finance and Wealth Management.

Old Mutual Insure

The two most significant drivers of the increased results from operations under IFRS 17 are the impacts on the liability for incurred claims of discounting and the risk adjustment, and the impact of providing for unallocated loss adjustment expenses. Although these are timing differences, the impact on profit or loss in any one period could be positive or negative, depending on the timing and amount for claims and expenses respectively.

Old Mutual Africa Regions

The reduction in earnings in Old Mutual Africa Regions is mainly a result of the non-recognition of the release of excess discretionary margins under IFRS 17.

B Shareholder investment return

Rm	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
South Africa on IFRS 4	741	741	156	156
IFRS 17 - transfer to CSM	(489)	—	(210)	—
South Africa on IFRS 17	252	741	(54)	156
Old Mutual Africa Regions	727	727	259	259
Total shareholder investment return	979	1 468	205	415

The shareholder investment return has reduced to R979 million under IFRS 17, due to allocation to segments of the return on assets that back the increased IFRS 17 transition liabilities.

Reconciliation of adjusted headline earnings to IFRS profit after tax

Rm	Notes	FY 2022		H1 2022	
		IFRS 17	IFRS 4	IFRS 17	IFRS 4
Adjusted headline earnings		4 850	6 371	2 579	2 691
Accounting mismatches and hedging impacts	A	(187)	422	49	606
Impact of restructuring ¹		(152)	(152)	31	31
Operations in hyperinflationary economies	B	1 171	1 134	2 023	1 745
Residual plc ¹		173	173	67	67
Headline earnings		5 855	7 948	4 749	5 140
(Impairment)/reversal of impairment of goodwill, other intangible assets and property ¹		(492)	(492)	24	24
Impairment of associated undertakings ¹		—	—	(32)	(32)
Profit on disposal of subsidiaries and associated undertakings ¹		(131)	(131)	90	90
IFRS profit after tax attributable to ordinary equity holders of the parent		5 232	7 325	4 831	5 222

¹ Remains unchanged under IFRS 17.

A Accounting mismatches and hedging impacts

Hedging mismatch

Once-off items arising from the transition to IFRS 17 are excluded from adjusted headline earnings to ensure greater comparability going forward. This mismatch arose due to actual market hedges being based on IFRS 4 liabilities in 2022. This impact is expected to significantly reduce in future reporting periods as the hedging strategies align with IFRS 17 positions.

Investment return adjustments

IFRS 4 did not allow for the recognition of investment returns and other impacts related to Group equity and debt instruments held by life policyholder funds, however, these impacts were recognised in the valuation of the related policyholder liabilities. This created a mismatch in IFRS 4, which was eliminated in adjusted headline earnings. IFRS 17 corrects this mismatch, and the adjustment is no longer required.

B Operations in hyperinflationary economies

Due to hyperinflation in Zimbabwe and barriers to access capital by way of dividends, we continue to exclude the results of the Zimbabwe business from adjusted headline earnings. The movement between IFRS 4 and IFRS 17 was mainly due to the remeasurement of IFRS 4 liabilities under IFRS 17.

Segmental financial review

Supplementary performance indicators

Supplementary performance indicators were not affected by IFRS 17 at a Group level. However, in some instances it resulted in reallocations between segments. Only these differences are explained in footnotes to the below table.

Rm (unless otherwise stated)	FY 2022																	
	Mass and Foundation Cluster ²		Personal Finance and Wealth Management		Old Mutual Investments		Old Mutual Corporate ¹		Old Mutual Insure		Old Mutual Africa Regions		Other Group Activities		Intra-Group eliminations		Group	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Life and Savings and Asset Management																		
Gross flows ¹	12 924	12 924	77 130	77 130	31 952	31 952	27 883	32 765			25 109	25 109	3 029	3 029		(4 882)	178 027	178 027
Net client cash flow ¹	5 580	5 580	(4 787)	(4 787)	(7 723)	(7 723)	(11 709)	(12 286)			3 840	3 840	2 374	2 374		577	(12 425)	(12 425)
Funds under management (Rbn)	28.6	17.5	588.0	596.0	240.2	240.2	261.3	293.5			110.0	110.3	9.8	9.8	(6.8)	(38.4)	1 231.1	1 228.9
Life and Savings																		
Life APE sales ¹	4 216	4 216	4 068	4 068			1 900	2 212			1 215	1 215	1 102	1 102		(312)	12 501	12 501
Value of new business ²	930	945	190	152			147	235			133	133					1 400	1 465
Value of new business margin (%) ²	7.5%	7.6%	0.6%	0.5%			1.0%	1.2%			2.2%	2.2%					2.2%	2.2%
Banking and Lending																		
Loans and advances	15 512	15 512									3 497	3 497					19 009	19 009
Net lending margin (%) ³	13.2%	13.6%									12.9%	12.9%					13.1%	13.4%
Property and Casualty																		
Insurance revenue ⁴									17 314		4 768							22 082
Net insurance revenue ⁴									14 213		3 794							18 007
Net underwriting result ⁴									602	362	(345)	(287)						257
Net underwriting margin (%) ⁴									4.2%	3.1%	(9.1%)	(8.4%)						1.4%
Insurance margin (%) ⁴									4.8%	4.3%	(2.4%)	(0.8%)						3.3%
Claims ratio (%) ⁴									57.3%	62.9%	68.5%	67.2%						59.7%

1 Gross flows, net client cash flow and Life APE sales, remain unchanged at a Group level under IFRS 17. Under IFRS 4, the retail absolute growth portfolio flows were recognised by Old Mutual Corporate and Personal Finance and Wealth Management, and eliminated as an intra-Group elimination. Under IFRS 17, these flows are no longer recognised in Old Mutual Corporate and the intra-Group elimination is therefore no longer required.

2 Value of new business methodology under IFRS 17 is broadly aligned to IFRS 4 and is therefore similar to what was previously reported under IFRS 4 at a Group level. Minor differences emerge as a result of the difference in yield curves used to calculate value of new business.

Under IFRS 4, the value of new business for the retail absolute growth portfolio was recognised by Old Mutual Corporate, while this is recognised by Personal Finance and Wealth Management under IFRS 17. This accounts for the decrease in value of new business in Old Mutual Corporate and the increase in Personal Finance and Wealth Management.

3 The calculation of net lending margin includes credit life profits which changed under IFRS 17 in Mass and Foundation Cluster.

4 We are retaining the Property and Casualty KPIs as previously reported, but aligning the definitions to IFRS 17 reporting principles. Please refer to the introduction and overview section on page 9 for a reconciliation of the definitions and a summary of the changes.

Supplementary performance indicators

Additional information - segment view

Rm (unless otherwise stated)	H1 2022																		
	Mass and Foundation Cluster		Personal Finance and Wealth Management		Old Mutual Investments		Old Mutual Corporate		Old Mutual Insure		Old Mutual Africa Regions		Other Group Activities		Intra-Group eliminations		Group		
	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	
Life and Savings and Asset Management																			
Gross flows ¹	6 250	6 250	40 079	40 079	10 185	10 185	12 623	15 015			12 431	12 431	1 817	1 817		(2 392)	83 385	83 385	
Net client cash flow ¹	2 659	2 659	2 033	2 033	(6 348)	(6 348)	(7 355)	(7 586)			3 193	3 193	1 485	1 485		231	(4 333)	(4 333)	
Funds under management																			
Life and Savings																			
Life APE sales ¹	1 806	1 806	2 001	2 001			880	1 029			665	665	819	819		(149)	6 171	6 171	
Value of new business ²																			
Value of new business margin (%) ²																			
Banking and Lending																			
Loans and advances																			
Net lending margin (%) ³	13.8%	14.2%									15.6%	15.6%					14.2%	14.5%	
Property and Casualty																			
Insurance revenue ⁴									8 316		2 186							10 502	
Net insurance revenue ⁴									6 804		1 639							8 443	
Net underwriting result ⁴									169	88	(229)	(140)						(60)	(52)
Net underwriting margin (%) ⁴									2.5%	1.6%	(13.9%)	(8.9%)						(0.7%)	(0.7%)
Insurance margin (%) ⁴									4.7%	3.9%	(8.8%)	(3.5%)						2.1%	2.2%
Claims ratio (%) ⁴									43.2%	65.3%	68.5%	68.4%						48.1%	66.0%

1 Gross flows, net client cash flow and Life APE sales, remain unchanged at a Group level under IFRS 17. Under IFRS 4, the retail absolute growth portfolio flows were recognised by Old Mutual Corporate and Personal Finance and Wealth Management, and eliminated as an intra-Group elimination. Under IFRS 17, these flows are no longer recognised in Old Mutual Corporate and the intra-Group elimination is therefore no longer required.

2 Value of new business methodology under IFRS 17 is broadly aligned to IFRS 4 and is therefore similar to what was previously reported under IFRS 4 at a Group level. Minor differences emerge as a result of the difference in yield curves used to calculate value of new business.

Under IFRS 4, the value of new business for the retail absolute growth portfolio was recognised by Old Mutual Corporate, while this is recognised by Personal Finance and Wealth Management under IFRS 17.

3 The calculation of net lending margin includes credit life profits which changed under IFRS 17 in Mass and Foundation Cluster.

4 We are retaining the Property and Casualty KPIs as previously reported, but aligning the definitions to IFRS 17 reporting principles. Please refer to the introduction and overview section on page 9 for a reconciliation of the definitions and a summary of the changes.

Sources of earnings by line of business

Rm	FY 2022											
	Life and Savings		Asset Management		Banking and Lending		Property and Casualty		Other		Total	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Mass and Foundation Cluster	967	1 892			550	550					1 517	2 442
Personal Finance and Wealth Management	3 049	2 897	320	320							3 369	3 217
Old Mutual Investments			828	828	412	412					1 240	1 240
Old Mutual Corporate	1 446	1 975			3	3					1 449	1 978
Old Mutual Insure							678	495			678	495
Old Mutual Africa Regions	303	550	236	236	84	84	(88)	(28)			535	842
Net result from group activities									(1 478)	(1 471)	(1 478)	(1 471)
Results from operations	5 765	7 314	1 384	1 384	1 049	1 049	590	467	(1 478)	(1 471)	7 310	8 743
Shareholder investment return	727	1 216	117	117			135	135			979	1 468
Finance costs	(532)	(532)	(21)	(21)			(109)	(109)			(662)	(662)
Income from associates	(53)	(53)									(53)	(53)
Adjusted headline earnings before tax and non-controlling interests	5 907	7 945	1 480	1 480	1 049	1 049	616	493	(1 478)	(1 471)	7 574	9 496
Shareholder tax	(1 769)	(2 150)	(397)	(397)	(378)	(378)	(382)	(353)	414	412	(2 512)	(2 866)
Non-controlling interest	(50)	(72)	(60)	(60)	(122)	(122)	20	(5)			(212)	(259)
Adjusted headline earnings	4 088	5 723	1 023	1 023	549	549	254	135	(1 064)	(1 059)	4 850	6 371

Embedded value

1 Components of embedded value

Opening Rm	FY 2021	
	IFRS 17	IFRS 4
Adjusted net worth ¹	29 747	34 982
Value of in-force ¹	40 323	35 333
Embedded value	70 070	70 315

¹ Reduction in adjusted net worth is due to the increase in insurance contract liabilities and is offset by a corresponding increase in value in-force.

Closing Rm	FY 2022	
	IFRS 17	IFRS 4
Adjusted net worth ¹	25 390	32 245
Value of in-force ¹	39 484	32 550
Embedded value	64 874	64 795

¹ Refer to the analysis of change in embedded value for a breakdown of the change in closing embedded value at December 2022.

2 Analysis of change in embedded value

The move from IFRS 4 to IFRS 17 resulted in small changes to expected economic assumptions, affecting all analysis items. Overall, the embedded value earnings remain stable, but due to the mechanics of IFRS 17, there are significant differences in the split between adjusted net worth and value in-force. There are also key changes in the analysis mainly due to:

- » Different release patterns of certain manual reserves (e.g. COVID-19 provisions).
- » Differences in the order in which the analysis is performed leading to some variances emerging in different areas.
- » Differences in economic assumptions and tax impacts.

Value of new business has remained relatively stable.

Rm (unless otherwise stated)	Note	FY 2022			IFRS 4		
		Adjusted net worth	Value of in-force	Embedded value	Adjusted net worth	Value of in-force	Embedded value
Opening embedded value		29 747	40 323	70 070	34 982	35 333	70 315
New business value	3	(795)	2 195	1 400	(1 139)	2 604	1 465
Expected existing business contribution		1 121	3 013	4 134	1 802	2 832	4 634
Transfers from value in-force to adjusted net worth		4 642	(4 642)	—	5 025	(5 025)	—
Experience variances	4	1 072	(53)	1 019	29	41	70
Assumption and model changes	5	(299)	(1 122)	(1 421)	213	(1 279)	(1 066)
Operating embedded value earnings		5 741	(609)	5 132	5 930	(827)	5 103
Economic variances	6	(1 190)	(435)	(1 625)	646	(2 465)	(1 819)
Non-operating variances		47	605	652	41	509	550
Total embedded value earnings		4 598	(439)	4 159	6 617	(2 783)	3 834
Closing adjustments		(8 955)	(400)	(9 355)	(9 354)	—	(9 354)
Capital and dividend flows		(8 492)	(400)	(8 892)	(8 881)	—	(8 881)
Foreign exchange variance		(463)	—	(463)	(473)	—	(473)
Closing embedded value		25 390	39 484	64 874	32 245	32 550	64 795
Return on embedded value (% per annum)				7.3%			7.3%

3 New business value

Value of new business and new business profitability

FY 2022

IFRS 17	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation ¹	Value of new business	Value of new business margin
Rm (unless otherwise stated)						
South Africa	6 725	34 589	58 329	3.7	1 267	2.2%
Mass and Foundation Cluster	4 214	21	12 457	3.0	930	7.5%
Personal Finance and Wealth Management	1 648	24 196	31 268	4.3	190	0.6%
Personal Finance	1 552	11 130	18 106	4.5	95	0.5%
Wealth Management	96	13 066	13 162	1.0	95	0.7%
Old Mutual Corporate	863	10 372	14 604	6.0	147	1.0%
Old Mutual Africa Regions	992	2 234	5 943	3.7	133	2.2%
Southern Africa	617	2 213	4 569	3.8	163	3.6%
East Africa	214	—	939	4.4	(8)	(0.9%)
West Africa	161	21	435	2.6	(22)	(5.3%)
Group	7 717	36 823	64 272	3.7	1 400	2.2%

FY 2022

IFRS 4	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation ¹	Value of new business	Value of new business margin
Rm (unless otherwise stated)						
South Africa	6 725	34 589	59 676	3.7	1 332	2.2%
Mass and Foundation Cluster	4 214	21	12 457	3.0	945	7.6%
Personal Finance and Wealth Management	1 648	24 196	31 497	4.4	152	0.5%
Personal Finance	1 552	11 130	18 335	4.6	71	0.4%
Wealth Management	96	13 066	13 162	1.0	81	0.6%
Old Mutual Corporate	863	13 494	18 844	6.2	235	1.2%
Intra-group eliminations ²	—	(3 122)	(3 122)	—	—	—
Old Mutual Africa Regions	992	2 234	5 943	3.7	133	2.2%
Southern Africa	617	2 213	4 569	3.8	163	3.6%
East Africa	214	—	939	4.4	(8)	(0.8%)
West Africa	161	21	435	2.6	(22)	(5.2%)
Group	7 717	36 823	65 619	3.7	1 465	2.2%

1. The PVNB capitalisation factors are calculated as PVNB for recurring premiums divided by annualised recurring premiums.

2. Under IFRS 4, sales of Old Mutual Corporate products through the retail platforms were included in Personal Finance and Wealth Management as well as Old Mutual Corporate sales, but were eliminated on consolidation. Under IFRS 17, sales will only be included in the segment where the product is sold. Hence, no intra-Group eliminations are required under IFRS 17.

Embedded value continued

4 Experience variances

Rm	FY 2022	
	IFRS 17	IFRS 4
Persistency ¹	(521)	(479)
Risk ²	1 359	617
Expenses ³	135	195
Other ⁴	46	(263)
Experience variances	1 019	70

¹ The overall persistency experience variance under IFRS 17 remained stable relative to IFRS 4; losses in 2022 were driven by worse short-term lapse experience in the Mass and Foundation Cluster combined with lower lapses on Greenlight at longer durations in Personal Finance. This was partly offset by better retention in Old Mutual Corporate.

² Higher positive risk variance under IFRS 17 is mainly driven by the different release profiles of the COVID-19 provisions, resulting in a reallocation between assumption changes under IFRS 4 and experience variance (most notably for Old Mutual Corporate and Mass and Foundation Cluster).

³ Expense profits in 2022 reflect continued good expense management across the business. The reduction compared to IFRS 4 is due to the order in which the analysis is done.

⁴ Other experience variances improved relative to IFRS 4, mainly due to the impact of different economic assumptions on premium and cover increases specifically in Mass and Foundation Cluster.

5 Assumption and model changes

Rm	FY 2022	
	IFRS 17	IFRS 4
Persistency ¹	(1 057)	(1 065)
Risk ²	(338)	393
Expenses ³	(207)	(169)
Model and other changes ⁴	181	(225)
Assumption and model changes	(1 421)	(1 066)

¹ The persistency basis in the Mass and Foundation Cluster and Personal Finance were strengthened in light of experience.

² The relative reduction in profits compared to IFRS 4 was mainly due to different release profiles of the COVID-19 provisions, resulting in a reallocation between assumption changes under IFRS 4 and experience variance (most notably for Old Mutual Corporate and Mass and Foundation Cluster) and is stable between IFRS 4 and IFRS 17.

³ Expense assumption changes is stable compared to IFRS 4.

⁴ Model and other changes are more positive under IFRS 17 mainly due to differences in the order in which the analysis is performed.

6 Economic variances

The change in economic variances is due to differences in liability profiles hedged under IFRS 4, compared to the impacts under IFRS 17. A different yield curve used under IFRS 17 further contributes to the difference.

Rm	FY 2022	
	IFRS 17	IFRS 4
Investment variance on in-force business	(858)	(1 178)
Investment variance on adjusted net worth	(767)	(641)
Economic variances	(1 625)	(1 819)

7 Embedded value reconciliations

7.1 Reconciliation of IFRS equity to embedded value

Rm	FY 2022	
	IFRS 17	IFRS 4
IFRS equity attributable to operating segments	53 342	59 766
Less IFRS equity value for non-covered business	(24 461)	(24 565)
IFRS equity for covered business	28 881	35 201
Adjustment to remove goodwill and other intangibles	(3 491)	(4 106)
Inclusion of Group equity and debt instruments held in life funds ¹	—	1 150
Adjusted net worth attributable to ordinary equity holders of the parent	25 390	32 245
Value of in-force business	39 484	32 550
Embedded value	64 874	64 795

¹ Under IFRS 17, treasury shares held in policyholder funds are not eliminated from the balance sheet, and therefore the consolidation adjustment is no longer required under non-core operations.

7.2 Reconciliation of adjusted headline earnings to total embedded value earnings

Rm	FY 2022	
	IFRS 17	IFRS 4 ⁴
Adjusted headline earnings after tax and non-controlling interests	4 850	6 371
Less adjusted headline earnings after tax and non-controlling interest on other lines of business	(762)	(648)
Life and Savings adjusted headline earnings after tax and non-controlling interest¹	4 088	5 723
Non-life dividends	389	389
Other adjustments ²	121	505
Adjusted net worth total earnings	4 598	6 617
Other value of in-force total earnings³	(439)	(2 783)
Covered business embedded value total earnings	4 159	3 834

¹ The Life and Savings adjusted headline earnings is lower compared to IFRS 4 mainly due to the removal of explicit discretionary margins.

² Other adjustments comprise the exclusion of non covered operations in China and changes to intangible assets.

³ The analysis of change in embedded value sections above contain more detail of the change.

⁴ Under IFRS 4 we eliminated treasury shares on the balances sheet and the related investment return from the income statement, including where these formed part of policyholder funds. This created an artificial accounting mismatch. In terms of amendments to IAS 32 (flowing from IFRS 17), we have elected to no longer eliminate treasury shares, consequently the mismatch has been removed and does not need to be adjusted for.

Number of shares

	FY 2022		H1 2022	
	IFRS 17	IFRS 4	IFRS 17	IFRS 4
Total weighted average number of ordinary shares in issue	4 735	4 735	4 709	4 709
Shares held in charitable foundations and trusts	(26)	(26)	(18)	(18)
Share held in employee share ownership plan trusts	(152)	(152)	(147)	(147)
Adjusted weighted average number of ordinary shares¹	4 557	4 557	4 544	4 544
Shares held in policyholders' funds	—	(109)	—	(96)
Shares held in consolidated funds	—	(9)	—	(9)
Share held in black economic empowerment trusts	(27)	(27)	(19)	(19)
Weighted average number of ordinary shares	4 530	4 412	4 525	4 420
Closing number of ordinary shares	4 914	4 914	4 709	4 709

¹ Under IFRS 4, we eliminated treasury shares on the balances sheet and the related investment return from the income statement, including where these formed part of policyholder funds. This created an artificial accounting mismatch. In terms of amendments to IAS 32 (flowing from IFRS 17), we have elected to no longer eliminate treasury shares, consequently the mismatch has been removed and does not need to be adjusted for.

Glossary

Defined Term	Description
Contractual service margin	A component of the carrying amount of asset or liability for a group of insurance contracts representing the unearned profit to be recognised as services are provided to policyholders.
Results from operations	The primary measure of the operating business performance of the Group's segments.
Adjusted headline earnings	The Group's primary profit metric that adjusts headline earnings, as defined by the SAICA Circular 01/2023, for the impact of material transactions, non-core operations and any IFRS accounting treatments that do not fairly reflect the long-term economic performance of the business.
Headline earnings	Headline earnings is defined with reference to SAICA Circular 01/2023 Headline Earnings. Headline earnings represents the Group's earnings which are generated from operational, and investment activities. It excludes asset sales, remeasurements and impairments.
Return on net asset value	Return on net asset value is used to assess and measure the capital efficiency of the Group and it is one of a range of measures by which management performance and remuneration is assessed.
Group equity value	Group equity value is management's view of the market capitalisation of the Group.
Embedded value	Embedded value is the valuation of the Group's current in-force value of its covered business. It does not include the value of any future new business. Covered business includes, where material, any contracts that are regarded by local insurance supervisors as long-term life insurance business. It can also include other business, where material, directly related to such long-term life assurance business, where the profits are included in the IFRS long-term business profits in the primary financial statements.
Discretionary capital	Discretionary capital represents the surplus assets available for distribution, deployment and/or acquisitions.
Group solvency ratio	Group solvency ratio is defined as eligible own funds expressed as a percentage of solvency capital requirement. Eligible own funds are the sum of basic own funds and ancillary own funds approved by the Prudential Authority as meeting the prescribed criteria for such funds, adjusted in accordance with the prescribed tiering restrictions. Solvency capital requirement is the level of eligible own funds required to ensure the value of assets will exceed technical provisions and other liabilities at a 99.5% level of certainty over a one-year time horizon.
Dividend cover	Dividend cover, also commonly known as dividend coverage, is the ratio of the Group's earnings over the dividend paid to shareholders.
Gross flows	Gross flows represent all cash flows received from external customers for the period by businesses in the Group engaged in Life and Savings and Asset Management. Gross flows are recognised at the point at which funds flow into the Group.
Net client cash flow	Net client cash flow represents the difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period.
Funds under management	Funds under management represent the total market value of funds managed and administered by the Group on behalf of customers, at the point at which funds flow into the Group. It excludes assets managed and administered by the Group on behalf of shareholders as these are not customer funds flowing into the Group. Funds under management are reported for the Group and all segments. Funds under management exclude zero interest loans to policyholders. Zero interest loans to policyholders represent funds which have been disinvested and consequently, no investment fees are earned on these amounts.
Life APE sales	A standardised measure of the volume of new life insurance business written by the businesses in the Group engaged in Life and Savings.

Glossary continued

Defined Term	Description
Value of new business	Value of new business is the discounted value of expected future profits arising from new life insurance business sold in the reporting period.
Value of new business margin	The value of new business margin reflects how much future profit is expected from each future life insurance premium and therefore measures the profitability of new business sold after all risks are closed out to the market at market rates.
Loans and advances	The balance of gross loans and advances for Group businesses engaged in Banking and Lending. The amounts are gross of impairments on all performing, arrears and default loans.
Net lending margin	Net lending margin is defined as net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.
Insurance revenue	Insurance revenue is defined as the expected premium receipts excluding investment components allocated to the period.
Net insurance revenue	Insurance revenue net of reinsurance premiums allocated to the period which a Property and Casualty insurer considers earned on the portion of the contract that has expired.
Net underwriting result	Net underwriting result reflects the profit generated through underwriting activity before investment income and capital gains or losses.
Net underwriting margin	Net underwriting margin is defined as underwriting result as a percentage of net insurance revenue.
Insurance margin	Insurance margin is the operating profit of a Property and Casualty business, expressed as a percentage of net insurance revenue
Claims ratio	The claims ratio is the percentage of net claims incurred in relation to the net insurance revenue



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