



OLDMUTUAL

GROUP INTERIM RESULTS 2018

Unaudited Condensed Group Interim Results

31 August 2018



DO GREAT THINGS EVERY DAY

JSE Sponsor: Merrill Lynch South Africa (Pty) Limited
Namibia Sponsor: PSG Wealth Management (Namibia) (Proprietary) Limited

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FORWARD-LOOKING STATEMENT

This presentation may contain certain forward-looking statements with respect to certain of Old Mutual Limited 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 control including amongst other things, South African domestic and global economic and business conditions, market related risks such as fluctuations in 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 actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual Limited forward looking statements. Old Mutual Limited undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make. The financial figures and metrics included within this results booklet have not been audited or reported upon by the Group's auditors. Nothing in this presentation shall constitute an offer to sell or the solicitation of an offer to buy securities.

NOTES TO EDITORS

A webcast of the presentation on the Interim 2018 Results and Q&A will be broadcast live at 11.00am South African time today on the Company's website www.oldmutual.com. Analyst and investors who wish to participate in the call can do so using the numbers below:

South Africa Neotel	+27 11 535 3500
South Africa Telkom	+27 10 201 6700
International	+27 (0)11 535 3500
UK	+44 (0)333 300 1418
USA and Canada	+1 508 924 4326

Pre-registration to participate in the call is available at the following link – <https://bit.ly/2PKqncx>

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 17 countries. Old Mutual's primary operations are in South Africa and the rest of Africa, and we have niche businesses in Latin America and Asia. With over 173 years of heritage across sub-Saharan Africa, we are a crucial part of the communities we serve and broader society on the continent.

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

DELIVERING ON OUR STRATEGY

- ▶ Good progress against the majority of our **8 battlegrounds** with positive progress in the turnaround of Old Mutual Insure as well as strong sales in Old Mutual Corporate and Mass and Foundation Cluster
- ▶ **Successful listing** of Old Mutual Limited on five stock exchanges on 26 June 2018, delivering the material completion of Managed Separation
- ▶ Further steps have been taken to **simplify the Group's balance sheet** with the execution of a debt tender offer in July which reduced the nominal value of our international debt in Residual plc by **R5 billion**
- ▶ We achieved approximately **R270 million of recurring cost savings** in the first half of 2018, incurring one off costs of R70 million. We remain on track to achieve our cost efficiency target of **R1 billion of run rate savings** by the end of 2019
- ▶ Due to complete the **Nedbank unbundling** as planned in Q4 2018. This will mark the completion of the Managed Separation announced in March 2016
- ▶ The distribution of Quilter delivered the majority of Quilter shares to **Old Mutual plc shareholders** and the successful sale of a portion of Quilter shares realised **R4.2 billion of cash** on the Residual plc balance sheet

FINANCIAL HIGHLIGHTS¹

FUNDS UNDER MANAGEMENT (FUM)

R1,097 billion

FY 2017 R1,072 billion



NET CLIENT CASH FLOW (NCCF)

R9.4 billion

H1 2017 R1.6 billion



ADJUSTED HEADLINE EARNINGS (AHE)

R5,393 million

H1 2017 R5,359 million



AHE PER SHARE

112.3 cents

H1 2017 112.3 cents



IFRS PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

R10,648 million

H1 2017 R7,503 million



RETURN ON NET ASSET VALUE (RoNAV)

17.5%

H1 2017 19.4%



RESULTS FROM OPERATIONS (RFO)

R4,848 million

H1 2017 R4,530 million



GROUP SOLVENCY RATIO

164%

FY 2017 167%



INTERIM DIVIDEND

45 cents per share

SPECIAL DIVIDEND

100 cents per share

¹ Comparatives or variances quoted against comparatives are consistent with or have been calculated based on the comparative data published by Old Mutual Limited on 7 August 2018.

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RESULTS PRESENTATION

Unaudited Condensed Group Interim Results



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018



GROUP INTERIM RESULTS 2018

31 August 2018

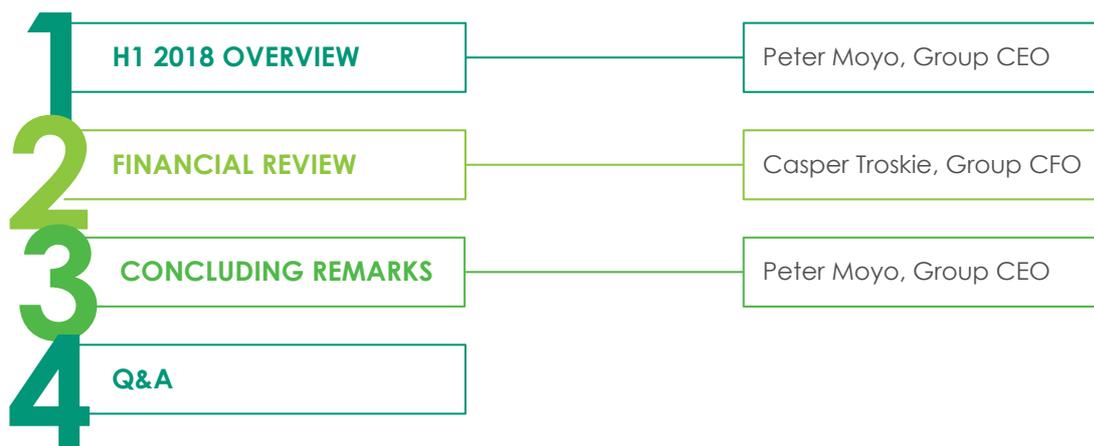


DO GREAT THINGS EVERY DAY

NOTES:



AGENDA



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NOTES:



H1 2018 OVERVIEW

- ✓ Starting our **journey**, creating **momentum** and **re-energising the business**
- ✓ **Significant capital returns** to shareholders, a total of **R46.8 billion** in **Q4 2018**
- ✓ **Strategic delivery** on our battlegrounds, with good progress during H1 2018
- ✓ **Good financial delivery** against key targets

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STARTING OUR JOURNEY

*"What's most exciting about our listing as an independent, standalone entity is that it **enables us to unlock shareholder value** and create a **business with a strong strategic focus on sub-Saharan Africa**"*

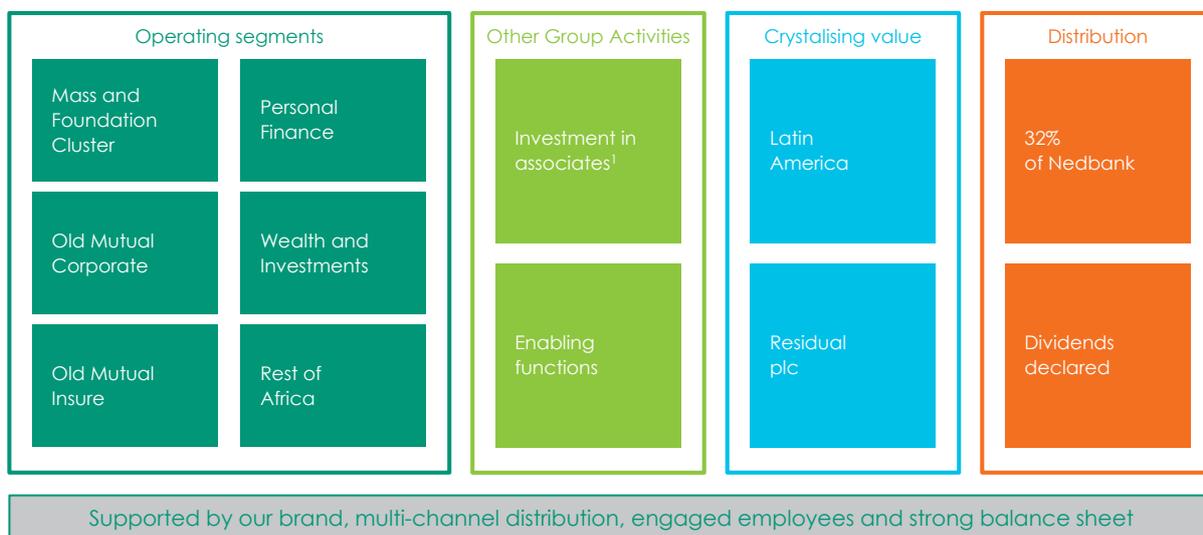


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CORE COMPONENTS OF VALUE



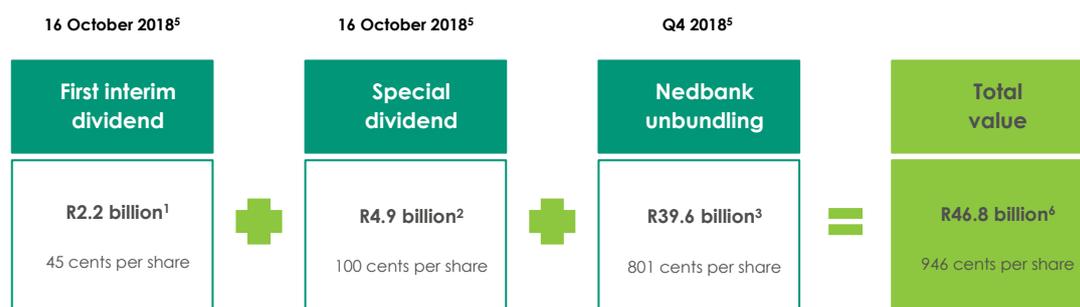
1. Includes 19.9% of Nedbank and our investment in China

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NOTES:



DELIVERING RETURNS TO SHAREHOLDERS IN Q4 2018



Capital returns representing **one third** of our market capitalisation⁴ or about **R9.50 per share**

1. First interim dividend of 45 cents per share
2. Special dividend of 100 cents per share
3. Based on Nedbank share price of R249.60 at 30 June 2018
4. R138 billion based on OML closing price and number of shares outstanding at 30 June 2018
5. Payment date
6. May not cast due to rounding

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NOTES:



ON TRACK TO COMPLETE NEDBANK UNBUNDLING



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GOOD PROGRESS ON OUR 8 BATTLEGROUND



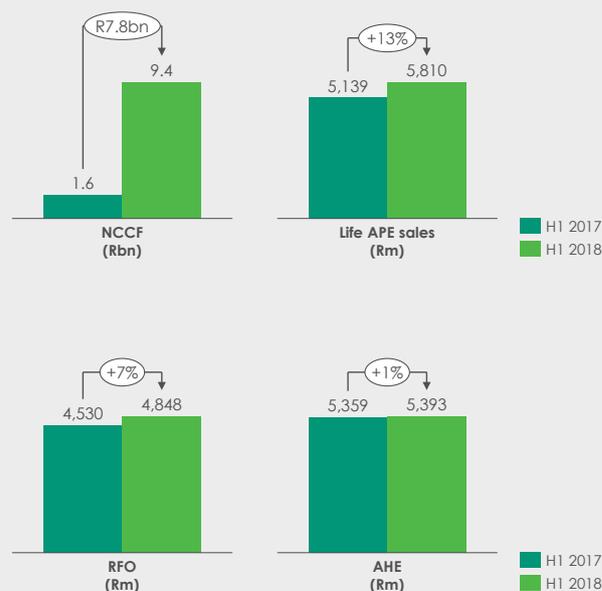
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SOLID FINANCIAL DELIVERY

- **NCCF up R7.8 billion** – excellent NCCF in Wealth and Investments and Old Mutual Corporate.
- **Life APE sales up 13%** - strong covered sales in Mass and Foundation Cluster and Old Mutual Corporate
- **RFO up 7%** – underpinned by **solid overall segment performance**, particularly in Mass and Foundation Cluster, Old Mutual Insure and Rest of Africa
- **AHE up 1%** - RFO growth and increase in Nedbank earnings **offset by lower investment returns**
- **RoNAV at 17.5% within target range**, although impacted by lower investment returns in H1 2018
- First interim dividend of **45 cents per share**, representing 40% of AHE
- Special dividend of **100 cents per share**



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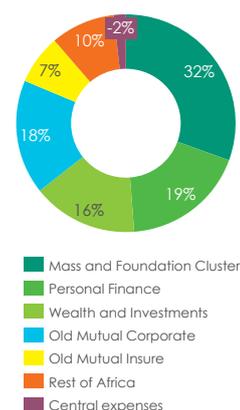
NOTES:



SOLID OVERALL SEGMENT DELIVERY

Rm	H1 2018	H1 2017	Change %
Mass and Foundation Cluster	1,534	1,306	17%
Personal Finance	918	1,394	(34%)
Wealth and Investments	783	638	23%
Old Mutual Corporate	854	800	7%
Old Mutual Insure	370	200	85%
Rest of Africa	478	368	30%
Central expenses	(89)	(176)	49%
Results from Operations (RFO)	4,848	4,530	7%

Segment contribution to Results from Operations



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MASS AND FOUNDATION CLUSTER

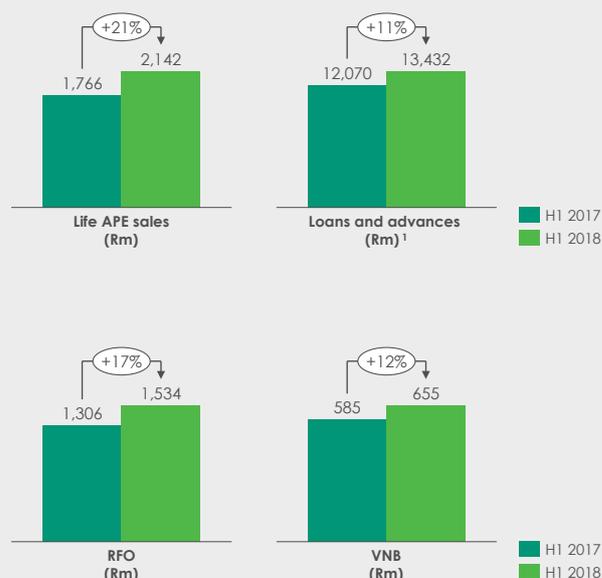
Excellent sales growth

- Life APE sales up 21%, due to growth in advisers and improvement in productivity
- 9 new additional branches, our branch network continues to deliver better persistency and productivity and contributes 30% of Life APE sales
- 11% increase in loans and advances since Dec 2017 – loans advanced during the period up 53% due to process enhancements around customer take-on

Strong profit growth – RFO up by 17%

- Operating leverage from growth in the life book and continued expense management
- Reduction in amortisation of intangibles related to Old Mutual Finance acquisition

1. Comparative period is December 2017



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NOTES:



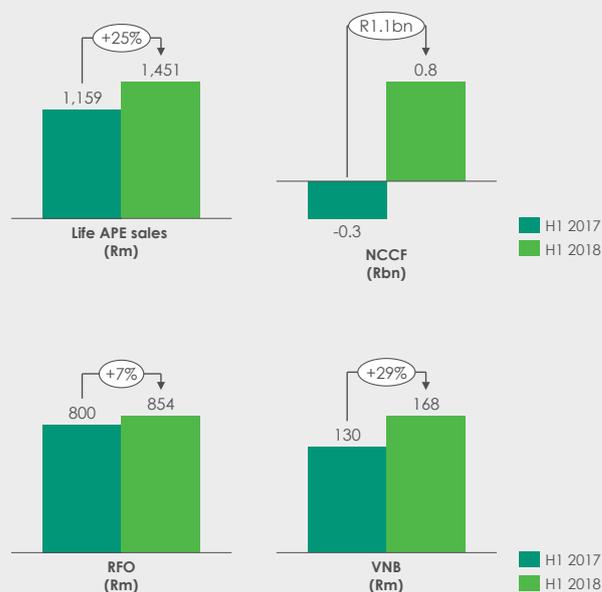
OLD MUTUAL CORPORATE

Strong sales performance in H1 2018

- Life APE sales up 25% due to strong single premium deals
- NCCF up R1.1 billion due to strong sales growth supported by improved termination experience

Stable profit growth – RFO up 7%

- Better GLA underwriting experience
- Continued challenging underwriting conditions in our group income protection book
- Traction from management actions to improve group income protection underwriting experience, such as re-pricing and new benefit design



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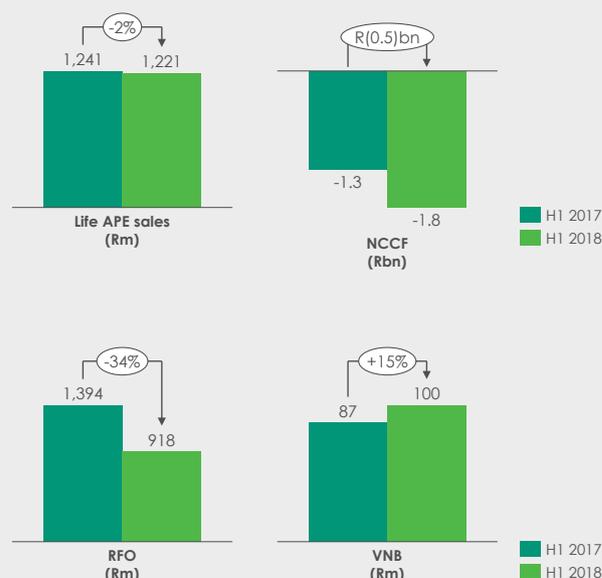
PERSONAL FINANCE

Top line growth marginally down but strong contribution to other segments

- Life APE sales down 2% due to lower recurring premium sales on savings and risk products reflecting pricing discipline. Single premium sales up, benefiting from improved guaranteed annuity rates
- Channels have driven strong sales in Wealth and Investments, Old Mutual Corporate and Old Mutual Insure
- NCCF down R0.5 billion mainly due to higher death and disability claims and disinvestments
- Maintained good product margins

Decline in profit – RFO down 34%

- Losses from mortality and morbidity experience, below reinsurance limits
- Lower investment variances reflecting lower investment returns earned



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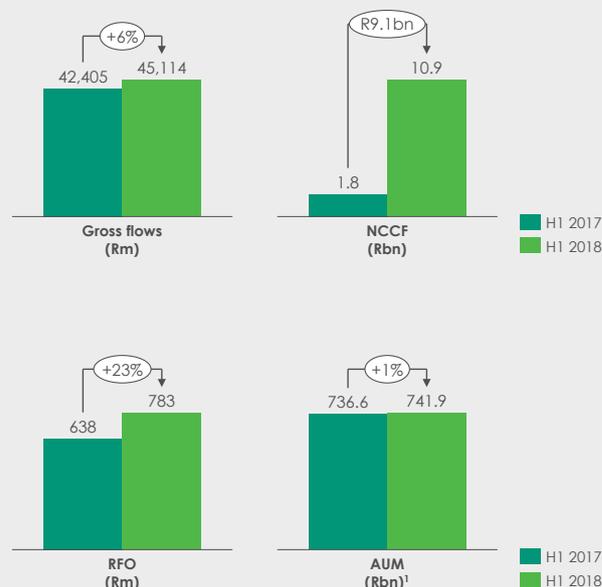
WEALTH AND INVESTMENTS

Good flows in a subdued market

- Gross flows up 6% due to strong flows in both Old Mutual International and SA retail platform
- NCCF up R9.1 billion reflecting a strong contribution from retail Wealth flows and a lower base in H1 2017 as a result of institutional outflows

Good profit growth – RFO up 23%

- Non-annuity revenue streams in Alternatives and Specialised Finance delivered good profit
- Our participation in South Africa's renewable energy programme contributed to strong non annuity profit growth reflecting the benefits of our responsible business strategy
- Alternatives related intangibles fully amortised in 2017



1. Comparative period is December 2017

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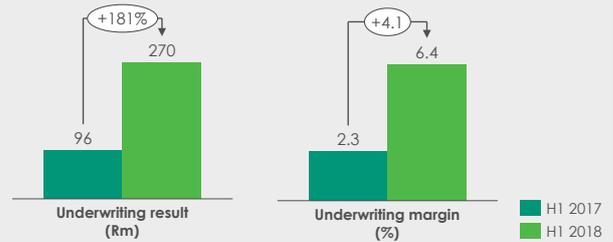
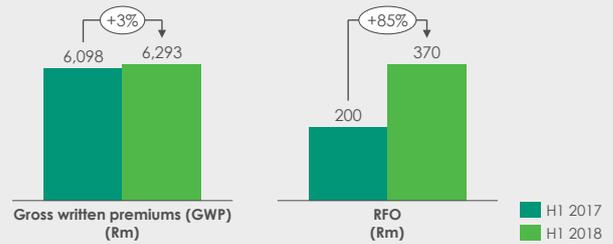
OLD MUTUAL INSURE

Conservative growth in tough markets

- GWP up 3% - slow new business volumes due to tough market conditions and tighter underwriting criteria
- iWYZE delivered strong growth

Strong profit growth – RFO up 85%

- Disciplined underwriting combined with growth in commercial and personal intermediated business and iWYZE
- Benign claims environment, with no catastrophe losses
- Improved cost control through efficiencies and process optimisation
- Significant improvement in underwriting margin to 6.4% - above the top end of the target range



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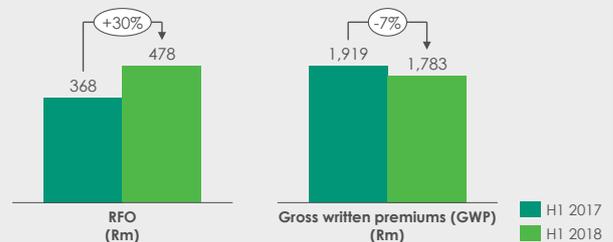
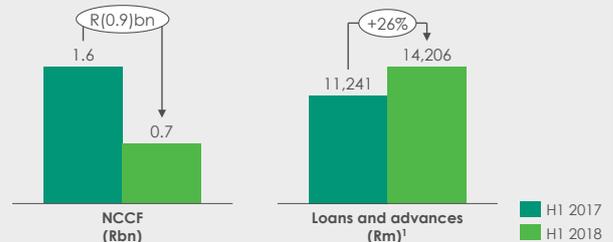
REST OF AFRICA

Mixed sales performance

- NCCF down R0.9 billion as a result of large outflows in Namibia due to regulatory rebalancing
- Growth in loans and advances of 26% driven by CABS in Zimbabwe

Significant increase in RFO – up 30%

- SADC – higher CABS profits in Zimbabwe, continued growth in Namibia and Malawi
- Continued progress on turnaround in East Africa, reorganisation completed to optimise staffing levels and eliminate duplication
- Growth in West Africa flat



1. Comparative period is December 2017

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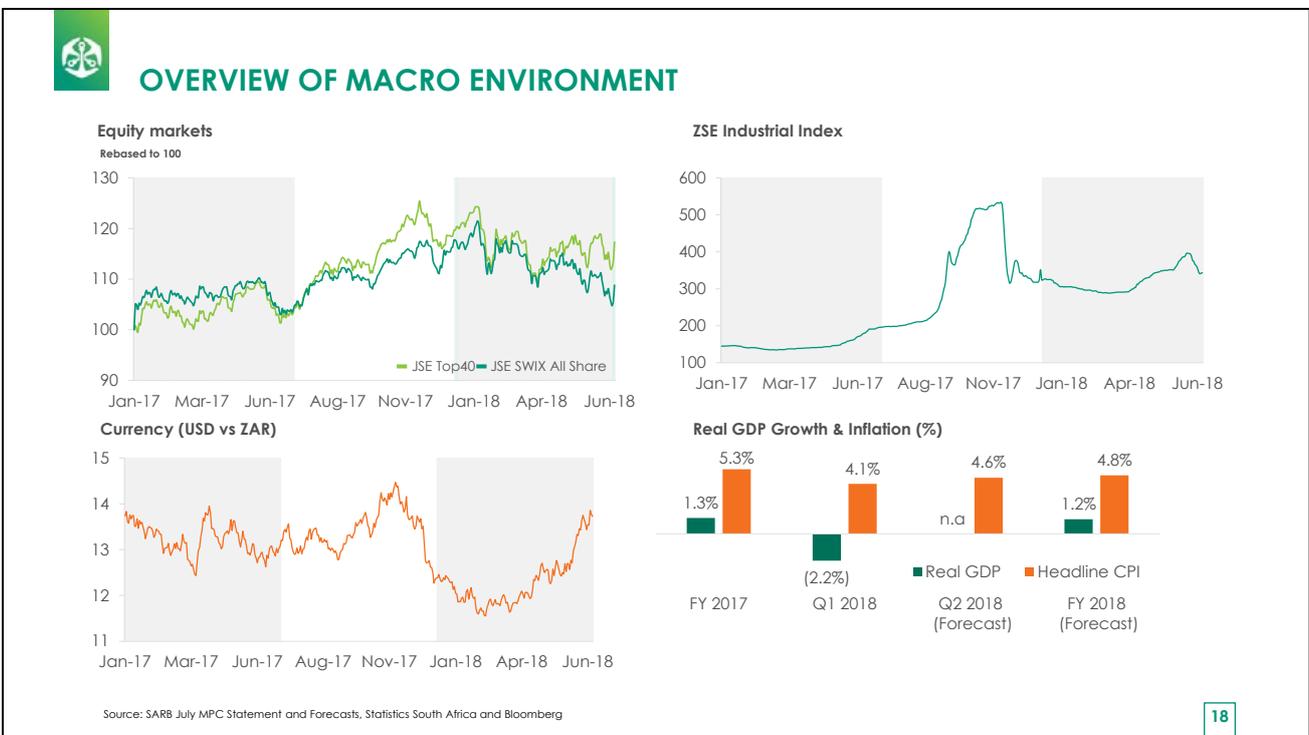


FINANCIAL REVIEW

Casper Troskie



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CONTINUED DELIVERY ON OUR FINANCIAL PROMISES

✓ Strong financial delivery against key targets

✓ Consistent cash generation supporting dividends

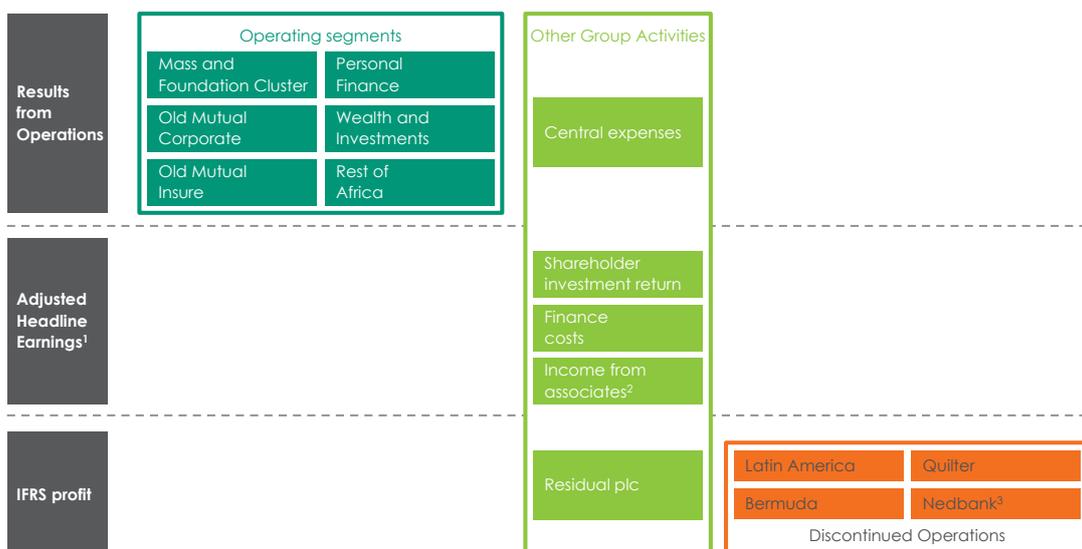
✓ Progress in simplifying balance sheet

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MAPPING COMPONENTS TO KEY PROFIT MEASURES



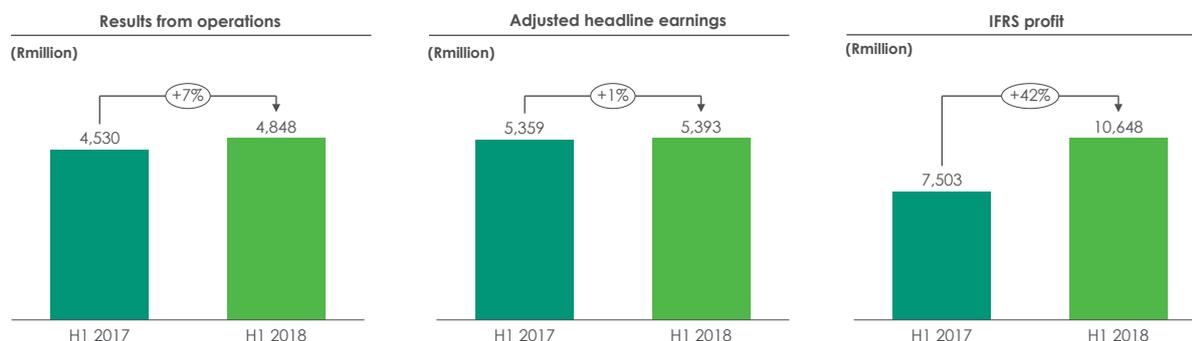
1. Adjusted Headline Earnings is after deducting tax and minorities
 2. Includes 19.9% of Nedbank and our joint venture in China
 3. In the IFRS financial statements the total share in Nedbank is presented as discontinued, notwithstanding the Group's stated plan to hold a minority shareholding of 19.9%

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NOTES:



OUR RESULTS AT A GLANCE



- 7% increase in RFO from H1 2017
- Solid results from operating segments in H1 2018
- AHE negatively impacted by lower investment returns in South Africa and Zimbabwe
- Offset by higher associate earnings from Nedbank as ETI returns to profitability
- 42% increase from H1 2017
- Largely due to profit on distribution and sale of Quilter shares

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NOTES:



ADJUSTED HEADLINE EARNINGS

Rm	H1 2018	H1 2017	Change %	
Operating segments	4,937	4,706	5%	
1 Central expenses	(89)	(176)	49%	1 Reduction due to allocation of project expenses to segments, partially offset by increase in costs relating to listing capability
Results from operations	4,848	4,530	7%	
2 Shareholder investment return	1,177	1,869	(37%)	2 Shareholder investment return down, mainly in South Africa and Zimbabwe
3 Finance cost	(337)	(286)	(18%)	3 Finance costs up due to issue of subordinated debt instrument in H2 2017
4 Income from associates	1,379	1,036	33%	4 Income from associates boosted by strong increase in Nedbank headline earnings
Adjusted headline earnings before tax	7,067	7,149	(1%)	
Shareholder tax	(1,566)	(1,600)	2%	
Minority interest	(108)	(190)	43%	
Adjusted headline earnings	5,393	5,359	1%	

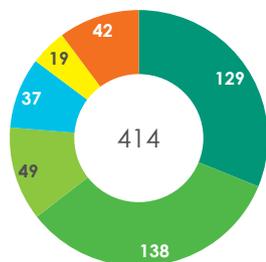
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NOTES:



IMPACT OF EXPENSE ALLOCATION

R414m of project costs allocated to segments in H1 2018...



.... Impacting segment RFO growth rates in H1 2018¹

	Reported RFO growth rate	Impact on RFO growth rate	Adjusted RFO growth rate
Mass and Foundation Cluster	17%	(10%)	+27%
Personal Finance	(34%)	(10%)	(24%)
Wealth and Investments	23%	(8%)	+30%
Old Mutual Corporate	7%	(5%)	+11%
Old Mutual Insure	85%	(10%)	+95%
Rest of Africa	30%	(11%)	+41%

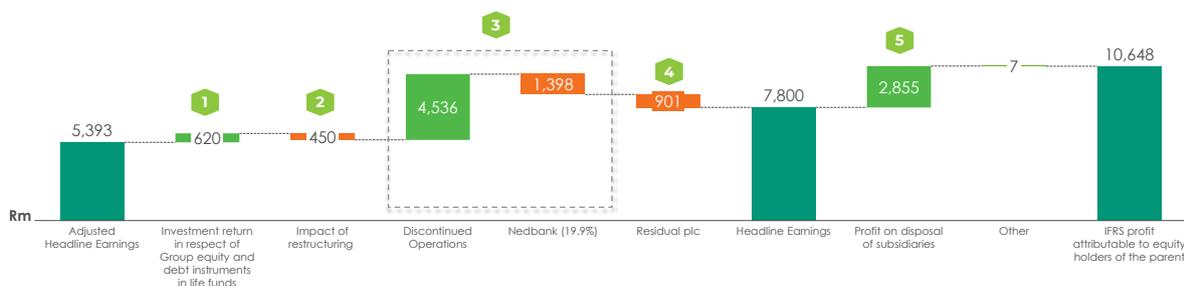
1. Illustrative impact before impact of any reserving changes which may have altered the net impact to RFO

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NOTES:



ADJUSTED HEADLINE EARNINGS TO IFRS PROFIT IN H1 2018



1 Adds back policyholder returns eliminated in IFRS

2 Mainly impact of Managed Separation on share schemes resulting in accelerated IFRS 2 charge

3 Earnings attributable to Quilter, Nedbank, Latin America and Bermuda

4 Largely Managed Separation costs, finance costs and wind-down costs

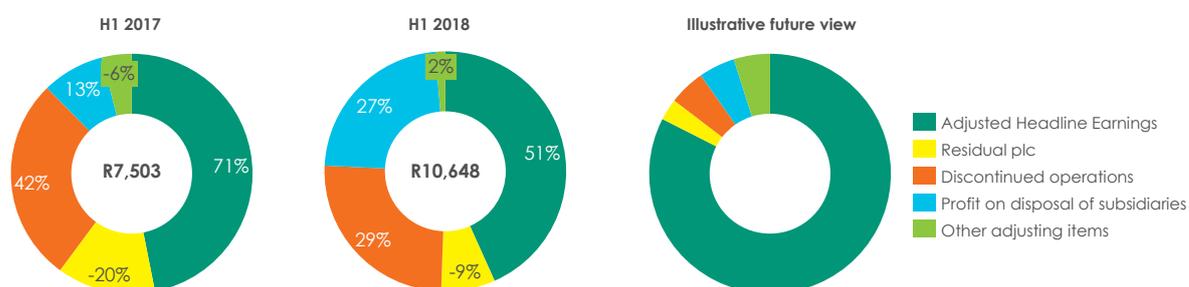
5 Profit on the distribution and sale of Quilter shares

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NOTES:



EVOLUTION OF INCOME STATEMENT OVER TIME



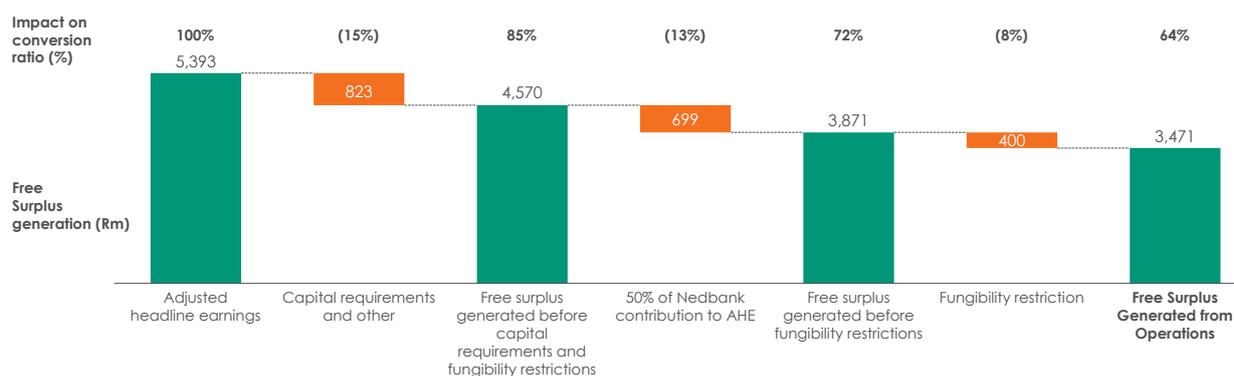
- Managed Separation transactions create volatility in the IFRS income statement
- Nearly 50% of H1 2018 IFRS profit attributable to Quilter, Nedbank, Residual plc and the accounting impacts of Managed Separation
- H2 2018 profit will include accounting impacts of Nedbank unbundling
- Income statement expected to materially simplify in 2019 and beyond

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NOTES:



STRONG CASH GENERATION IN H1 2018



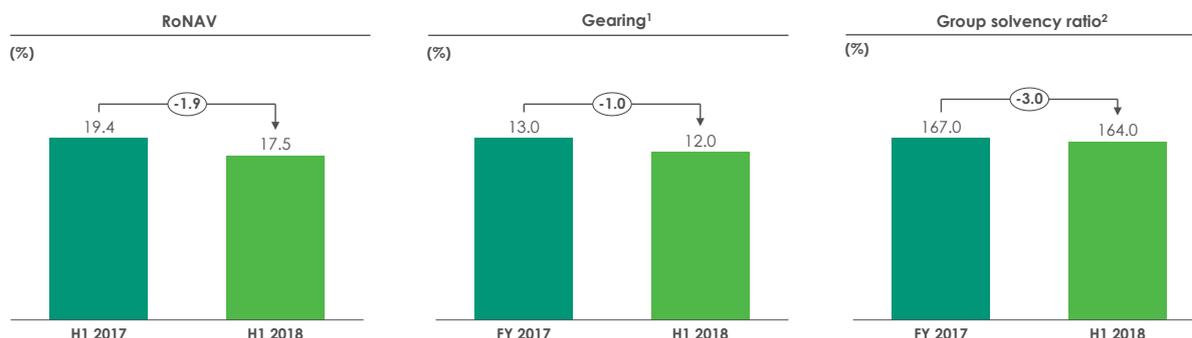
- Strong cash generation from operations of 85% before impact of Nedbank and fungibility restrictions
- Consistent Free Surplus Generated from Operations of 64% (H1 2017:62%, FY 2017:61%), supporting first interim dividend of R2.2 billion

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NOTES:



OUR BALANCE SHEET AT A GLANCE



- Reduction largely as a result of lower investment return in South Africa and Zimbabwe
- Increase in average Adjusted IFRS equity from R56.5 billion to R61.8 billion has contributed to the decrease
- Reduction in gearing as a result of increase in equity
- No subordinated debt issued during the period
- Reduction due to declaration of 2018 interim and special dividend – foreseeable dividends are deducted from own funds

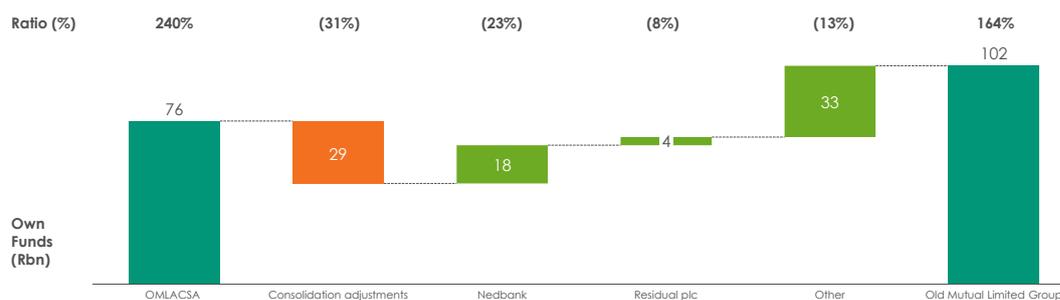
1. Calculated based on subordinated debt and equity attributable to the operating segments of Old Mutual Limited and therefore excludes Residual plc and assets held for sale and distribution
 2. Presented on a post unbundling basis, i.e. 19.9% stake in Nedbank

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NOTES:



RESILIENT GROUP SOLVENCY POSITION AT 30 JUNE 2018



- Strong capital position where risks are managed, even after declared dividends
- Consolidation adjustments remove double count of Nedbank and other subsidiaries
- Inclusion of Nedbank on Basel III basis reduces ratio
- Residual plc included at 100% reflecting fungibility restrictions
- Other includes OM Insure, Rest of Africa and non life entities

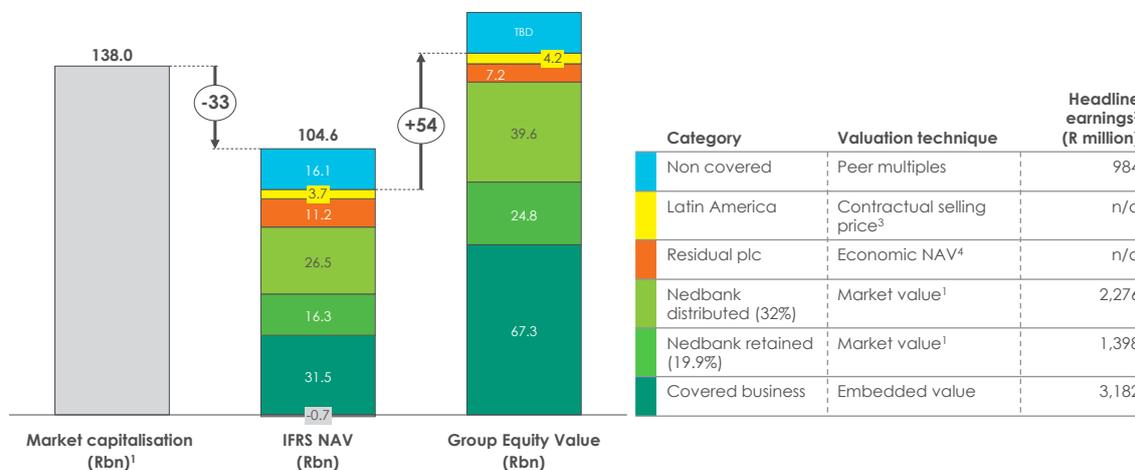
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NOTES:



GROUP EQUITY VALUE

Uplift of nearly R54 billion to NAV.... before placing any additional value on non covered assets



- Market values calculated with reference to the closing prices and number of shares outstanding on 30 June 2018.
- The table above excludes the headline earnings in respect of Quilter as there is no corresponding IFRS NAV and the earnings related to Latin America and Residual plc as the valuations for these businesses are not based on earnings.
- Calculated using the closing US dollar rand rate on 30 June 2018 and agreed proceeds of \$307.5 million.
- Based on the realisable economic value of approximately £400 million at 30 June 2018, translated at closing rate on 30 June 2018.

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NOTES:



ON TRACK TO DELIVER OUR FINANCIAL TARGETS

KPI	Target	Performance H1 2018	Outlook for FY 2018
RETURNS	RoNAV		
	• Average COE + 4% (weighted average COE of 13.4%)	17.5%	On track
GROWTH	Results from operations		
	• CAGR of Nominal GDP + 2% over the three years to 2020 (average nominal GDP growth for H1 2018: approximately 6%)	Up 7%	On track
EFFICIENCY	Cost efficiencies		
	• R1 billion by end 2019 pre-tax run-rate cost savings net of costs to achieve. • Based off 2017 IFRS administrative cost base	R270 million recurring, R70 million one off cost to achieve	On track
	Underwriting result		
	• OM Insure underwriting margin of 4%-6% in near term	6.4%	Within the target range
CAPITAL	SAM solvency		
	• Old Mutual Limited: 155%-175% (post Nedbank unbundling)	Old Mutual Limited 164%	Within target range
	• OMLACSA: Greater than 200%	OMLACSA 240%	Above target
CASH RETURNS	Dividend cover		
	• Target full year ordinary dividends covered by AHE between 1.75 to 2.25 times. Target an interim dividend at 40% of the current year interim AHE	Interim of 45 cents per share Special dividend of 100 cents per share	On track

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NOTES:

CONCLUDING REMARKS

Peter Moyo

NOTES:



CLOSING REMARKS

✓ **Significant capital returns** to shareholders, continuing to unlock value

✓ Continue to **drive progress on our battlegrounds**

✓ **Confident we will deliver** full year 2018 results **in line with our targets**

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NOTES:



Q&A

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MESSAGE FROM THE CEO

Unaudited Condensed Group Interim Results



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018

MESSAGE FROM THE CEO



With our debut results as Old Mutual Limited, I am pleased to report that we are on track to deliver on the commitments we have made to investors. We delivered solid financial results in a tough environment and have made good progress against most of our 8 battlegrounds driven through deliberate management action. There is renewed momentum and excitement in the Group following our listing and this is captured in our new, vibrant branding launched recently. Whilst we continue to see economic headwinds in the near term, our Group is resilient and we are on track with our financial targets.”

– PETER MOYO

OVERVIEW

On 26 June 2018, Old Mutual Limited listed on the Johannesburg Stock Exchange (JSE), with secondary listings also taking place on the same day in the United Kingdom, Namibia, Malawi and Zimbabwe. This momentous occasion marked the material completion of Managed Separation and the start of a new journey for Old Mutual Limited. We are making strides towards shaping our balance sheet through the acceleration of converting net asset value to cash in Residual plc and we are on track to complete the unbundling of 32% of Nedbank during the fourth quarter.

OPERATING ENVIRONMENT

The first six months of 2018 were characterised by volatility in global equity, currency and bond markets due to escalating global trade tensions and the revived United States (US) economy. US Federal Reserve rate hikes and sporadic geopolitical issues adversely affected emerging markets. These global dynamics, in addition to weak local economic data, negatively affected the South African economic landscape, with GDP contracting by 2.2% in the first quarter.

Persistently high unemployment rates, a Value Added Tax (VAT) rate increase, and fuel hikes have contributed to lower real disposable incomes for local consumers. This adversely affected our customer acquisition and persistency, especially in the middle income market. The economic outlook has however improved relative to a year ago, when political uncertainty prevailed and credit downgrades led to an even weaker operating environment. The election of Cyril Ramaphosa as President of South Africa, a return to fiscal consolidation in the 2018 budget, and improvements in

governance and accountability taking place at State Owned Entities (SOEs) have resulted in an increase in business and consumer confidence, although weighed-down by concerns around land expropriation without compensation.

The South African equity market declined with the JSE SWIX down 6.3% since the start of the year, but 8.4% up on H1 2017 driven by improved investor sentiment in the second half of 2017. The rand weakened to R13.73 against the US dollar at the end of June 2018, a decline of 10.8% since the end of December 2017. This reflected US dollar strength and the emerging market sell-off. The average exchange rate however strengthened by 7% when compared to the prior year. This has had an adverse impact on the reported profits from the Rest of Africa, particularly Zimbabwe.

Inflation continued to remain within the South African Reserve Bank (SARB) target range at a 12-month average of 4.5% in June 2018, lower than the average of 5.1% in the prior year. The inflation outlook is benign and expected to be closer to the upper end of the target range in the short to medium term due to upward pressures from effects such as rising utility, transport costs and oil prices.

In Zimbabwe, the economy continues to recover from weak investor confidence, policy instability and a liquidity crisis. Political uncertainty remains a concern and contributed to the volatility experienced in the Zimbabwean Stock Exchange which has affected our investment returns. Zimbabwe's National Elections took place on 30 July 2018 with Emmerson Mnangagwa being elected as President by a narrow margin. It is too early to tell whether the new government

MESSAGE FROM THE CEO (continued)

can implement the structural and political reforms that are required to improve the economic and social conditions of the country.

Kenya's economy reflects a more stable political landscape though our investment returns are still negatively affected by the volatility experienced towards the end of 2017.

Nigeria and Ghana benefited from rising oil prices, which led to a moderate economic recovery in the West African region.

FINANCIAL PERFORMANCE

We delivered a solid set of overall financial results during this half year despite tough market conditions. Our top line growth was strong with excellent Net Client Cash Flow (NCCF) of R9.4 billion mainly reflecting good flows and significantly improved retention. Funds Under Management (FUM) of R1.1 trillion grew 2% from the end of December 2017, reflecting the impact of the strong NCCF, largely offset by lower asset values.

Results from Operations (RFO) of R4,848 million increased by 7% over the period reflecting good operational performance. We delivered Adjusted Headline Earnings (AHE) of R5,393 million, a marginal increase of 1% above the prior period. On a per share basis AHE was 112.3 cents, flat relative to the prior period as a result of a small quantum of shares issued during the period that increased the weighted average number of shares.

Return on Net Asset Value (RoNAV) of 17.5% was down from 19.4% reflecting an increase in average Adjusted IFRS equity.

The Group SAM solvency ratio decreased marginally to 164% (FY 2017: 167%), largely as a result of the special dividend declared.

OUR BATTLEGROUND SCORECARD

We remain committed to delivering value in the medium term through our strategic priorities which are defined through our eight battlegrounds.



DEFEND SOUTH AFRICAN MARKET SHARE IN MASS AND CORPORATE MARKETS

Mass and Foundation Cluster

- ▶ Maintained strong sales in the mass market despite growing competition from existing and new entrants
- ▶ Growth in branch footprint, number of ATMs and increased activity and volume of active Money Accounts

Old Mutual Corporate

- ▶ Umbrella Life APE sales almost doubled compared to the prior period and we continue to build our pipeline of umbrella deals
- ▶ Continued traction on actions taken to restore Group risk underwriting experience



DEFEND AND GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET

- ▶ Improved pricing for certain product solutions to drive sales in the tough economic environment
- ▶ Digital sales increased by more than 80%
- ▶ Channels have contributed to strong sales in Wealth and Investments, Old Mutual Corporate and Old Mutual Insure
- ▶ Sales below expectations, a number of initiatives have been launched to drive sales which include the launch of the Old Mutual Rewards programme
- ▶ Worse mortality and morbidity experience in H1 2018

MESSAGE FROM THE CEO (continued)



IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

- ▶ Sustained investment performance – flagship retail Balanced Funds are now top quartile over one and five years
- ▶ Higher NCCF and strong deal origination activity



CONTINUED TURNAROUND OF OLD MUTUAL INSURE

- ▶ Improved underwriting margin – above the top end of the target range
- ▶ Substantial completion of remediation and claims management processes
- ▶ iWYZE delivered strong growth



TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS THE REST OF AFRICA

- ▶ Staff reorganisation completed in H1 2018 to optimise staffing levels and eliminate duplication. This has resulted in a reduction in staff levels and is expected to drive savings going forward
- ▶ Continued progress on turnaround in East Africa with property & casualty and life showing improvement after allowing for the cost of the staff reorganisation
- ▶ SADC continues to generate strong profit growth, particularly in Zimbabwe, Namibia and Malawi and this region is the main contributor to returns in Rest of Africa



WIN THE WAR FOR TALENT

- ▶ We are attracting top talent into our business and continue to look at different ways of retaining talent
- ▶ Progress has been made in improving the underwriting talent at Old Mutual Insure, reinforcing our investment capability at Wealth and Investments and finalising the operating model in East Africa



REFRESH THE TECHNOLOGY OFFERING

- ▶ The primary focus of recent initiatives has been on building protection solutions in the Mass and Foundation Cluster and Personal Finance segments which are expected to be activated during 2019
- ▶ The digital transformation journey is progressing, focusing on driving digital engagements, sales and servicing for our customers and intermediaries



COST EFFICIENCY LEADERSHIP

- ▶ To date we have saved approximately R270 million of recurring costs, incurring one off costs of R70 million
- ▶ On track to meet R1 billion cost target with many savings initiatives identified

MESSAGE FROM THE CEO (continued)

NEDBANK UNBUNDLING

We remain on track to complete the final step of Managed Separation through the distribution of 32% of Nedbank to our shareholders. We plan to do this in the fourth quarter of 2018. For every one hundred Old Mutual Limited shares at the point of distribution, shareholders will receive approximately three Nedbank shares. Further details will be communicated in due course. After the completion of the Nedbank unbundling we will own 19.9% of Nedbank in our shareholder funds. We view this as a long term investment and this ownership underpins significant commercial benefits we derive from the continuation of this relationship.

DIVIDEND

We have declared an interim dividend of 45 cents per share. In accordance with our stated dividend policy, consideration has been given to the Group's underlying local cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategic requirements and market conditions. The interim dividend represents 40% of Adjusted Headline Earnings per share, in line with our dividend target.

We are also pleased to declare a special dividend of 100 cents per share. Following a review of all capital available at 30 June 2018, and taking into account capital and liquidity projections to the end of the financial year we have identified excess capital available to pay a special dividend. In setting the quantum of the special dividend we have balanced the need to be efficient at the operating subsidiary level against remaining within the desired range for our Group Solvency ratio.

These dividends will be paid on 16 October 2018. Further details of the timetable for the exchange rate conversion for dividends payable in currencies other than rand will be communicated in due course.

OUTLOOK

In July, the SARB revised their 2018 GDP forecast for South Africa down to 1.2% from 1.7%, a reflection of a deteriorating outlook in SA. Recent announcements of foreign investments into SA as well as progress in improving the management of SOEs show potential for an economic turnaround, however this is likely to only take place in the medium to long term.

The International Monetary Fund (IMF) forecast 3.4% growth for sub-Saharan Africa, with a revised forecast for Zimbabwe at 2.4% (up from less than 1%), and more than 2% growth in the East and West African countries we operate in. This presents the opportunity for our operations in those regions to grow their consumer base and product lines.

Global growth is still expected to rise, assuming trade tensions and market risks do not result in a downturn that will affect global and local markets.

In spite of the deteriorating SA growth outlook, the above macroeconomic risks and strong competitive pressures, we remain confident in delivering solid 2018 results mostly aligned with our previously communicated medium term targets. AHE will continue to be influenced by investment returns in South Africa and Zimbabwe.

Peter Moyo
CEO of Old Mutual Limited

OLDMUTUAL



3 FINANCIAL REVIEW

Unaudited Condensed Group Interim Results



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018

FINANCIAL REVIEW

GROUP HIGHLIGHTS

Rm (unless otherwise indicated)	H1 2018	H1 2017	% change (H1 18 vs H1 17)	FY 2017
Key financial indicators				
Gross flows ¹	91,563	83,342	10%	173,317
Life APE sales ¹	5,810	5,139	13%	11,512
NCCF (Rbn) ¹	9.4	1.6	>100%	5.6
FUM (Rbn) ^{1,2}	1,097	1,033.6	2%	1,072.3
Results from Operations (RFO) ¹	4,848	4,530	7%	10,367
Adjusted Headline Earnings (AHE) ¹	5,393	5,359	1%	12,947
Return on Net Asset Value (RoNAV) ¹ (%)	17.5%	19.4%	(190 bps)	22.9%
Free Surplus Generated from Operations ¹	3,471	3,306	5%	7,842
% of AHE converted to Free Surplus Generated	64%	62%	200 bps	61%
Group Solvency ratio (%) ^{2,3}	164%	n/a	(300 bps)	167%
IFRS profit after tax attributable to equity holders of the parent	10,648	7,503	42%	14,372
Headline earnings (HE)	7,800	7,026	11%	13,144
Basic earnings per share (cents)	229.4	154.7	48%	304.7
Earnings per share (cents) ⁴	112.3	112.3	0%	271.1
Interim Dividend per share (cents)	45	n/a	n/a	n/a
Special Dividend per share (cents)	100	n/a	n/a	n/a

1 Comparatives have been restated to exclude Latin America and India (sold in October 2017) as these businesses have been classified as discontinued operations.

2 The % change has been calculated with reference to FY 2017.

3 The Group solvency ratio includes Nedbank at 19.9% on a post unbundling basis.

4 WANS used in the calculation of Earnings per share is 4,801 million in H1 2018 (H1 2017: 4,771 million and FY 2017: 4,776 million).

OVERVIEW

We delivered a solid set of financial results during this half year despite tough economic and consumer conditions. Our top line growth was strong with Life APE sales up by 13% and NCCF of R9.4 billion (HY 2017: R1.6 billion) mainly reflecting good gross flows from Wealth and Investments and Old Mutual Corporate. Improved investment performance in Wealth and Investments resulted in significant improvement in the retention of client money. FUM of R1.1 trillion grew 2% from the end of December 2017, reflecting the impact of the strong NCCF, offset by lower investment returns.

RFO of R4,848 million increased by 7% over the period reflecting good operational performance, particularly in Mass and Foundation Cluster, Old Mutual Insure and Rest of Africa. This was partially offset by worse mortality and morbidity experience in Personal Finance.

We delivered AHE of R5,393 million, a marginal increase of 1% above the prior period. The growth in RFO and higher associate earnings in respect of the 19.9% stake in Nedbank were offset by lower investment returns in South Africa and Zimbabwe. On a per share basis AHE was 112.3 cents, flat compared to the prior period as a result of a small quantum of shares issued during the period impacting the weighted average number of shares (WANS).

RoNAV of 17.5% was down from 19.4% reflecting an increase in average Adjusted IFRS Equity following the strong investment performance experience in H2 2017 and positive investment returns in H1 2018 on this higher equity base.

We declared an interim dividend of 45 cents per share and a special dividend of 100 cents per share, resulting in a total of R7.1 billion being paid to our shareholders. The declaration of the special dividend has resulted in a deduction from our own funds, in line with SAM requirements to deduct the foreseeable dividend. This has resulted in a decrease in our Group solvency ratio to 164% from 167%.

ACCOUNTING IMPLICATIONS OF MANAGED SEPARATION

Managed Separation resulted in the listings of Old Mutual Limited and Quilter. The majority of the shares in Quilter (86.6%) were distributed to existing Old Mutual plc shareholders alongside the sale of 9.6% to new shareholders. The listing of Old Mutual Limited was effected via a UK court scheme of arrangement which inserted Old Mutual Limited as the new holding company of the residual Old Mutual plc Group, after the Quilter distribution, by way of a share for share exchange.

From an accounting perspective the transaction was treated as a reorganisation of an existing group. The insertion of a holding company between shareholders and an existing group does not result in any change in the economic substance of the reported group. As such, the financial statements of Old Mutual Limited have been prepared on a predecessor basis. Consequently, the current period results up to listing and the comparatives presented for Old Mutual Limited reflect the values from the consolidated financial statements of the previous Old Mutual plc Group with the exception of the equity structure that has been adjusted to reflect that of the new entity, being Old Mutual Limited. Refer to Note A1 in the interim financial statements for additional information.

Other accounting impacts of Managed Separation include the recognition of a profit of R2,852 million in the consolidated results as a result of the distribution and sale of Quilter shares. Included within this profit is a loss on the recycling of foreign currency translation reserves of R394 million. The share for share exchange and the distribution of Quilter further led to an IFRS 2 accelerated vesting charge of R282 million recognised in the IFRS consolidated income statement. This is as a result of the modification of the underlying share awards subject to the existing share-based payment arrangements of Old Mutual plc Group.

FINANCIAL REVIEW (continued)

SUPPLEMENTARY INCOME STATEMENT

Rm	H1 2018	H1 2017	% change
Mass and Foundation Cluster	1,534	1,306	17%
Personal Finance	918	1,394	(34%)
Wealth and Investments	783	638	23%
Old Mutual Corporate	854	800	7%
Old Mutual Insure	370	200	85%
Rest of Africa	478	368	30%
① Central expenses	(89)	(176)	49%
Results from Operations	4,848	4,530	7%
② Shareholder investment return	1,177	1,869	(37%)
③ Finance costs	(337)	(286)	(18%)
④ Income from associates	1,379	1,036	33%
Adjusted Headline Earnings before tax and non-controlling interests	7,067	7,149	(1%)
Shareholder tax	(1,566)	(1,600)	2%
Non-controlling interests	(108)	(190)	43%
Adjusted Headline Earnings	5,393	5,359	1%

RFO is the primary measure of the business performance of each of the operating segments. Activities related to the Group's capital structure and central costs form part of the Other Group Activities segment, to the extent that they are not managed as part of operating segments.

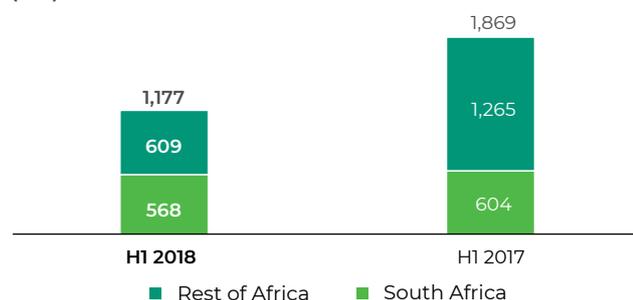
① CENTRAL EXPENSES

Central expenses of R89 million (H1 2017: R176 million) decreased by 49%. As part of an increased effort to more accurately measure the economic contribution of each segment, project costs that were previously accounted for centrally have been allocated to segments in H1 2018. The allocation of project costs to segments to the extent that it did not relate to group activities is based on planned spend. Year to date project spend is lower than planned spend resulting in an over recovery in central expenses. This was offset by an increase in costs to establish reporting functions for Old Mutual Limited as a stand alone listed entity.

② SHAREHOLDER INVESTMENT RETURN

Shareholder investment return for H1 2018 was R1,177 million, a decline of R692 million, or 37%, from R1,869 million for H1 2017. The decrease is due to subdued equity returns in South Africa, impacting the protected equity holding and a normalisation of equity returns in Zimbabwe following strong equity performance in H1 2017.

(RM)



③ FINANCE COSTS

Finance costs on long term debt that supports the capital structure of the Group increased to R337 million (H1 2017: R286 million) following the issuance of subordinated debt instruments to the nominal value of R500 million by Old Mutual Insure in November 2017. Overall higher interest rates experienced in South Africa over the last twelve months also contributed to the increase in finance cost, given OMLACSA has both fixed rate and floating rate bonds in issue.

④ INCOME FROM ASSOCIATES

Subsequent to the Nedbank unbundling, the Group will retain a minority shareholding of 19.9%, which will be managed as part of Other Group Activities and it has been included on this basis in AHE. Income from associates, as reflected in AHE, increased by 33% to R1,398 million (H1 2017: R1,049 million) as Ecobank Transnational Incorporated (ETI) returned to profitability which had a significant impact to Nedbank's headline earnings. Our investment in China is also managed as part of the Group's investment in associates.

FINANCIAL REVIEW (continued)

RECONCILIATION OF AHE TO IFRS PROFIT AFTER TAX

Rm	H1 2018	H1 2017	% change
Adjusted Headline Earnings	5,393	5,359	1%
Investment return for Group equity and debt instruments in life funds ¹	620	106	>100%
Impact of restructuring ²	(450)	(81)	>(100%)
① Discontinued operations ³	4,536	4,198	8%
Income from associates ⁴	(1,398)	(1,049)	(33%)
② Residual plc	(901)	(1,507)	40%
Headline earnings	7,800	7,026	11%
Impairment of goodwill and other intangibles assets	(21)	(720)	97%
Profit/(loss) on disposal of fixed assets	14	(12)	>100%
Profit on disposal of subsidiaries, associated undertakings and strategic investments	2,855	956	>100%
Profit after tax for the financial period attributable to ordinary equity holders of the parent	10,648	7,250	47%
Dividends on preferred securities	–	253	(100%)
Profit after tax for the financial period attributable to equity holders of the parent	10,648	7,503	42%

1 IFRS does not allow the recognition of investment returns on Group debt and equity instruments held by life policyholder funds, however, these returns are recognised in the valuation of the related policyholder liabilities. This creates a mismatch in IFRS, which is eliminated in AHE. The movement is a function of the fair value movement for the period.

2 Represents the elimination of non-recurring expenses or income related to material acquisitions, disposals or a fundamental restructuring of the Group. These items are removed from AHE as they do not represent operating activities of the Group. Amounts in the current period largely reflect the accelerated vesting of the IFRS 2 charge as a result of the share for share exchange and the Quilter distribution. Current and comparative period includes Managed Separation costs.

3 Comparatives as disclosed in the SENS announcement on 7 August 2018, have been represented to reclassify the results of Old Mutual Bermuda from Residual plc to discontinued operations.

4 AHE includes associate income in respect of 19.9% shareholding in Nedbank in order to reflect earnings from the continuing operations of the Group. This is removed as part of this reconciliation as the full earnings related to Nedbank are included in discontinued operations.

① DISCONTINUED OPERATIONS

Nedbank

Nedbank reported a strong performance in a domestic macroeconomic environment that remained challenging and volatile. HE increased 27.0% to R6,696 million, boosted by associate income from ETI returning to profitability, while the managed operations (excluding ETI earnings) produced headline earnings growth of 2.0% to R6,562 million, with slow revenue growth and slightly higher impairments offset by good cost management.

Nedbank is classified as held for distribution and presented as part of the discontinued operations, notwithstanding the Group's stated plan to hold a minority shareholding of 19.9% in the issued share capital of Nedbank in its shareholder funds after the Nedbank unbundling. Post the Nedbank unbundling, we will cease the consolidation of Nedbank into our financial results and will commence equity accounting, which will result in the initial recognition of the minority shareholding in Nedbank at fair value, in accordance with IFRS.

Latin America

Profits of our businesses in Latin America remained flat period over period. We saw continued good profits from Colombia demonstrated by an improvement in the asset management result and various initiatives to enhance sales in the AIVA business, including the consolidation of broker commitments

and special offers and incentive programmes. Future growth prospects for the AIVA business remain challenging due to future loss of income from the distribution of products to Quilter following a change in product specifications.

The sale of our businesses in Latin America are subject to required regulatory approvals in the relevant jurisdictions. All required applications have been made and the approval process is underway. As at 30 June 2018 the sale of businesses in Latin America remains on track to be completed in the first half of 2019.

Quilter

As a result of applying predecessor accounting our results for H1 2018 includes profit generated by Quilter up to its listing on 25 June 2018. Quilter's contribution to the Group's profit from discontinued operations was R743 million (H1 2017: R443 million). Refer to Note G1 in the financial statements for additional information on discontinued operations.

Old Mutual Bermuda

By the end of H1 2018 approximately 98% of the Guaranteed Minimum Accumulations benefit (GMAB) reinsurance obligations matured. The remaining reinsurance obligations will mature during H2 2018 and the ultimate closure of the business is expected by 31 December 2018. Old Mutual Bermuda made

FINANCIAL REVIEW (continued)

no contribution to the Group's profit or loss in H1 2018 as the market risks on the reinsurance obligations were managed by the hedging programme and a liquidation provision was established at December 2017 to capitalise all anticipated future operational losses.

② RESIDUAL PLC

The loss attributable to Residual plc reduced by 40% to R901 million. Lower finance costs due to the repurchase of

subordinated debt securities in 2017, and lower costs incurred to resolve pre-existing Old Mutual plc risks contributed to the decrease in losses from the prior period. This was partially offset by other income related to the release of a deferred tax provision and higher advisory costs due to heightened activity leading up to the listing of both Old Mutual Limited and Quilter in H1 2018.

IFRS PROFIT AFTER TAX

Profit after tax increased by 42% largely due to the distribution and the sale of Quilter shares which resulted in the recognition of a profit of R2,852 million in the consolidated results. Included within this profit is a loss on the recycling of foreign currency translation reserves of R394 million. An impairment to UAP in H1 2017 was not repeated in H1 2018, which further contributed to the increase period over period.

Rm	H1 2018	H1 2017	% change
Mass and Foundation Cluster	1,051	893	18%
Personal Finance	618	1,032	(40%)
Wealth and Investments	563	472	19%
Old Mutual Corporate	603	574	5%
Old Mutual Insure	219	171	28%
Rest of Africa	790	208	>100%
Other Group Activities ¹	2,397	(614)	>100%
Consolidation adjustments ²	(226)	(378)	40%
IFRS profit from continuing operations after tax	6,015	2,358	>100%
IFRS profit from discontinued operations after tax ³	8,108	7,599	7%
IFRS profit after tax for the financial year	14,123	9,957	42%
Attributable to:			
Equity holders of the parent	10,648	7,503	42%
Non-controlling interests	3,475	2,454	42%
Profit after tax for the financial year	14,123	9,957	42%
Basic earnings per share (cents) ⁴	229.4	154.7	48%

¹ Includes central areas, Residual plc, our investment in China and the profit on sale and distribution of Quilter shares.

² These entries relate to the elimination of inter-company transactions between continuing and discontinued operations.

³ Discontinued operations includes the results of Nedbank, Latin America, Quilter, Old Mutual Bermuda and India in the comparative period.

⁴ WANS used in the calculation of basic earnings per share is 4,641 million in H1 2018 (H1 2017: 4,687 million and FY 2017: 4,633 million).

FINANCIAL REVIEW (continued)

FREE SURPLUS GENERATION AND UTILISATION

Rm	H1 2018			H1 2017		
	Free Surplus	AHE	%	Free Surplus	AHE	%
Operating segments before capital requirements	3,987	3,995	100%	4,445	4,310	>100%
Capital requirements	(815)	–	–	(717)	–	–
Operating segments before fungibility restrictions	3,172	3,995	79%	3,728	4,310	86%
Nedbank (19.9%)	699	1,398	50%	524	1,049	50%
Free Surplus Generated before fungibility restrictions	3,871	5,393	72%	4,252	5,359	79%
Fungibility restriction ¹	(400)	–	–	(946)	–	–
Free Surplus Generated from Operations	3,471	5,393	64%	3,306	5,359	62%

1. Fungibility restriction represents the Free Surplus Generated in Zimbabwe which cannot be remitted.

Free Surplus Generated from Operations was R3.5 billion, an increase of R0.2 billion, from R3.3 billion in H1 2017 representing 64% of the Group's AHE, compared to 62% in H1 2017. AHE increased marginally period over period, as such the increase was mainly driven by the non-fungible free surplus being a lower proportion of total surplus. This was partially offset by a change in capital requirements following a methodology change following the implementation of SAM. The methodology change included a review of the approach used to allocate required capital to different products within and across segments. As we continue to refine our capital allocation methodology it may result in further impacts on free surplus generation.

Zimbabwe delivered a positive, yet reduced, free surplus of R0.4 billion in H1 2018 (H1 2017: R0.9 billion). The free surplus generated in Zimbabwe does not contribute to the Group metric due to fungibility constraints. The abnormally high investment returns during the 2017 financial year have not been repeated to date, with equity market performance in Zimbabwe remaining volatile. In H1 2018 Zimbabwe's AHE made up a lower proportion of total Group AHE and the fungibility restriction has therefore had a less dilutive impact on total free surplus generation.

FINANCIAL REVIEW (continued)

BALANCE SHEET METRICS

Rbn (unless otherwise indicated)	H1 2018	H1 2017	FY 2017	% change (H1 2018 vs FY 2017)
Operating Segments ¹	47.6	n/a	43.3	10%
① Residual plc ²	11.2	n/a	17.2	(35%)
Assets Held for sale or distribution ³	48.9	n/a	78.9	(38%)
Consolidation adjustments ⁴	(3.1)	n/a	(2.7)	(15%)
Equity attributable to ordinary shareholders of the parent	104.6	n/a	136.7	(23%)
South Africa	34.7	31.3	31.8	9%
Rest of Africa	12.9	10.0	11.5	12%
Equity attributable to operating segments	47.6	41.3	43.3	10%
Nedbank at 19.9%	16.3	15.8	16.4	(1%)
Closing Adjusted IFRS Equity	63.9	57.1	59.7	7%
South Africa	49.6	45.1	45.7	9%
Rest of Africa	12.2	10.0	10.8	13%
Average Adjusted IFRS Equity	61.8	55.1	56.5	9%
South Africa	18.5%	18.1%	21.0%	40 bps
Rest of Africa	13.2%	25.4%	31.1%	(1,220 bps)
② RoNAV⁵	17.5%	19.4%	22.9%	(190 bps)
South Africa	25.1	22.0	22.8	10%
Rest of Africa	15.2	12.1	13.3	14%
③ Invested Shareholder Assets	40.3	34.1	36.1	12%
④ Gearing ratio⁶	12.0%	12.6%	13.0%	(100 bps)
Interest cover⁵	22.0	26.0	28.3	(15%)

1 Comprises of the net asset value of the operating segments and shareholder investment portfolios of the Group. This net asset value forms the basis for key balance sheet metrics on which the Group is managed from a capital perspective, and is the same perimeter on which AHE is presented.

2 Comprises of the net asset value of Old Mutual plc of R10.2 billion at 30 June 2018 (R15.1 billion at 31 December 2017) and Old Mutual Bermuda of R1.0 billion at 30 June 2018 (R2.1 million at 31 December 2017).

3 Comprises of the net asset value of assets classified as held for sale which includes 54% of Nedbank and Latin America. Quilter's net asset value is included in the comparative period.

4 Consolidation adjustments reflect own shares held by consolidated investment funds, which are treated as treasury shares under IFRS.

5 The % change has been calculated with reference to H1 2017.

6 Gearing ratios are calculated based on the IFRS equity attributable to operating segments. As such this excludes equity related to non-core entities (Residual plc) and assets held for sale.

FINANCIAL REVIEW (continued)

① RESIDUAL PLC

Old Mutual Bermuda

Old Mutual Bermuda has now largely run off and 98% of the reinsurance obligations have matured as at 30 June 2018. The surplus capital in Old Mutual Bermuda of R1 billion at 30 June 2018 has reduced by R1.1 billion from December 2017 largely due to a capital repatriation of R1,078 million (\$90 million) made in March 2018 following approval from the Bermuda Monetary Authority (BMA). A further capital repatriation of R660 million (\$49 million) was approved by the BMA in July 2018. The remainder of the surplus capital is anticipated following the ultimate closure of the business and may be released to Old Mutual Group (UK) Limited and in turn Old Mutual plc over time, subject to regulatory approval.

Old Mutual plc

Following the listing of Old Mutual Limited, Old Mutual plc is now a wholly owned, non-operating subsidiary of Group. The decrease in net asset value of 31% to R10.2 billion at 30 June 2018 (R15.1 billion at 31 December 2017) is largely due to the net settlement of certain intercompany loans between Old Mutual plc and Quilter ahead of the listing of Quilter and costs incurred in the wind down of the head office. This decrease was offset by an increase in cash and near cash instruments reflecting the cash proceeds received by Old Mutual plc following the sale offer of Quilter shares.

On 19 July 2018, Old Mutual plc further reduced international debt by R5.2 billion through a tender offer of Tier 2 debt instruments. The formal credit ratings on Old Mutual plc were also withdrawn shortly after the date of the Tender Offer Memorandum.

Old Mutual plc will continue to incur corporate costs in 2018 until the head office wind down is completed. These costs remain in line with previous guidance and our current best estimate of the realisable economic value of Residual plc is in line with the approximately R7,170 million (£400 million) previously indicated when the Second UK court scheme of arrangement became effective on 26 June 2018. The repurchase of the Tier 2 debt instruments resulted in a benefit to the economic value of approximately R264 million (£15 million) but this is was largely offset by the transfer of Old Mutual (Netherlands) B.V. with a net asset value of R290 million (£16 million) to Old Mutual Limited on 29 June 2018.

Old Mutual Limited will remain subject, inter alia, to the undertaking to the UK Court as described in the announcement dated 20 June 2018 in respect of Old Mutual plc. The UK court scheme allows for reviews of the surplus assets on a quarterly basis commencing 1 October 2018. Any potential transfer by Old Mutual plc will need to take into account the developments and future assessments by the Board of Old Mutual plc, at such a point in time, of liabilities and contingent liabilities and in line with its fiduciary duties. The final development of economic value and surplus assets is subject to changes in estimates and uncertainty.

② RONAV

RoNAV decreased by 1.9% to 17.5% (H1 2017: 19.4%). RoNAV in South Africa increased by 0.4% to 18.5% (H1 2017: 18.1%). The increase was primarily due to higher operating results and underlying profit growth in Nedbank as ETI returned to profitability. This contributed to an increase in AHE of 12% versus an increase in average Adjusted IFRS Equity of 9%. The increase in equity was mainly due to higher accumulation of profits than in comparative periods and the impact of the translation of foreign operations with the rand weakening against foreign currencies, partially offset by the impact of IFRS 9 – Financial Instruments effective 1 January 2018.

RoNAV in Rest of Africa decreased by 12.2% to 13.2% (H1 2017: 25.4%). Strong operational performance that led to an increase in RFO of R110 million or 30%, was offset by a decrease in shareholder investment returns of R656 million or 52%, due to normalisation of equity returns in Zimbabwe following strong equity performance in 2017. This contributed to a decrease in AHE of 37% versus an increase in average Adjusted IFRS Equity of 13%. The significant increase in average Adjusted IFRS Equity is largely driven by strong investment returns in H2 2017 that contributed to a higher opening equity base in H1 2018 and was further enhanced by the weakening of the rand against the US dollar and Kenyan shilling in H1 2018.

③ INVESTED SHAREHOLDER ASSETS

Invested shareholder assets increased by 12% to R40.3 billion (FY 2017: R36.1 billion). The asset base in South Africa saw a R2.3 billion or 10% increase period over period, following the investment of profits generated during H1 2018. An increase of R1.9 billion or 14% in Rest of Africa is driven by positive investment returns, albeit lower than in H1 2017, off a high asset base created by strong investment returns in Zimbabwe in H2 2017. The weakening of the rand against the US dollar and Kenyan shilling in H1 2018 further contributed to the increase of our asset base in East Africa.

For the listed equities backing our capital in South Africa we aim to limit capital losses through the use of hedges. We aim to reduce the cost of our hedges by sacrificing a portion of our return upside. Downside protection is structured to limit capital losses to between 5% and 15% on an annual basis. The market did not reach the strike levels on any of our hedges during the period.

④ GEARING

Gearing ratios are marginally down following the issuance of subordinated debt instruments to the nominal value of R500 million by Old Mutual Insure in November 2017, offset by an increase in equity attributable to operating segments. The increase in equity was due to higher accumulation of profits, driven by strong operational results in South Africa. Positive investment returns, albeit lower than in H1 2017, and the weakening of the rand against the US dollar and Kenyan shilling resulted in an increase in equity in Rest of Africa. Interest cover decreased to 22 times (H1 2017: 26 times) reflecting an increase in finance costs of 18% due to higher interest rates and the fresh issuance in H2 2017, whilst growth in AHE remained relatively flat period over period.

FINANCIAL REVIEW (continued)

EMBEDDED VALUE

Rm	H1 2018	H1 2017	FY 2017	% change (H1 2018 vs FY 2017)
Adjusted net worth (ANW)	33,677	29,575	29,966	12%
Value in force (VIF)	33,652	32,245	33,695	–
Embedded value	67,329	61,820	63,661	6%
Return on embedded value (%)	11.7%	12.8%	14.1%	(240 bps)

The Return on embedded value remained strong at 11.7%, despite a decrease of 2.4% from 14.1% for FY 2017. MCEV operating earnings (post-tax) increased by 4.2% to R3,874 million (H1 2017: R3,717 million), mainly due to the increase in new business and dividend withholding tax excluded from MCEV earnings in H1 2018. This is a function of externalised dividends no longer flowing through Old Mutual (Netherlands) B.V. following the Managed Separation.

Experience variances decreased earnings by R216 million, driven by poor persistency, and materially lower positive claims variances in Mass and Foundation Cluster and Personal

Finance compared to H1 2017. The macro environment continued to put strain on persistency experience. Overall claims experience remained satisfactory relative to long term assumptions, despite unfavourable experience in Personal Finance and poor group disability experience in Old Mutual Corporate persisting despite management actions. Recurring expenses remained lower than assumed, supported by ongoing tight expense management across the business. Investment returns were significantly lower than in H1 2017, particularly equity returns, and resulted in negative investment variances.

SOLVENCY

Rbn	H1 2018	FY 2017	% change (H1 2018 vs FY 2017)	Optimal target range
OMLACSA				
Eligible own funds	76.4	77.8	(2%)	
Solvency capital requirement (SCR)	31.8	31.9	–	
Solvency ratio (%)	240%	243%	(300 bps)	>200%
Group – Post Nedbank unbundling¹				
Eligible own funds	102.3	98.3	4%	
Solvency capital requirement (SCR)	62.2	58.8	6%	
Solvency ratio (%) ¹	164%	167%	(300 bps)	155% to 175%

¹ The capital position in accordance with the SAM regime can change materially if the quantum of the Nedbank unbundling or fungibility restrictions change. To the extent that some of the surplus is deemed fungible, this will contribute positively to the overall Group ratio.

The Insurance Act came into effect on 1 July 2018. The Group is in the process of applying for regulatory approval of methodologies applied in the calculation of solvency ratios presented. The OMLACSA solvency ratio decreased marginally when compared to FY 2017. Emerging profits were more than offset by a provision for dividends expected to be paid in H2 2018. A portion of the special dividend will be funded by OMLACSA and this results in lower own funds.

The Group solvency ratio decreased marginally by 3% to 164% in H1 2018 (H1 2017: 167%) largely as a result of the inclusion of foreseeable dividends in own funds. The foreseeable dividend includes the special dividend and the ratio before allowing for the special dividend, would have increased to 169%.

FINANCIAL REVIEW (continued)

Key components of the estimated Group solvency position at 30 June 2018:

Rbn	OMLACSA ^{1,2}	Nedbank ²	Residual plc ³	Other ⁴	Consolidation Adjustments ⁵	Group
Own Funds ⁶	76.4	17.9	3.8	33.4	(29.2)	102.3
SCR	31.8	12.4	3.8	23.4	(9.2)	62.2
Ratio (%)	240%	144%	100%	143%		164%

¹ The standard formula under SAM is used for OMLACSA.

² Nedbank is included on a Basel III basis in Group solvency. This is different to the treatment in the OMLACSA calculation where the holding is included in the Own Funds at the market value of the shares, with an equity stress applied to calculate the SCR.

³ To the extent that some of the surplus is deemed fungible it will contribute positively to the overall Group surplus.

⁴ This category includes the balance of the Group, including holding companies, Old Mutual Insure, asset managers and Rest of Africa.

⁵ Represents the elimination of intercompany assets between entities e.g. the investment of a holding company in a subsidiary and diversification of risks within entities subject to accounting consolidation, most importantly between OMLACSA and Old Mutual Insure.

⁶ Includes fungibility restrictions where the own funds for certain entities are restricted to the solvency capital requirement of that entity (calculated on a SAM basis). The most material non-fungible surplus relates to Zimbabwe and Residual plc.

RISK MANAGEMENT

We continue to monitor and manage the risks our Group face. Our assessment of the key risks is set out below.

MACRO-ECONOMIC AND SOCIO-POLITICAL RISK

The South African Reserve Bank has recently revised the gross domestic product growth forecast for 2018, from 1.7% to 1.2%. South Africa's unemployment rate has increased to 27.2% in the second quarter. The first half of 2018 also saw a Value Added Tax (VAT) increase and fuel hikes. These all contribute to increased financial pressure on consumers, the result of which impacts our business risk in the form of reduced demand for our products and services and increases in lapses and credit default risk. In addition to the lower growth outlook, policy statements from Government on land expropriation without compensation may negatively affect investment sentiment.

The Zimbabwe economy remains weak and uncertain, and although our business has proved to be resilient, our ability to remit earnings out of Zimbabwe is constrained due to the foreign currency shortage, which also creates currency translation uncertainty.

Market, Liquidity and Credit risks are actively managed and monitored by both management and specialist line 2 assurance functions.

TECHNOLOGY AND SYSTEMS RISK

The organisation has a high dependency on IT as a true enabler for innovation and therefore future growth and sustainability. The stability and maintenance of the current IT infrastructure is largely being addressed through the SA Transformation program. Although positive progress has been made, the scale and complexity contributes to increased execution risk, and creates opportunity cost to other development. There are nevertheless promising signs of innovation in different areas of the business, complemented by the enterprise-wide digital transformation and focus.

CYBER RISK

There is evidence of increased frequency and sophistication of attacks on financial service organisations. Cyber-attacks could result in operational losses, business interruptions, loss of critical company or customer data and consequently reputational damage. The organisation has updated its Information Security Strategy, aimed at achieving a higher level of resilience, and actions to achieve this are being implemented.

CONDUCT RISK

Due to our large tied adviser forces in the SA Life Retail businesses, the organisation has a high degree of exposure to advice risk. Consistency and robustness of advice processes is a key focus area of the management within the businesses.

LIFE INSURANCE RISK

There is a risk that adverse mortality experience experienced in 2017 and in 2018 to date is resistant to management actions being taken. An extensive experience investigation has been undertaken to assess whether the negative experience is due to normal volatility or an underlying deterioration, and actions are in progress to improve the underwriting result.

GOVERNANCE AND CONTROL OF SUBSIDIARIES

Governance and control in some of our subsidiary businesses in East and West Africa has fallen short of Group requirements. We have made management changes and taken actions to strengthen controls over core processes to reduce the risk of operational losses.

FINANCIAL REVIEW (continued)

OUTLOOK

	Metric	Target	H1 2018 Outcome	Outlook for FY 2018
RETURNS	RoNAV	Average COE + 4% (weighted average COE of 13.4%)	17.5%	On track
	Results from Operations	CAGR of Nominal GDP + 2% over the three years to 2020 (average nominal GDP growth for H1 2018: c. 6%)	↑ 7%	On track
EFFICIENCY	Cost efficiencies	R1 billion by the end of 2019 Pre-tax run-rate cost savings, net of costs to achieve it. Based off 2017 IFRS administrative cost base.	R270m Approximately R270 million of recurring cost savings, incurring one off costs of R70 million	On track
	Underwriting result	OM Insure underwriting margin of 4% – 6% in near-term	6.4%	Within the target range
CAPITAL	Solvency ratio	Old Mutual Limited: 155% – 175% (post Nedbank unbundling)	164%	Within the target range
	OMLACSA	OMLACSA: Greater than 200%	240%	Above target range
CASH RETURNS	Dividend cover	Target full year ordinary dividends covered by AHE between 1.75 to 2.25 times Target an interim dividend at 40% of the current year interim AHE	45 cents	On track

¹ Cost of equity calculated on 1 January 2018 and will be revised on an annual basis.

INTERIM AND SPECIAL DIVIDEND DECLARATIONS

The Board of directors has approved and declared an interim dividend of 45 cents per ordinary share and a special dividend of 100 cents per ordinary share.

The interim dividend targeting 40% of interim Adjusted Headline Earnings is in line with Old Mutual Limited's dividend policy. The interim dividend will be paid out of distributable reserves and is payable on 16 October 2018 to all ordinary shareholders recorded on the record date. The dividend of 45 cents per ordinary share will be subject to a local dividend tax rate of 20% which will result in a net interim dividend, to those shareholders who are not exempt from paying dividend tax, of 36 cents per ordinary share. International shareholders who are not exempt or are not subject to a reduced rate in terms of a double taxation agreement will be subject to dividend withholding tax at a rate of 20%.

The special dividend of 100 cents per ordinary share is in line with our capital management policy of returning excess capital to shareholders and will be paid from

distributable reserves on 16 October 2018 to all ordinary shareholders recorded on the record date, subject to the requisite South African Reserve Bank approval required for special dividends. The special dividend of 100 cents per ordinary share will be subject to a local dividend tax rate of 20% which will result in a net special dividend, to those shareholders who are not exempt from paying dividend tax, of 80 cents per ordinary share. International shareholders who are not exempt or are not subject to a reduced rate in terms of a double taxation agreement will be subject to dividend withholding tax at a rate of 20%.

Shareholders on the London, Malawian, Namibian and Zimbabwean registers will be paid in the local currency equivalents of the interim and special dividends. In Malawi, Namibia and Zimbabwe these payments will be made through dividend access trust or similar arrangements established in each country.

Old Mutual Limited's income tax number is 9267358233. The number of ordinary shares in issue in the company's share register at the date of declaration is 4,942,048,355.

The timetable pertaining to the Interim & Special dividend is as follows:

Transfers suspended between register	Close of business on Monday, 10 September 2018
Finalisation announcement and exchange rates announced	Tuesday, 11 September 2018
Last day to trade cum dividend for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Tuesday, 18 September 2018
Ex-dividend date for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Wednesday, 19 September 2018
Last day to trade cum dividend for shareholders on the UK register	Wednesday, 19 September 2018
Ex-dividend date for shareholders on the UK register	Thursday, 20 September 2018
Record date (all registers)	Close of business on Friday, 21 September 2018
Transfers between registers restart	Opening of business on Tuesday, 25 September 2018
Interim and Special Dividend payment date	Tuesday, 16 October 2018

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday, 19 September and Friday, 21 September 2018, both dates inclusive. Transfers between the registers may not take place between Tuesday, 11 September and Friday, 21 September 2018,

both dates inclusive. Trading in shares held on the Namibian section of the principal register through Old Mutual (Namibia) Nominees (Pty) Limited will not be permitted between Tuesday, 18 September and Thursday, 20 September 2018, both dates inclusive.

OLDMUTUAL



4

SEGMENT REVIEWS

Unaudited Condensed Group Interim Results



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018

SEGMENT REVIEWS

MASS AND FOUNDATION CLUSTER REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	1,534	1,306	17%
Gross flows	6,532	5,709	14%
Life APE sales	2,142	1,766	21%
NCCF (Rbn)	3.1	2.9	7%
FUM (Rbn) ¹	13.1	12.4	6%
VNB	655	585	12%
VNB margin (%)	10.5%	10.2%	30 bps
Loans and advances ¹	13,432	12,070	11%
Net lending margin (%)	14.4%	15.3%	(90 bps)

¹ The % change has been calculated with reference to FY 2017.



DEFEND SOUTH AFRICAN MARKET SHARE IN MASS AND CORPORATE MARKETS

Consumer confidence was high early in the year following political developments but has subsequently pulled back. This has contributed to negative pressure on disposable income following high unemployment rates, VAT and fuel increases. We have maintained strong sales despite increased competitor activity.

Enhanced sales force productivity has translated into strong life and loan sales growth. Life sales improved in H1 2018 compared to the prior year but are expected to moderate in H2 2018 should challenging market conditions persist. Money Account remains one of the most competitive transactional solutions in the South African market, with the number of active accounts increasing by 34% in H1 2018. Funeral claims process improvements resulted in better customer experience with circa 99% of funeral claims that are paid into Money Accounts within 4 hours and any other account within 8 hours.

PERFORMANCE HIGHLIGHTS

Life APE sales of R2,142 million showed strong growth of 21%. This was due to our continued drive to grow adviser headcount and productivity as well as positive customer experience related to the funeral claims process. The retail branch network contributed 30% of Life APE sales, consistent with H1 2017, and continues to deliver better persistency and productivity experience than other channels. Gross flows increased by 14% to R6,532 million off the back of growth in the life insurance book and customer take up of annual premium increases, combined with good growth in Money Account take up and usage. This contributed to a R0.2 billion increase in NCCF to R3.1 billion.

Loans and Advances increased by 11% to R13,432 million since 31 December 2017, due to improved productivity as a result of process enhancements around customer take-on. Customer risk assessment has been enhanced with improved offers to low risk customers and more stringent requirements for high risk customers. The increase is muted by the transitional adjustment required as a result of the adoption of IFRS 9 – Financial Instruments effective 1 January 2018.

RFO of R1,534 million increased by 17% despite the increase in allocation of central expenses previously carried at a group level. Life profits increased by 15% due to growth in the life

insurance book, higher life APE sales and customer take up of annual premium increases combined with good cost management. Non-life profits were up 26% due to a decrease in amortisation of acquired intangibles compared to H1 2017. It was further enhanced by an improved credit loss ratio of 5.4%, which was 90 bps better than H1 2017. The adoption of IFRS 9 – Financial Instruments, effective 1 January 2018, requires higher provisions on new loans and advances and is expected to create profit strain if the increase in disbursements persists.

The higher new business volumes contributed to the VNB of R655 million which increased by 12% and also improved the VNB margin of 10.5% by 30 bps, partially offset by lower margin as a result of promotions run to improve sales.

The net lending margin of 14.4% was 90 bps down due to the effect of a one off positive impact related to alignment of provisioning models to payment behaviour in the prior year. Excluding this one off item, the H1 2018 margin increased marginally on prior year primarily due to a continued positive collections experience.

SEGMENT REVIEWS (continued)

PERSONAL FINANCE REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	918	1,394	(34%)
Gross flows	12,970	12,440	4%
Life APE sales	1,221	1,241	(2%)
NCCF (Rbn)	(1.8)	(1.3)	(38%)
FUM (Rbn) ¹	188.5	193.7	(3%)
VNB	100	87	15%
VNB margin	1.3%	1.1%	20bps

¹ The % change has been calculated with reference to FY 2017.



DEFEND AND GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET

Intense competition continues to be a characteristic of this market. A tough economic environment continued to place strain on consumer disposable income due to persistently high unemployment rates, VAT and fuel increases which had an adverse effect on customer acquisition especially in the middle income market.

A number of initiatives have been launched to drive sales in this tough economic environment including the re-pricing of guaranteed annuity products and tactical improvements to the pricing of disability and severe illness in the second quarter which supported income and protection sales in H1 2018.

The launch of the Old Mutual Rewards loyalty programme in July 2018 is one of the strategic initiatives to strengthen our penetration in the middle income market. Also, 22seven launched "Goals" in H1 2018 to allow customers to personalise their savings objectives. We won the Financial Intermediaries Association Risk Provider of the year award.

Despite headwinds in the macro-economic environment and higher than normal mortality and morbidity rates in H1 2018, we are taking actions to improve the profitability of the risk book although the effects of these actions are likely only to be seen in 2019.

PERFORMANCE HIGHLIGHTS

Gross flows increased by 4% to R12,970 million mainly due to higher single premium sales across life and non-life savings products. Higher death and disability claims and higher disinvestments led to negative NCCF of R1.8 billion, a decrease of R0.5 billion from H1 2017. Outflows in NCCF and the decline in the South African equity markets in H1 2018 contributed to a decrease of 3% resulting in FUM of R188.5 billion at 30 June 2018.

Life APE sales reduced by 2% to R1,221 million largely due to lower recurring premium sales on savings and risk products reflecting pricing competitiveness in the market. Satisfactory growth in single premium sales for savings and income products and protection sales improved in the second quarter driven by tactical pricing initiatives.

RFO of R918 million decreased by 34% when compared to H1 2017. The decrease was a function of higher than expected death and disability claims, with a number of large death claims which fell below the reinsurance threshold. A number of management actions are underway and we continue to monitor and assess underlying mortality trends. Lower investment variances due to lower market returns and a higher allocation of central expenses further contributed to the decrease.

VNB increased by 15% to R100 million mainly due to lower distribution costs allocated to life products following a methodology change in H2 2017. Consequently, the VNB margin increased by 20bps to 1.3%, mainly due to the lower distribution cost allocation offset by the impact of lower sales volume and margin mix.

SEGMENT REVIEWS (continued)

WEALTH AND INVESTMENTS REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	783	638	23%
Gross flows	45,114	42,405	6%
NCCF (Rbn)	10.9	1.8	>100%
AUM (Rbn) ^{1,2}	741.9	736.6	1%
FUM	516.6	498.1	4%
Intergroup assets	345.8	340.4	2%
AuMA ³	862.4	838.5	3%
Assets under administration	(120.5)	(101.9)	(18%)
Total revenue	2,374	2,284	4%
Annuity	2,151	2,151	–
Non-annuity	223	133	68%

¹ The % change has been calculated with reference to FY 2017.

² AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM in respect of segments. Assets under administration that are managed externally are not included in AUM.

³ AuMA is AUM including Assets under Administration.



IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

Markets were largely negative for the first quarter of the year. Strong momentum in NCCF with high quality flows was driven by an improved Wealth proposition and sustained investment performance. Strong NCCF demonstrates traction in gaining market share and ongoing improvement in our product offerings. Higher origination activity in Specialised Finance and our participation in South Africa's renewable energy sector via investment through Alternatives are encouraging indicators of building a diversified Wealth and Investment business.

Investment performance momentum continued with retail funds performing well with 67% of core funds above median over three and five years. Multi-asset funds have continued to perform particularly well over 2018 with 7 out of 8 core retail and institutional offerings in the top quartile. Our flagship Retail Balanced and Flexible Fund is now top quartile over one and five years, while 3 out of 4 core retail Multi-asset funds have 4-star Morningstar ratings. Old Mutual Investment Group has been named the Best Managed Company in the Financial Services Sector and won the headline award for Best Managed Company of the year at the Top 500 Awards 2018.

PERFORMANCE HIGHLIGHTS

Gross flows of R45,114 million increased by 6% following proposition improvements which resulted in higher flows, as well as large flows secured in Old Mutual International. Growth in flows, good retention in the institutional asset management business resulting from improved investment performance and the non-occurrence of large client outflows in H1 2017 has resulted in a significant increase of R9.1 billion in NCCF. AUM was marginally positive from FY 2017, with the positive impact of strong NCCF offset by weak market performance in H1 2018.

Total revenue increased by 4% to R2,374 million primarily due to higher asset-based institutional fee income, offset by margin pressure in our Wealth and Specialised Finance businesses. The non-annuity revenue in our Alternatives

and Specialised Finance businesses showed a strong result, with the renewable energy investment being one of the contributors, whilst reflecting the benefits of our responsible business efforts. The H1 2017 revenue has been restated to report revenue gross of external asset management fees to be on a comparable basis with H1 2018.

RFO was R783 million, an increase of 23% from H1 2017. The increase is largely attributable to acquisition related intangibles being fully amortised in 2017. Growth in non-annuity revenue of 68% due to higher origination income in Specialised Finance and a one off fair value gain in an Alternatives funds contributed to profit delivery.

SEGMENT REVIEWS (continued)

OLD MUTUAL CORPORATE REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	854	800	7%
Gross flows	21,723	16,760	30%
Life APE sales	1,451	1,159	25%
NCCF (Rbn)	0.8	(0.3)	>100%
FUM (Rbn) ¹	258.2	255.6	1%
VNB	168	130	29%
VNB margin	1.2%	1.2%	–

¹ The % change has been calculated with reference to FY 2017.



DEFEND SOUTH AFRICAN MARKET SHARE IN MASS AND CORPORATE MARKETS

We made good strides in defending our market share, particularly in the competitive market for multi-employer retirement funds (umbrella funds). Umbrella life APE sales almost doubled compared to H1 2017 as a result of a large single premium deal. The management actions undertaken to restore the group risk underwriting experience continue to gain good traction. These management actions included income protection re-pricing and launch of the new Well4Work range, a range of four flexible group income protection benefits that will allow clients to tailor the desired balance between benefits and price. As expected, there were a number of group risk schemes that terminated following decisions to not match uneconomically low competitor rates. We remain focused on improving underwriting margins to expected long-term levels.

Old Mutual Corporate won awards in three categories at the Imbasa Yegolide Awards earlier this year. The awards recognise service providers in the employee benefits industry who meet the needs and expectations of retirement fund members by delivering excellent service.

PERFORMANCE HIGHLIGHTS

Strong Life APE sales of R1,451 million, an increase of 25%, was mainly due to higher single premium pre-retirement savings sales into SuperFund and Old Mutual Multi-Managers. Recurring premium sales are lower than in H1 2017 largely due to lower group risk sales that were impacted by premium rate increases to improve profitability.

Gross flows increased by 30% to R21,723 million mainly due to improved life sales. This, in addition to improved termination experience contributed to a strong NCCF uplift of R1.1 billion to R0.8 billion. FUM of R258.2 billion increased by 1% with the growth in NCCF mostly offset by downward pressure from equity markets.

RFO of R854 million delivered good growth of 7% mainly due to better group life assurance underwriting experience underpinned by lower average claims sizes. This was partially offset by higher allocation of central expenses.

At R168 million, VNB grew by 29% largely as a result of higher sales volumes and capital optimisation initiatives. The VNB margin was maintained at 1.2% due to margin pressure on the mix of business sold, despite an increase in sales volumes.

SEGMENT REVIEWS (continued)

OLD MUTUAL INSURE REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	370	200	85%
Gross written premiums	6,293	6,098	3%
Underwriting margin	6.4%	2.3%	410 bps
Insurance margin	8.7%	4.8%	390 bps



CONTINUED TURNAROUND OF OLD MUTUAL INSURE

Our capability and skills have been strengthened over the last few years by bringing in experts in specific fields which facilitated disciplined and tightened underwriting criteria. The general environment improved with low market wide losses due to a benign claims environment. No catastrophe claims reported to date however from past experience, catastrophe losses have a higher probability of occurrence in the second half of the year due to weather patterns.

Organic growth has been muted particularly in our commercial, personal and agriculture portfolios in part by ongoing remediation, tough market conditions and slower than anticipated new business volumes. Optimising the interplay between facultative reinsurance, deductible structures and treaty applicability continues to contribute to more consistent underwriting results in volatile and commoditized sectors. iWYZE delivered strong growth a result of pursuing a profitable growth strategy that leverages operational efficiencies, strategic partnerships and focused marketing. Initiatives to increase gross written premiums are starting to gain traction.

A number of claims initiatives have been launched to improve customer experience and operational efficiencies. We continue to focus on the restoration of profitability through ongoing reviews and portfolio reconstruction, focused deployment of underwriting capacity, enhancing claims processes and optimising procurement.

PERFORMANCE HIGHLIGHTS

The gross written premiums reported for the first half of the year were R6,293 million, an increase of 3%. The constrained growth in 2018 is due to remediation and tighter underwriting criteria in line with management actions, as well as slower than anticipated new business volumes impacted by current market conditions.

RFO was R370 million, an increase of 85% compared to H1 2017, largely due to a benign claims environment with no catastrophe losses (relative to fires in Eastern and Western

Cape in H1 2017). Improved contribution from the commercial and personal intermediated business, iWYZE growth and disciplined underwriting contributed to the increase in RFO, partially offset by lower profits in CGIC.

The strong net underwriting result led to an improved net underwriting margin of 6.4% which is above the medium term target range. Insurance margin improved by 390 bps to 8.7% as a result of underwriting performance and positive reform on free float capital flows.

SEGMENT REVIEWS (continued)

REST OF AFRICA REVIEW

Rm (except where otherwise indicated)	H1 2018	H1 2017	% change
RFO	478	368	30%
Gross flows	9,986	10,356	(4%)
Life APE sales	555	542	2%
NCCF (Rbn)	0.7	1.6	(56%)
FUM (Rbn) ¹	116.0	104.0	12%
VNB	102	127	(20%)
VNB margin	3.3%	4.3%	(100 bps)
Loans and advances ¹	14,206	11,241	26%
Net lending margin	9.4%	9.5%	(10 bps)
Gross written premiums	1,783	1,919	(7%)
Underwriting margin	(6.7%)	(4.4%)	(230 bps)

¹ The % change has been calculated with reference to FY 2017.



TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS THE REST OF AFRICA

We have made continued progress on the turnaround in East Africa. During H1 2018 we completed a staff reorganisation to optimise staffing levels and eliminate duplication. This has resulted in a reduction of staff levels and is expected to drive savings going forward. The cost of this reorganisation was approximately R70 million and has impacted reported profits and underwriting margins in H1 2018 for the region.

SADC remains the largest contributor to Rest of Africa results and continues to deliver good performance despite tough trading conditions. In Zimbabwe, CABS delivered pleasing results supported by management actions to improve margins and grow the loan book. In Malawi, management actions in anticipation of the pension reforms have yielded significant growth in the pension business.

In West Africa the bancassurance licence was obtained in May 2018 and subsequently sales agents have been mobilised across 62 Ecobank branches with good production already recorded. The Nigeria life business also received approval for its critical illness product, which was launched during Q2 2018. Our property and casualty business in Nigeria experienced significant claims from the oil and gas industry which adversely impacted underwriting results. Management is reviewing reinsurance levels to address exposure to this class of business.

PERFORMANCE HIGHLIGHTS

Gross flows decreased by 4% mainly due to a large one off inflow in East Africa in H1 2017 which offset good growth in life and non-life sales in SADC and East Africa. These flows, together with the appreciation in equity market values in Zimbabwe and the effects of foreign exchange movements contributed to a 12% growth in FUM to R116 billion. NCCF decreased by 56% to R0.7 billion, mainly driven by large outflows in Namibia due to a portfolio rebalancing by the Namibian government following regulatory changes.

Life APE sales were up marginally by 2% to R555 million due to higher life sales in Malawi driven by pension reform, the growing corporate book in Botswana, growth in retail sales in Zimbabwe and Malawi. This was offset by lower sales in West Africa due to lower credit life sales and regulatory changes in Nigeria and lower corporate sales in Ghana.

Gross written premiums decreased by 7% to R1,783 million. In East Africa the decline is driven by increased competition and remediation of the book through the non-renewal of loss making accounts.

Loans and advances rose to R14,206 million, up 26% mainly driven by growth in the CABS book. Net lending margin

decreased marginally by 10bps mainly driven by lower margin business written in H1 2018.

RFO increased by 30% to R478 million, supported by a 24% increase in RFO for SADC due to good growth in the loan book at CABS and positive investment returns in Namibia and Zimbabwe. Strong underwriting results in Malawi's group life business further contributed to profit growth. RFO for East Africa decreased largely as a result of the costs incurred to execute the staff reorganisation and the impact of civil strife in South Sudan.

Excluding the impact of the staff reorganisation in East Africa, there is an improvement in the underlying underwriting margin as a result of management actions taken to improve claims and remediation of the book. This is partially offset by poor claims experience in the Nigeria business as the industry is facing significant claims in the oil and gas industry.

VNB decreased by 20% to R102 million mainly due to a less profitable mix of business and methodology changes to align with the SAM capital framework. The VNB margin subsequently reduced by 100 bps.

OLDMUTUAL



5

UNAUDITED CONDENSED FINANCIAL STATEMENTS



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018

CONDENSED FINANCIAL STATEMENTS

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BACKGROUND INFORMATION

In March 2016, Old Mutual plc announced that its board believed that the long term interests of Old Mutual plc shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc Group from each other so that they could operate as fully independent businesses. These four businesses were Old Mutual Emerging Markets, OM Asset Management plc (OMAM, now Brightsphere Investment Group), Nedbank and Old Mutual Wealth (now Quilter plc). As at 31 December 2017, OMAM had already been separated from the Old Mutual plc Group following a phased sell-down.

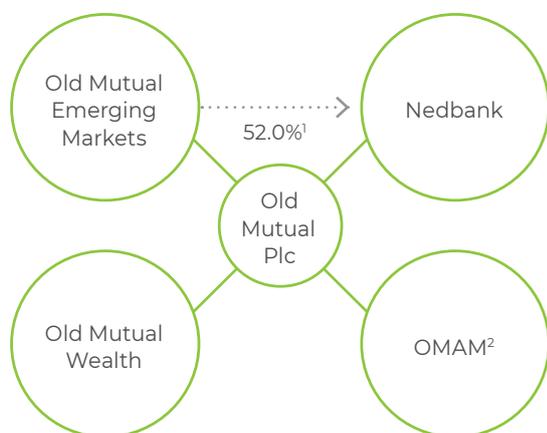
To effect the above strategy, referred to as Managed Separation, the following steps were executed during the six months ended 30 June 2018:

- ▶ The listing of Quilter plc on the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE), the distribution of 86.6% of its total share capital to Old Mutual plc shareholders and the sale of up to 9.6% by way of a cash placing to institutional investors.

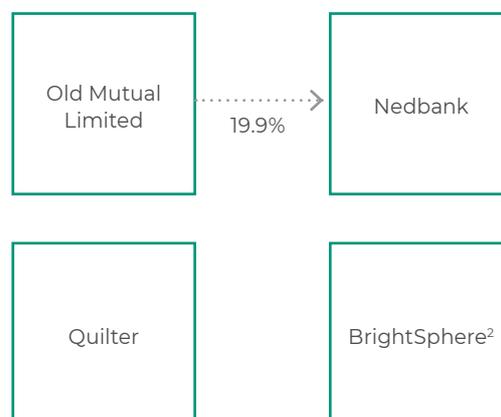
- ▶ The formation and listing on the JSE (primary), LSE and the stock exchanges of Malawi, Namibia and Zimbabwe, of a new entity, being Old Mutual Limited. Immediately prior to the listing, Old Mutual Limited became the new holding company of Old Mutual plc and its subsidiaries, which mainly comprised the remaining operating businesses namely Old Mutual Emerging Markets and Nedbank. The results and position of this new Group have been presented within this set of unaudited condensed consolidated interim financial statements (interim financial statements). More details on the basis of preparation and the comparative information presented in these interim financial statements have been presented in note A1.

The final step of Managed Separation will be achieved through the unbundling (in terms of South African law) of up to 32% of the issued share capital of Nedbank to shareholders of Old Mutual Limited, whilst retaining a minority interest of 19.9% in the shareholder funds. Further details on Managed Separation and the transactions that have occurred during the period are set out in note A2. More information on the businesses classified as held for sale and distribution and as discontinued operations is set out in note G1.

MARCH 2016



END STATE



1 At 31 December 2017, the Group held approximately 53% of the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remaining 52% held in its shareholder funds. These shares are held via OMLACSA (a subsidiary of OMEM) and Old Mutual Portfolio Holdings (an indirect subsidiary of Old Mutual plc).

2 Old Mutual plc completed the reduction of its stake in OMAM in November 2017. OMAM has subsequently rebranded to BrightSphere Investment Group.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2018

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Continuing operations				
Revenue				
Gross insurance premium revenue		39,739	35,184	72,323
Outward reinsurance		(3,333)	(3,260)	(6,693)
Net earned premiums		36,406	31,924	65,630
Investment return (non-banking)		22,735	35,723	93,921
Banking interest and similar income		2,105	2,050	4,705
Banking trading, investment and similar income		60	117	97
Fee and commission income, and income from service activities		5,521	5,049	9,990
Other income		1,040	745	1,860
Total revenue		67,867	75,608	176,203
Expenses				
Claims and benefits (including change in insurance contract provisions)		(37,354)	(38,570)	(92,787)
Reinsurance recoveries		2,998	2,752	5,404
Net claims and benefits incurred		(34,356)	(35,818)	(87,383)
Change in investment contract liabilities		(2,897)	(10,487)	(30,358)
Credit impairment charges		(480)	(403)	(715)
Finance costs		(538)	(1,171)	(4,024)
Banking interest payable and similar expenses		(252)	(679)	(1,278)
Fee and commission expenses, and other acquisition costs		(4,606)	(3,757)	(8,359)
Change in third-party interest in consolidated funds		(7,503)	(6,977)	(11,405)
Other operating and administrative expenses		(12,157)	(12,427)	(25,566)
Total expenses		(62,789)	(71,719)	(169,088)
Share of associated undertakings' and joint ventures' profit after tax		(53)	(354)	(23)
Profit on disposal of subsidiaries, associated undertakings and strategic investments		2,855	657	1,988
Profit before tax		7,880	4,192	9,080
Income tax expense		(1,865)	(1,834)	(3,978)
Profit from continuing operations after tax		6,015	2,358	5,102
Discontinued operations				
Profit from discontinued operations after tax	G1.(a)	8,108	7,599	15,262
Profit after tax for the financial period		14,123	9,957	20,364
Attributable to				
Equity holders of the parent		10,648	7,503	14,372
Non-controlling interests				
Ordinary shares		3,190	2,156	5,402
Preferred securities		285	298	590
Profit after tax for the financial period		14,123	9,957	20,364
Earnings per ordinary share				
Basic earnings per share – continuing operations (cents)		127.2	54.3	107.6
Basic earnings per share – discontinued operations (cents)		102.2	100.4	197.1
Basic earnings per ordinary share (cents)	C1(a)	229.4	154.7	304.7
Diluted earnings per share – continuing operations (cents)		125.9	53.4	106.0
Diluted earnings per share – discontinued operations (cents)		99.6	98.0	191.5
Diluted basic earnings per ordinary share (cents)	C1(b)	225.5	151.4	297.5

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak Mahindra Old Mutual Life Insurance Limited (Kotak) and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter plc (Quilter) as discontinued operations, consistent with the year ended 31 December 2017. Refer to notes A2 and G1 for more information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Continuing operations				
Profit after tax for the financial period		14,123	9,957	20,364
Other comprehensive income for the financial period				
Items that will not be reclassified to profit or loss				
Fair value movements				
Property revaluations		(17)	15	109
Measurement gains/(losses) on defined benefit plans		28	(886)	(966)
Shadow accounting ²		23	(30)	(154)
Income tax on items that will not be reclassified to profit or loss		1	(33)	(95)
		35	(934)	(1,106)
Items that may be reclassified to profit or loss				
Fair value movements				
Net investment hedge		33	3,121	446
Investments at fair value through other comprehensive income		(98)	115	46
Currency translation differences on translating foreign operations		5,366	(2,029)	(3,200)
Exchange differences recycled to profit or loss on disposal of business		394	(826)	(1,343)
Realisation of net investment hedge on sale of a subsidiary		–	–	2,680
Fair value movement related to credit risk on borrowed funds		320	–	–
Other movements		101	(207)	(321)
Income tax on items that may be reclassified to profit or loss		–	–	43
		6,116	174	(1,649)
Total other comprehensive income for the financial period from continuing operations		6,151	(760)	(2,755)
Discontinued operations				
Total other comprehensive income for the financial period from discontinued operations after tax	G1.1(b)	(147)	–	149
Total other comprehensive income for the financial period		6,004	(760)	(2,606)
Total comprehensive income for the financial period		20,127	9,197	17,758
Attributable to				
Equity holders of the parent		16,362	6,997	12,036
Non-controlling interests				
Ordinary shares		3,480	1,902	5,132
Preferred securities		285	298	590
Total comprehensive income for the financial period		20,127	9,197	17,758

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations, consistent with the year ended 31 December 2017. Refer to notes A2 and G1 for more information.

² Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

SUPPLEMENTARY INCOME STATEMENT

for the six months ended 30 June 2018

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Mass and Foundation Cluster		1,534	1,306	3,052
Personal Finance		918	1,394	3,150
Wealth and Investments		783	638	1,490
Old Mutual Corporate		854	800	1,576
Old Mutual Insure		370	200	524
Rest of Africa		478	368	1,081
Central expenses		(89)	(176)	(506)
Results from Operations		4,848	4,530	10,367
Shareholder investment return		1,177	1,869	4,920
Finance costs		(337)	(286)	(622)
Income from associated undertakings		1,379	1,036	2,305
Adjusted Headline Earnings before tax and non-controlling interests		7,067	7,149	16,970
Shareholder tax		(1,566)	(1,600)	(3,535)
Non-controlling interests		(108)	(190)	(488)
Adjusted Headline Earnings		5,393	5,359	12,947
Adjusted weighted average number of ordinary shares (millions)	C1(a)	4,801	4,771	4,776
Earnings per share (cents)		112.3	112.3	271.1

Reconciliation of Adjusted Headline Earnings to IFRS profit after tax

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Adjusted Headline Earnings		5,393	5,359	12,947
Investment return on group equity and debt instruments held in policyholder funds	B3(a)	620	106	(1,355)
Impact of restructuring	B3(b)	(450)	(81)	(54)
Discontinued operations	B3(c)	4,536	4,198	8,870
Income from associated undertakings	B3(d)	(1,398)	(1,049)	(2,346)
Residual plc	B3(e)	(901)	(1,507)	(4,918)
Headline earnings		7,800	7,026	13,144
Impairment of goodwill and other intangible assets		(21)	(720)	(1,080)
Profit/(loss) on disposal of fixed assets		14	(12)	(26)
Profit on disposal of subsidiaries, associated undertakings and strategic investments		2,855	956	2,081
Profit after tax for the period attributable to ordinary equity holders of the parent		10,648	7,250	14,119
Dividends on preferred securities		–	253	253
Profit after tax for the financial period attributable to equity holders of the parent		10,648	7,503	14,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

Rm	Notes	At 30 June 2018	At 31 December 2017
Assets			
Goodwill and other intangible assets		6,154	6,653
Mandatory reserve deposits with central banks		98	94
Investment property		36,878	31,903
Property, plant and equipment		8,496	8,081
Investments in associated undertakings and joint ventures		2,265	1,789
Deferred tax assets		800	1,084
Deferred acquisition costs		1,908	3,086
Reinsurers' share of policyholder liabilities	F1	7,898	4,220
Loans and advances		24,618	21,483
Investments and securities		750,370	722,249
Current tax receivable		312	1,064
Trade, other receivables and other assets		21,119	21,875
Derivative financial instruments		3,347	4,101
Cash and cash equivalents		27,542	30,761
Assets held for sale and distribution	G1.2	1,020,757	2,188,443
Total assets		1,912,562	3,046,886
Liabilities			
Life insurance contract liabilities	F1	152,108	159,514
Investment contract liabilities with discretionary participating features	F1	201,691	193,425
Investment contract liabilities	F1	296,547	288,164
Property & casualty liabilities	F1	8,890	8,285
Borrowed funds	F2	21,132	18,866
Deferred tax liabilities		5,069	5,088
Deferred revenue		625	1,378
Provisions and accruals		2,206	2,385
Third-party interests in consolidated funds		86,665	81,573
Current tax payable		1,398	1,711
Trade, other payables and other liabilities		45,415	42,355
Amounts owed to bank depositors		16,254	12,440
Derivative financial instruments		4,892	4,498
Liabilities held for sale and distribution	G1.2	917,713	2,043,759
Total liabilities		1,760,605	2,863,441
Net assets		151,957	183,445
Shareholders' equity			
Equity attributable to equity holders of the parent		104,604	136,678
Non-controlling interests			
Ordinary shares		41,497	40,910
Preferred securities		5,856	5,857
Total non-controlling interests		47,353	46,767
Total equity		151,957	183,445

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Cash flows from operating activities				
Profit before tax		7,880	4,192	9,080
Non-cash movements in profit before tax		4,730	1,600	16,091
Net changes in working capital		4,572	(7,529)	(8,646)
Taxation paid		(1,762)	(1,972)	(3,869)
Net cash inflow/(outflow) from operating activities – continuing operations		15,420	(3,709)	12,656
Cash flows from investing activities				
Net (acquisition)/disposal of financial investments		(25,551)	5,643	(3,929)
Acquisition of investment properties		(915)	(566)	(6,139)
Proceeds from disposal of investment properties		115	–	69
Dividends received from associated undertakings		5	50	67
Acquisition of property, plant and equipment		(635)	(255)	(653)
Proceeds from disposal of property, plant and equipment		158	16	240
Acquisition of intangible assets		(461)	(287)	(728)
Acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments		(1,195)	(40)	(1,520)
Proceeds from the disposal of interests in subsidiaries, associated undertakings joint ventures and strategic investments		4,206	8,052	12,622
Cash and cash equivalents divested on disposal of subsidiaries		(54,042)	(2,350)	(2,350)
Net cash (outflow)/inflow from investing activities – continuing operations		(78,315)	10,263	(2,321)
Cash flows from financing activities				
Dividends paid to				
Ordinary equity holders of the Company		(3,113)	(2,549)	(5,667)
Non-controlling interests and preferred security interests		(203)	(415)	(394)
Interest paid (excluding banking interest paid)		(205)	(516)	(1,029)
Proceeds from issue of ordinary shares		251	50	294
Net disposal of treasury shares – ordinary shares		524	399	223
Redemption of perpetual preferred callable securities		–	(4,923)	(4,923)
Proceeds from issue of subordinated and other debt		1,741	36	1,715
Subordinated and other debt repaid		(130)	(1,171)	(11,164)
Net cash outflow from financing activities – continuing operations		(1,135)	(9,089)	(20,945)
Net cash outflow – continuing operations		(64,030)	(2,535)	(10,610)
Net cash inflow – discontinued operations	G1.1(c)	18,103	6,874	9,594
Effects of exchange rate changes on cash and cash equivalents		4,379	583	(1,290)
Cash and cash equivalents at beginning of the year		100,334	102,640	102,640
Cash and cash equivalents at end of the year		58,786	107,562	100,334
Comprising:				
Mandatory reserve deposits with central banks		98	19,677	94
Cash and cash equivalents		27,542	87,885	30,761
Included in assets held for sale and distribution				
Mandatory reserve deposits with central banks	G1.2	21,596	–	19,222
Cash and cash equivalents	G1.2	9,550	–	50,257
Total		58,786	107,562	100,334

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations, consistent with the year ended 31 December 2017. Refer to notes A2 and G1 for more information.

In line with market practice in South Africa, cash and cash equivalents in the cash flow statement above include mandatory reserve deposits with central banks.

Except for mandatory reserve deposits with central banks of R21,694 million (June 2017: R19,677 million; December 2017: R19,316 million) and cash and cash equivalents consolidated as part of the consolidation of funds of R7,029 million (June 2017: R22,269 million; December 2017: R21,872 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day to day operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

Rm	Notes	Millions				
		Number of shares issued and fully paid	Share capital ¹	Share premium ¹	Merger reserve	Fair-value reserve ²
Shareholders' equity at beginning of the period		4,933	10,150	19,324	20,639	190
Impact of adopting IFRS 9 and IFRS 15, net of taxation	G5	-	-	-	-	620
Restated opening balance		4,933	10,150	19,324	20,639	810
Total comprehensive income for the financial period						
Profit after tax for the financial period		-	-	-	-	-
Other comprehensive income		-	-	-	-	(450)
Total comprehensive income for the financial period		-	-	-	-	(450)
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the period	C3	-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
Transfer between reserves ⁴		-	-	-	-	297
Demerger of Quilter from Old Mutual plc		-	-	-	-	-
Merger reserve released from demerger of Quilter ⁵		-	-	-	(19,506)	-
Other movements in share capital ⁶		9	18	233	-	-
Total contributions and distributions		9	18	233	(19,506)	297
Changes in ownership and capital structure						
Capital reduction of Old Mutual plc ¹		-	(10,079)	(19,557)	-	-
Change in participation in subsidiaries		-	-	-	-	-
Total changes in ownership and capital structure		-	(10,079)	(19,557)	-	-
Total transactions with the owners of the Company		9	(10,061)	(19,324)	(19,506)	297
Shareholders' equity at end of the period		4,942	89	-	1,133	657

1 On 22 June 2018, Old Mutual plc reduced the nominal value of its ordinary share capital and cancelled its share premium accounts through the creation of distributable reserves. As a result, R10,079 million and R19,557 million respectively were transferred to retained earnings. Refer to note A2 for more information.

2 The available-for-sale reserve is no longer applicable from 1 January 2018 due to the implementation of IFRS 9. Refer to note G5 for more information.

3 Included in the closing balance for other reserves is R394 million liability credit reserve on borrowed funds. The Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The balance of the total fair value gains and losses on these instruments is recognised in profit or loss.

4 Transfers between reserves include R1,660 million transferred from the share-based payment reserve to retained earnings relating to Quilter (R1,136 million) and Old Mutual plc (R524 million) as a result of the accelerated vesting of employee share schemes.

5 As a result of the distribution and initial public offering of Old Mutual plc's entire shareholding in Quilter, merger reserves of R19,506 million were transferred to retained earnings.

6 Other movements in share capital and share premium are the issue of shares in Old Mutual plc to satisfy the exercise of share options (pre-exchange). Other movements in retained earnings represent movement in treasury shares.

Property revaluation reserve	Share-based payments reserve	Other reserves ³	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
2,744	3,813	969	(3,932)	82,781	136,678	46,767	183,445
-	-	(914)	-	(2,398)	(2,692)	(1,628)	(4,320)
2,744	3,813	55	(3,932)	80,383	133,986	45,139	179,125
-	-	-	-	10,648	10,648	3,475	14,123
4	-	320	5,993	(153)	5,714	290	6,004
4	-	320	5,993	10,495	16,362	3,765	20,127
-	-	-	-	(3,113)	(3,113)	(1,931)	(5,044)
-	(6)	-	-	107	101	(107)	(6)
(108)	(1,901)	(597)	216	2,093	-	-	-
-	-	-	-	(42,935)	(42,935)	-	(42,935)
-	-	-	-	19,506	-	-	-
-	-	(348)	-	1,834	1,737	-	1,737
(108)	(1,907)	(945)	216	(22,508)	(44,210)	(2,038)	(46,248)
-	-	-	-	29,636	-	-	-
-	-	-	-	(1,534)	(1,534)	487	(1,047)
-	-	-	-	28,102	(1,534)	487	(1,047)
(108)	(1,907)	(945)	216	5,594	(45,744)	(1,551)	(47,295)
2,640	1,906	(570)	2,277	96,472	104,604	47,353	151,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017

Rm	Notes	Millions				
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		4,930	10,145	19,036	22,422	163
Total comprehensive income for the financial period						
Profit after tax for the financial period		–	–	–	–	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the financial period		–	–	–	–	–
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the year	C3	–	–	–	–	–
Tax relief on dividends paid		–	–	–	–	–
Equity share-based payment transactions		–	–	–	–	–
Transfer between reserves		–	–	–	–	–
Proceeds from BEE transactions		–	–	211	–	–
Merger reserve released		–	–	–	(1,783)	–
Additional tier 1 capital instruments issued		–	–	–	–	–
Preferred securities repurchased		–	–	–	–	–
Other movements in share capital		2	–	52	–	–
Total contributions and distributions		2	–	263	(1,783)	–
Changes in ownership and capital structure						
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–
Change in participation in subsidiaries		–	–	–	–	–
Total changes in ownership and capital structure		–	–	–	–	–
Total transactions with the owners of the Company		2	–	263	(1,783)	–
Shareholders' equity at end of the period		4,932	10,145	19,299	20,639	163

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
2,624	6,492	266	(2,043)	71,041	4,532	134,678	52,234	186,912
-	-	-	-	7,250	253	7,503	2,454	9,957
(12)	-	759	154	(1,407)	-	(506)	(254)	(760)
(12)	-	759	154	5,843	253	6,997	2,200	9,197
-	-	-	-	(2,549)	(259)	(2,808)	(1,893)	(4,701)
-	-	-	-	-	6	6	-	6
-	(649)	-	-	148	-	(501)	(148)	(649)
-	(1,797)	-	-	1,797	-	-	-	-
-	-	-	-	-	-	211	-	211
-	-	-	-	1,783	-	-	-	-
-	-	-	-	-	-	-	600	600
-	-	-	-	(240)	(4,532)	(4,772)	-	(4,772)
268	-	-	-	415	-	735	-	735
268	(2,446)	-	-	1,354	(4,785)	(7,129)	(1,441)	(8,570)
-	-	-	-	-	-	-	(9,432)	(9,432)
-	-	-	-	483	-	483	1,048	1,531
-	-	-	-	483	-	483	(8,384)	(7,901)
268	(2,446)	-	-	1,837	(4,785)	(6,646)	(9,825)	(16,471)
2,880	4,046	1,025	(1,889)	78,721	-	135,029	44,609	179,638

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Rm	Millions					
	Notes	Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		4,930	10,145	19,036	22,422	163
Total comprehensive income for the financial year						
Profit after tax for the financial year		–	–	–	–	–
Other comprehensive income		–	–	–	–	27
Total comprehensive income for the financial year		–	–	–	–	27
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the year	C3	–	–	–	–	–
Tax relief on dividends paid		–	–	–	–	–
Equity share-based payment transactions		–	–	–	–	–
Transfer between reserves		–	–	–	–	–
Proceeds from BEE transactions		–	–	218	–	–
Merger reserve released		–	–	–	(1,783)	–
Additional tier 1 capital instruments issued		–	–	–	–	–
Preferred securities repurchased		–	–	–	–	–
Other movements in share capital		3	5	70	–	–
Total contributions and distributions		3	5	288	(1,783)	–
Changes in ownership and capital structure						
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–
Change in participation in subsidiaries		–	–	–	–	–
Total changes in ownership and capital structure		–	–	–	–	–
Total transactions with owners of the Company		3	5	288	(1,783)	–
Shareholders' equity at end of the year		4,933	10,150	19,324	20,639	190

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings ¹	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
2,624	6,492	266	(2,043)	71,041	4,532	134,678	52,234	186,912
-	-	-	-	14,119	253	14,372	5,992	20,364
54	-	1,088	(1,889)	(1,616)	-	(2,336)	(270)	(2,606)
54	-	1,088	(1,889)	12,503	253	12,036	5,722	17,758
-	-	-	-	(5,667)	(259)	(5,926)	(3,617)	(9,543)
-	-	-	-	-	6	6	-	6
-	(639)	-	-	532	-	(107)	-	(107)
-	(2,040)	-	-	2,040	-	-	-	-
-	-	-	-	-	-	218	-	218
-	-	-	-	1,783	-	-	-	-
-	-	-	-	-	-	-	600	600
-	-	-	-	(240)	(4,532)	(4,772)	-	(4,772)
66	-	(385)	-	86	-	(158)	-	(158)
66	(2,679)	(385)	-	(1,466)	(4,785)	(10,739)	(3,017)	(13,756)
-	-	-	-	-	-	-	(9,432)	(9,432)
-	-	-	-	703	-	703	1,260	1,963
-	-	-	-	703	-	703	(8,172)	(7,469)
66	(2,679)	(385)	-	(763)	(4,785)	(10,036)	(11,189)	(21,225)
2,744	3,813	969	(3,932)	82,781	-	136,678	46,767	183,445

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

A: SIGNIFICANT ACCOUNTING POLICIES

A1: BASIS OF PREPARATION

Statement of compliance

Old Mutual Limited (the Company) is a company incorporated in South Africa. On 25 June 2018, the Company became the parent of Old Mutual plc through a share for share exchange, with the Company receiving the entire net asset value of Old Mutual plc, the original parent company of Old Mutual Limited and its subsidiaries, in exchange for the issue of ordinary shares of the Company to the original shareholders of Old Mutual plc. This was a reorganisation of the existing Group and, although there was a change in legal ownership, there was no change in the economic substance of the reporting entity. Therefore the transaction was not a business combination as defined by IFRS 3 'Business Combinations' and the unaudited condensed consolidated interim financial statements (interim financial statements) have consequently been prepared on a predecessor basis as a continuation of the existing Group.

The interim financial statements for the six months ended 30 June 2018 consolidate the results of the Company and its subsidiaries (together the Group) and equity account the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds which are accounted for as investments at fair value through profit or loss).

The interim financial statements comprise the consolidated statement of financial position at 30 June 2018, consolidated income statement, consolidated statement of comprehensive income, supplementary income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2018 and selected explanatory notes. The interim financial statements have been prepared under the supervision of C.G. Troskie CA(SA) (Chief Financial Officer) on the going concern basis, which the Directors believe is appropriate. The Directors of the Group take full responsibility for the preparation of this report.

The interim financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act (Act No 71 of 2008) of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) as issued by the IASB and are consistent with those applied in the preparation of the Group's 2017 consolidated financial statements, except for changes arising from the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in note G5 to the interim financial statements.

These interim financial statements do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Group audited consolidated financial statements at and for the year ended 31 December 2017. The interim financial statements are presented in South African rand, which is the Group's presentation currency.

Details for businesses classified as held for sale and distribution and as discontinued operations are set out in note G1.

Comparative information

Comparative information presented at and for the year ended 31 December 2017 within these interim financial statements, has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2017 (financial statements), re-presented for businesses classified as discontinued operations during the six months ended 30 June 2018, if appropriate, as described in note G1. Comparative information presented for the six months ended 30 June 2017 within these interim financial statements is that of Old Mutual plc converted to South African rand and re-presented for businesses classified as discontinued operations during the six months ended 30 June 2018. Comparative information for the six months ended 30 June 2017 is unaudited.

The financial statements for the year ended 31 December 2017, were prepared for the purposes of Group reporting in accordance with IFRS and consolidate the financial information of Old Mutual plc and its subsidiaries and equity accounts the interest in associated undertakings and joint ventures (other than those held by investment-linked insurance funds and venture capital divisions which are accounted for as investments at fair value through profit or loss), after converting it to rand. This is consistent with the preparation of the Historical Financial Information of Old Mutual plc (HFI) as at and for the three years ended 31 December 2017 that was prepared solely for the inclusion in the Old Mutual Limited Prospectus and Pre Listing Statement published on 20 April 2018.

The accounting policies adopted in the preparation of both the financial statements and the HFI, have been applied consistently to all periods presented.

The information presented in the financial statements is equivalent to that presented in the HFI with the exception of the consolidated statement of changes in equity. In preparation of the Old Mutual Limited financial statements, in accordance with IFRS, certain components of equity have been re-presented as at 1 January 2015. The Group believes that it is more appropriate to reflect rand only components of equity at the historical rand rate as opposed to the exchange rate used at 1 January 2015, when converting Old Mutual plc balances from sterling to rand for the purposes of the HFI. The reserves and related amounts impacted are reductions to the available for sale reserve (R503 million), property revaluation reserve (R660 million) and share-based payment reserve (R1,001 million), with a corresponding increase of R2,164 million to retained earnings. Overall, this re-presentation is a transfer between reserves and has no impact on the shareholders equity or non-controlling interests of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Translation of foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency, using the exchange rates at 30 June 2018, and their income and expenses using the average exchange rates for the period. Cumulative translation gains and losses up to 1 January 2015, being the effective date of the Group's conversion to IFRS, were reset to zero. Other than in respect of cumulative translation gains and losses up to 1 January 2015, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences post 1 January 2015, deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss.

The exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to rand are:

	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended 31 December 2017	
	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Sterling	16.9266	18.1266	16.6431	16.9831	17.1493	16.7565
US dollar	12.3056	13.7250	13.2183	13.0559	13.3107	12.3902
Kenyan shilling	0.1214	0.1361	0.1279	0.1258	0.1287	0.1201

Basis of preparation of Adjusted Headline Earnings

Purpose of Adjusted Headline Earnings

Adjusted Headline Earnings (AHE) is an alternative non IFRS profit measure used alongside IFRS profit to assess performance of the Group. It is calculated as headline earnings (note C1(c)) adjusted for items not reflective of the long term economic performance of the Group (note B3).

AHE is one of the key performance indicators by which operational performance is monitored and managed, and it is one of a range of measures by which management performance and remuneration is assessed. In addition it is used in setting the dividend to be paid to shareholders.

Due to the complexity introduced into IFRS profit by the transactions required to execute Managed Separation and the long term nature of the Group's operating businesses, management believes that AHE is an appropriate alternative basis by which to assess the operating results of the Group and that it enhances the comparability and understanding of the financial performance of the Group. AHE utilises headline earnings as defined by SAICA Circular 4/2018 as its base. Adjustments applied to headline earnings in order to calculate AHE remove the impact of certain IFRS accounting treatments where the asset treatment under IFRS is inconsistent with the measurement of the related policyholder liability, significant non-recurring expenses or income specifically related to material acquisitions, disposals or fundamental restructuring (such as Managed Separation), the results of businesses classified as discontinued operations and the results of residual plc, which is winding down and therefore its results will not form part of the long term performance of the Group.

The Group Audit Committee regularly reviews the determination of AHE and the use of adjusting items to confirm that it remains an appropriate basis on which to analyse the operating performance of the Group. The Committee assesses refinements to the policy on a case by case basis, and seeks to minimise such changes in order to maintain consistency over time.

Scope of businesses included in AHE

AHE includes the operating results of the Mass and Foundation Cluster, Personal Finance, Wealth and Investments, Old Mutual Corporate, Old Mutual Insure, Rest of Africa and Other Group Activities segments. These are considered to be the core continuing operations of the Group. Residual plc is considered to be non core as it is not part of the Group's principal operations due to the fact that it is in the process of winding down. Consequently it is removed from AHE. Refer to note B1 for more information.

The results of Nedbank, Quilter, the Latin American businesses, Old Mutual Bermuda and Kotak Mahindra Old Mutual Life Insurance Limited, are currently classified as discontinued operations in the IFRS consolidated income statement, and have therefore been excluded in the determination of AHE to aid comparability between financial years. Refer to note B1 and note G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A1: BASIS OF PREPARATION (continued)

AHE per share

Adjusted Headline Earnings per share (EPS) is calculated as AHE divided by adjusted weighted average number of shares (AHE WANS) (note C1(c)). The calculation of AHE WANS includes own shares held in policyholder and consolidated investment funds, and BEE trusts. The IFRS weighted average numbers of ordinary shares used to calculate basic earnings per share (WANS) is lower than the AHE WANS applied in the calculating AHE earnings per share (AHE WANS). This is because the AHE WANS is diluted to reflect the Group's BEE and policyholder fund shares as being in the hands of third parties, and is consistent with the treatment of the related revenue in AHE. Refer to note C1(a) for more information.

A2: SIGNIFICANT CORPORATE ACTIVITY AND BUSINESS CHANGES DURING THE YEAR

Transactions during the period required to implement the managed separation strategy

Reorganisation of the group structure

The following transactions were effected during the period as part of the execution of Managed Separation:

- ▶ On 6 March 2018, Old Mutual Limited was converted to a public company.
- ▶ On 22 June 2018, Old Mutual plc reduced the nominal value of its ordinary share capital and cancelled its share premium account through the creation of distributable reserves in terms of a UK court sanctioned scheme. As a result, R10,079 million and R19,557 million respectively were transferred to retained earnings. On 25 June 2018, Old Mutual plc reclassified certain of its existing ordinary shares into 'A-ordinary shares'. These A-ordinary shares were then cancelled and an equivalent number of new ordinary shares were issued to Old Mutual Limited, the new parent company of Old Mutual plc. On 25 June 2018, the ordinary shares that were not classified as A-ordinary shares were transferred to Old Mutual Limited. Following these transactions, Old Mutual plc became a wholly owned subsidiary of Old Mutual Limited. Consequently, Old Mutual plc is no longer listed on the London Stock Exchange (LSE), Johannesburg Stock Exchange (JSE), Zimbabwe Stock Exchange (ZSE), Namibian Stock Exchange (NSX) or Malawi Stock Exchange (MSE).
- ▶ On 25 June 2018, Old Mutual plc announced the closing of the initial public offering of 182.5 million shares, representing 9.6% of the total issued share capital of Quilter at a price of 2,588 cents (145 pence) per share by way of primary listing of Quilter shares on the LSE and secondary listing on the JSE. Total net proceeds arising from this transaction, after underwriting and other transaction costs, were R4,206 million. Further, on 25 June 2018, Old Mutual plc distributed R42,935 million, representing 86.6% of the total issued share capital of Quilter to the Old Mutual plc shareholders. The remaining 3.8% of the total issued share capital of Quilter is held by the Joint Share Ownership Plan (JSOP) Trustee on behalf of certain management and staff of Quilter.

A profit on the demerger of Quilter of R2,852 million has been recognised in profit or loss. This includes foreign currency translation losses recycled to profit or loss of R394 million. In addition, merger reserves of R19,506 million have been transferred to retained earnings.

Included in the initial public offering of 182.5 million shares, were 16.5 million shares that were subject to an over-allotment option. At 30 June 2018, the market value of these shares was R435 million (£24 million). On 26 July 2018, 2.7 million of these shares were partially exercised by underwriters, raising cash proceeds of R66 million (£3.8 million). On 21 August 2018, the remaining 13.8 million shares were sold, raising cash proceeds of R379 million (£20.5 million).

- ▶ On 26 June 2018, Old Mutual Limited listed on the Main Board of the JSE with a standard listing on the LSE and secondary listings on the stock exchanges of Malawi, Namibia and Zimbabwe.

Following the Group reorganisation, Old Mutual Limited consists of the Group's operating segments (Mass and Foundation Cluster, Personal Finance, Old Mutual Corporate, Wealth and Investments, Old Mutual Insure, Rest of Africa and Other Group Activities), the Group's holding in Nedbank and Residual plc.

Existing share-based payment arrangements

Following Managed Separation and the respective listings of Quilter and Old Mutual Limited, the ordinary shares held by various employee share schemes of the Old Mutual plc Group have been replaced by the ordinary shares of Quilter and Old Mutual Limited. The end result of the execution of the schemes was that for every three Old Mutual plc shares held, employee shareholders received one ordinary share in Quilter and three ordinary shares in Old Mutual Limited. This resulted in a modification of the underlying share award as Quilter shares became unrestricted in the hands of employees, subject to existing share-based payment arrangements of the Old Mutual plc Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

The distribution of Quilter shares to employee shareholders was a return of capital to shareholders and therefore employees were no longer subject to any vesting conditions of the existing share-based payment arrangements. As such it is viewed to be a partial settlement of the award which leads to an accelerated vesting of the IFRS 2 charge as it relates to the Quilter portion of the original award.

The share for share exchange and the distribution of Quilter shares has led to an accelerated vesting charge of R282 million recognised in the IFRS consolidated income statement. This charge has been removed in the determination of AHE.

Disposals announced during the period but not yet completed

Disposal of the Latin American businesses

On 16 March 2018, the Group announced its agreement to sell the Latin American businesses, comprising OM Latin America Holdco UK Limited and AIVA Holding Group S.A, to Lilly Bermuda Capital Limited (SPV domiciled in Bermuda), owned by CMIG International Holding Private Limited. The transaction is currently subject to usual regulatory approvals and customary closing conditions. As at 30 June 2018, the sale of the Latin American businesses remains on track to be completed in the first half of 2019. The use of proceeds from the sale, expected to be R4,220 million (\$307.5 million), will be assessed as part of the Group's Capital framework, and in accordance with the dividend policy.

As a consequence of the agreed sale, the Latin American businesses have been classified as held for sale and consequently as discontinued operations at 30 June 2018. Refer to note G1 for more information.

Other activities during the year

Lions Head Investments

On 23 May 2018, Old Mutual Properties Investment Company (Pty) Ltd (OMP Investco), a subsidiary of Old Mutual Real Estate Holding Company (Pty) Ltd (OMREHC) purchased a controlling 60.81% stake in Lions Head Investments (LHI), a property management company based in Bulgaria. The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid for LHI amounted to R226 million (€15.5 million). The net asset value for the stake purchased was R229 million (€15.7 million). Consequently a gain on bargain purchase of R3 million (€0.2 million) has been recognised.

On 14 June 2018, OMP Investco, through LHI, also purchased 100% of the equity of Portland Trust Developments s.r.l (Portland A&B/Oregon). The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid was R430 million (€27.6 million). The net asset value at the date of purchase was R422 million (€27.1 million), resulting in goodwill of R8 million (€0.5 million) being recognised.

A3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the preparation of these interim financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, consolidated statement of financial position, other primary statements and related supporting notes.

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of Old Mutual Limited for the year ended 31 December 2017, with the exception of new critical accounting estimates detailed in note G5 arising from the changes in accounting policies.

In the current and prior periods, the Group applied significant judgement in the classification of Nedbank, Quilter, the Latin American businesses and Old Mutual Bermuda as discontinued operations and Nedbank, Quilter and the Latin American businesses as assets and liabilities held for sale and distribution. These classifications did not have any valuation impact on the underlying assets and liabilities. Refer to note G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

B: SEGMENT INFORMATION

B1: BASIS OF SEGMENTATION

The execution of the Managed Separation strategy, as described in note A1 and note A2, constituted a reorganisation of the previous Old Mutual plc Group resulting in the formation of two new groups Old Mutual Limited and Quilter. The executive management team of Old Mutual Limited with the support of the Board, was responsible for assessment of performance and the allocation of resources of the continuing business operations during the period under review. The reorganisation resulted in a change in the composition of the Group's operating segments that is reported to the Chief Operating Decision Maker (CODM), viewed to be the executive management team of Old Mutual Limited. As such the new segment structure has been reflected in the required disclosures in both the current year and comparative information.

The Group manages its business through the following operational segments, which are supported by central shareholder activities and enabling functions.

- ▶ **Mass and Foundation Cluster:** A retail segment that operates in Life and Savings, Banking and Lending. It provides simple financial services products to customers in the low income and lower middle income markets. These products are divided into four categories being (i) risk, including funeral cover, (ii) savings, (iii) lending and (iv) transactional products.
- ▶ **Personal Finance:** A retail segment that operates primarily in Life and Savings. It provides holistic financial advice and long term savings, investment, income and risk products and targets the middle income market.
- ▶ **Wealth and Investments:** Operates across Life and Savings and Asset Management through 4 distinct businesses: (i) Wealth, a retail segment targeting high income and high net worth individuals, that provides vertically integrated advice, investment solutions and funds, and other financial solutions, (ii) Asset Management comprising 8 investment boutiques that provide asset management services to retirement and benefit funds and to the retail market in partnership with Wealth (iii) Alternatives, an unlisted alternatives investment business, and (iv) Specialised Finance, a proprietary risk and investment capability which manages and supports the origination of assets.
- ▶ **Old Mutual Corporate:** Operates in Life and Savings and primarily provides group risk, investments, annuities and consulting services to employee-sponsored retirement and benefit funds.
- ▶ **Old Mutual Insure:** Provides Property & casualty insurance products through three operational businesses: (i) personal, (ii) commercial, and (iii) corporate.
- ▶ **Rest of Africa:** Operates in Life and Savings, Property & casualty (including health insurance), Banking and Lending (including micro-lending) and Asset Management. The segment operates in twelve countries across three regions: SADC, East Africa and West Africa.
- ▶ **Other Group Activities:** Comprises the activities related to the management of the Group's capital structure. This includes the management of shareholder investment assets including the associated shareholder investment return and third-party borrowings including the associated finance costs. Also included are net assets and operations of Residual plc and investments in associated undertakings. Subsequent to the Nedbank unbundling, the Group intends to retain a minority shareholding of 19.9%, and this will be managed as part of Other Group Activities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Presentation and Disclosure

Results from Operations measures the operational performance of the Group and together with items such as investment return, finance costs and income from associated undertakings, the Group's profit measure, AHE is derived. AHE by definition excludes discontinued operations and Residual plc, which do not form part of core continuing businesses of Group, and certain of the discontinued operations are a function of the reorganisation and the application of predecessor accounting.

Nedbank, Quilter, the Latin American businesses, Kotak and Old Mutual Bermuda have been classified as discontinued operations. In line with IFRS 8 par 28 (b), discontinued operations have been disclosed as a reconciling item between the segment profit measure and total IFRS profit after tax of the Group.

Balance sheet measures provided to the CODM on a regular basis comprise of Return on Net Asset Value and Invested Shareholder Assets at a Group and regional level. Balance sheet measures at a segment level have not been provided to the CODM in the period under review. The Group is in the process of a fundamental multi-year transformation of its finance function, transitioning from a legal entity view to a segment approach to better reflect the balance sheet economics and levers to drive value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

B: SEGMENT INFORMATION (continued)

B2: RECONCILIATION OF RESULTS FROM OPERATIONS TO PROFIT AFTER TAX

For the six months ended 30 June 2018

Rm	Notes	Mass and Foundation Cluster	Personal Finance	Wealth and Investments
Results from Operations		1,534	918	783
Shareholder investment return		-	-	-
Finance costs		-	-	-
Income from associated undertakings		-	-	-
Adjusted Headline Earnings before tax and non-controlling interests		1,534	918	783
Shareholder tax		(463)	(270)	(182)
Non-controlling interests		(63)	1	(1)
Adjusted Headline Earnings		1,008	649	600
Adjustments				
Investment return adjustment for Group equity and debt instruments held in policy holder funds		-	-	-
Impact of restructuring		(20)	(30)	(38)
Profit from discontinued operations after tax		-	-	-
Income from associated undertakings – 19.9% of Nedbank Residual plc		-	-	-
Headline earnings		988	619	562
Adjustments				
Headline earnings adjustments	C1(c)	-	-	-
Profit for the financial period attributable to equity holders of the parent		988	619	562
Non-controlling interests				
Ordinary shares		63	(1)	1
Preferred securities		-	-	-
Profit after tax for the financial period		1,051	618	563

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Elimination of intra-segment transactions	Total continuing operations	Discontinued operations (note G1)	Total
854	370	478	(89)	-	4,848	-	4,848
-	55	609	513	-	1,177	-	1,177
-	(22)	-	(315)	-	(337)	-	(337)
-	-	-	1,379	-	1,379	-	1,379
854	403	1,087	1,488	-	7,067	-	7,067
(238)	(115)	(251)	(47)	-	(1,566)	-	(1,566)
-	(4)	(30)	(11)	-	(108)	-	(108)
616	284	806	1,430	-	5,393	-	5,393
-	-	-	620	-	620	-	620
(13)	(68)	(47)	(234)	-	(450)	-	(450)
-	-	-	-	(226)	(226)	4,762	4,536
-	-	-	(1,398)	-	(1,398)	-	(1,398)
-	-	-	(901)	-	(901)	-	(901)
603	216	759	(483)	(226)	3,038	4,762	7,800
-	(1)	1	2,869	-	2,869	(21)	2,848
603	215	760	2,386	(226)	5,907	4,741	10,648
-	4	30	11	-	108	3,082	3,190
-	-	-	-	-	-	285	285
603	219	790	2,397	(226)	6,015	8,108	14,123

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

B: SEGMENT INFORMATION (continued)

B2: RECONCILIATION OF RESULTS FROM OPERATIONS TO PROFIT AFTER TAX (continued)

For the six months ended 30 June 2017

Rm	Notes	Mass and Foundation Cluster	Personal Finance	Wealth and Investments
Results from Operations		1,306	1,394	638
Shareholder investment return		–	–	–
Finance costs		–	–	–
Income from associated undertakings		–	–	–
Adjusted Headline Earnings before tax and non-controlling interests		1,306	1,394	638
Shareholder tax		(413)	(362)	(166)
Non-controlling interests		(64)	1	(1)
Adjusted Headline Earnings		829	1,033	471
Adjustments:				
Investment return adjustment for Group equity and debt instruments held in policy holder funds		–	–	–
Impact of restructuring		–	–	–
Profit from discontinued operations after tax		–	–	–
Income from associated undertakings – 19.9% of Nedbank		–	–	–
Residual plc		–	–	–
Headline earnings		829	1,033	471
Adjustments:				
Headline earnings adjustments	CI(c)	–	–	–
Dividends on preferred securities		–	–	–
Profit/(loss) for the financial period attributable to equity holders of the parent		829	1,033	471
Non-controlling interests				
Ordinary shares		64	(1)	1
Preferred securities		–	–	–
Profit after tax for the financial period		893	1,032	472

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Elimination of intra-segment transactions	Total continuing operations	Discontinued operations (Note G1)	Total
800	200	368	(176)	–	4,530	–	4,530
–	38	1,259	572	–	1,869	–	1,869
–	–	–	(286)	–	(286)	–	(286)
–	–	–	1,036	–	1,036	–	1,036
800	238	1,627	1,146	–	7,149	–	7,149
(226)	(67)	(235)	(131)	–	(1,600)	–	(1,600)
–	(1)	(125)	–	–	(190)	–	(190)
574	170	1,267	1,015	–	5,359	–	5,359
–	–	–	106	–	106	–	106
–	–	–	(81)	–	(81)	–	(81)
–	–	–	–	(378)	(378)	4,576	4,198
–	–	–	(1,049)	–	(1,049)	–	(1,049)
–	–	–	(1,507)	–	(1,507)	–	(1,507)
574	170	1,267	(1,516)	(378)	2,450	4,576	7,026
–	–	(720)	813	–	93	131	224
–	–	–	253	–	253	–	253
574	170	547	(450)	(378)	2,796	4,707	7,503
–	1	(339)	(164)	–	(438)	2,594	2,156
–	–	–	–	–	–	298	298
574	171	208	(614)	(378)	2,358	7,599	9,957

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

B: SEGMENT INFORMATION (continued)

B2: RECONCILIATION OF RESULTS FROM OPERATIONS TO PROFIT AFTER TAX (continued)

For the year ended 31 December 2017

Rm	Notes	Mass and Foundation Cluster	Personal Finance	Wealth and Investments
Results from Operations		3,052	3,150	1,490
Shareholder investment return		-	-	-
Finance costs		-	-	-
Income from associated undertakings		-	-	-
Adjusted Headline Earnings before tax and non-controlling interests		3,052	3,150	1,490
Shareholder tax		(948)	(880)	(304)
Non-controlling interests		(135)	2	(2)
Adjusted Headline Earnings		1,969	2,272	1,184
Adjustments:				
Investment return adjustment for Group equity and debt instruments held in policy holder funds		-	-	-
Impact of restructuring		-	-	213
Profit/(loss) from discontinued operations after tax		-	-	-
Income from associated undertakings – 19.9% of Nedbank		-	-	-
Residual plc		-	-	-
Headline earnings		1,969	2,272	1,397
Adjustments:				
Headline earnings adjustments	Cl(c)	-	-	-
Dividends from preferred securities		-	-	-
Profit/(loss) for the financial period attributable to equity holders of the parent		1,969	2,272	1,397
Non-controlling interests				
Ordinary shares		135	(2)	2
Preferred securities		-	-	-
Profit after tax for the financial period		2,104	2,270	1,399

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Elimination of intra-segment transactions	Total continuing operations	Discontinued operations (note G1)	Total
1,576	524	1,081	(506)	–	10,367	–	10,367
–	436	3,071	1,413	–	4,920	–	4,920
–	–	–	(622)	–	(622)	–	(622)
–	–	–	2,305	–	2,305	–	2,305
1,576	960	4,152	2,590	–	16,970	–	16,970
(442)	(213)	(453)	(295)	–	(3,535)	–	(3,535)
–	(17)	(344)	8	–	(488)	–	(488)
1,134	730	3,355	2,303	–	12,947	–	12,947
–	–	–	(1,355)	–	(1,355)	–	(1,355)
–	–	–	(267)	–	(54)	–	(54)
–	–	–	–	(465)	(465)	9,335	8,870
–	–	–	(2,346)	–	(2,346)	–	(2,346)
–	–	–	(4,918)	–	(4,918)	–	(4,918)
1,134	730	3,355	(6,583)	(465)	3,809	9,335	13,144
–	(11)	(728)	1,918	–	1,179	(204)	975
–	–	–	253	–	253	–	253
1,134	719	2,627	(4,412)	(465)	5,241	9,131	14,372
–	17	(122)	(169)	–	(139)	5,541	5,402
–	–	–	–	–	–	590	590
1,134	736	2,505	(4,581)	(465)	5,102	15,262	20,364

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

B: SEGMENT INFORMATION (continued)

B3: HEADLINE EARNINGS ADJUSTING ITEMS

Adjusted Headline Earnings (AHE) is the Group's alternative profit measure, used by management to assess the performance of the Group. It is calculated as headline earnings in accordance with JSE listing requirements adjusted for items not reflective of the long term economic performance of the Group. The adjustments from headline earnings to AHE are explained below.

(a) Investment return adjustment for Group equity and debt instruments held in policyholder funds

Represents the investment returns on policyholder investments in Group equity and debt instruments held by the Group's policyholder funds. This include investments in the Company's ordinary shares and the subordinated debt and ordinary shares issued by subsidiaries of the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are added back in the calculation of AHE. This ensures consistency with the measurement of the related policyholder liability. During the six months ended 30 June 2018, the investment return adjustment decreased AHE by R620 million (six months ended 30 June 2017: R106 million decrease; year ended 31 December 2017: R1 355 million increase).

(b) Impact of restructuring

Represents the elimination of non-recurring expenses or income related to material acquisitions, disposals or a fundamental restructuring of the Group (such as Managed Separation). This adjustment would therefore include items such as the costs or income associated with completed acquisitions or disposals and the release of any acquisition date provisions. These items are removed from AHE as they are not representative of the operating activity of the Group and by their nature they are not expected to persist in the long term.

(c) Discontinued operations

Represents the removal of the net profit associated with discontinued operations. These business are not considered part of the Group's principal operations due to the fact they have been or are in the process of being sold or distributed and therefore will not form part of the Group going forward. The profit attributable to these business is therefore removed from AHE. For the six months ended 30 June 2018 this adjustment includes the profit attributable to Quilter, Nedbank, the Latin American businesses and Old Mutual Bermuda. For the six months ended 30 June 2017 and the year ended 31 December 2017, discontinued operations also includes the profit related to Kotak.

(d) Income from associated undertakings

Represents the reversal of the associate income in respect of the 19.9% shareholding in Nedbank, which is reported as part of AHE. In accordance with IFRS, the Nedbank shareholding of approximately 54% is classified as held for distribution and presented as part of the discontinued operations in the consolidated income statement and is therefore included in the adjustment labelled as discontinued operations. This adjustment ensures that these earnings are not double counted in the reconciliation.

(e) Residual plc

Represents the elimination of the net losses associated with the operations of the Residual plc. Residual plc is not considered part of the Group's principal operations due to the fact that it is in the process of winding down and therefore the associated costs are removed from AHE. During the six months ended 30 June 2018, the loss attributable to the Residual plc of R901 million (June 2017: R1,507 million) mainly related to transaction costs associated with the finalisation of Managed Separation and costs incurred in winding down the former Old Mutual plc head office operations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

C: OTHER KEY PERFORMANCE INFORMATION

C1: EARNINGS AND EARNINGS PER SHARE

Cents	Source of guidance	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Basic earnings per share	IFRS	C1(a)	229.4	154.7	304.7
Diluted earnings per share	IFRS	C1(b)	225.5	151.4	297.5
Headline earnings per share	JSE Listing Requirements	C1(c)	168.1	149.9	283.7
Diluted headline earnings per share	JSE Listing Requirements	C1(c)	164.8	146.7	276.8

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder and consolidated investment funds, Employee Share Ownership Plan Trusts (ESOP), Black Economic Empowerment trusts and other related undertakings. These shares are regarded as treasury shares.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

Rm	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Profit for the financial period attributable to equity holders of the parent from continuing operations		5,907	2,796	5,241
Profit for the financial period attributable to equity holders of the parent from discontinued operations	G1.1(a)	4,741	4,707	9,131
Profit for the financial period attributable to equity holders of the parent		10,648	7,503	14,372
Dividends paid to holders of perpetual preferred callable securities, net of tax credits		–	(253)	(253)
Profit attributable to ordinary equity holders		10,648	7,250	14,119

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American business, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations, consistent with the year ended 31 December 2017. Refer to notes A2 and G1 for more information.

Dividends paid to holders of perpetual preferred callable securities of R253 million for the six months ended 30 June 2017 and year ended 31 December 2017 are stated net of tax credits of R6 million. All of the outstanding perpetual preferred callable securities were redeemed on 3 February 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

C: OTHER KEY PERFORMANCE INFORMATION (continued)

C1: EARNINGS AND EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

Millions	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Weighted average number of ordinary shares in issue	4,934	4,930	4,931
Shares held in charitable foundations and trusts	(19)	(21)	(21)
Shares held in ESOP and similar trusts	(114)	(138)	(134)
Adjusted weighted average number of ordinary shares used to calculate Adjusted Headline Earnings per share	4,801	4,771	4,776
Shares held in policyholder and consolidated investment funds	(159)	(80)	(141)
Shares held in Black Economic Empowerment trusts	(1)	(4)	(2)
Weighted average number of ordinary shares used to calculate basic earnings per share	4,641	4,687	4,633
Basic earnings per ordinary share (cents)	229.4	154.7	304.7

(b) Diluted earnings per share

Diluted earnings per share recognises the dilutive impact of shares and options held in ESOP and similar trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full period.

The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

Note	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Profit attributable to ordinary equity holders (Rm)	10,648	7,250	14,119
Dilution effect on profit relating to share options issued by subsidiaries (Rm)	(68)	(33)	(120)
Diluted profit attributable to ordinary equity holders (Rm)	10,580	7,217	13,999
Weighted average number of ordinary shares (millions)	C1(a) 4,641	4,687	4,633
Adjustments for share options held by ESOP and similar trusts (millions)	49	78	70
Adjustments for shares held in Black Economic Empowerment trusts (millions)	1	3	2
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)	4,691	4,768	4,705
Diluted earnings per ordinary share (cents)	225.5	151.4	297.5

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(c) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the Johannesburg Stock Exchange (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	Notes	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended 31 December 2017	
		Gross	Net of tax and non- controlling interests	Gross	Net of tax and non- controlling interests	Gross	Net of tax and non- controlling interests
Profit for the financial period attributable to equity holders of the parent			10,648		7,503		14,372
Dividends paid to holders of perpetual preferred callable securities			–		(253)		(253)
Profit attributable to ordinary equity holders			10,648		7,250		14,119
Adjustments:							
Impairments of intangible assets and property, plant and equipment (IAS 36)		56	21	1,186	720	1,667	1,080
(Profit)/loss on disposal of property and equipment (IAS 16)		(15)	(14)	22	12	42	26
Profit on disposal of subsidiaries, associated undertakings and strategic investments (including amounts recycled from the foreign currency translation reserve) (IFRS 3)		(2,855)	(2,855)	(815)	(956)	(2,151)	(2,081)
Total adjustments		(2,814)	(2,848)	393	(224)	(442)	(975)
Headline earnings			7,800		7,026		13,144
Dilution effect on earnings relating to share options issued by subsidiaries			(68)		(33)		(120)
Diluted headline earnings (Rm)			7,732		6,993		13,024
Weighted average number of ordinary shares (millions)	C1(a)		4,641		4,687		4,633
Diluted weighted average number of ordinary shares (millions)	C1(b)		4,691		4,768		4,705
Headline earnings per share (cents)			168.1		149.9		283.7
Diluted headline earnings per share (cents)			164.8		146.7		276.8

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

C: OTHER KEY PERFORMANCE INFORMATION (continued)

C2: NET ASSET VALUE PER SHARE AND TANGIBLE NET ASSET VALUE PER SHARE

Net asset value per share is calculated as total assets minus total liabilities divided by the weighted average number of ordinary shares in issue at 30 June 2018.

Net tangible asset value per share is calculated as total assets minus goodwill and other intangible assets minus total liabilities divided by the total number of shares in issue at 30 June 2018.

Rand	At 30 June 2018	At 30 June 2017	At 31 December 2017
Net asset value per share	30.8	36.4	37.2
Net tangible asset value per share	29.5	28.1	35.8

C3: DIVIDENDS

Rm	Ordinary dividend payment date	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
2016 Second interim dividend paid – 3.39p (53.55c) per 11 3/7p share	28 April 2017	–	2,549	2,549
2017 Interim dividend paid – 3.53p (65.35c) per 11 3/7p share	31 October 2017	–	–	3,118
2017 Second interim dividend paid – 3.57p (66.50c) per 11 3/7p share	30 April 2018	3,113	–	–
Dividends to ordinary equity holders		3,113	2,549	5,667
Dividends paid to holders of perpetual preferred callable securities		–	259	259
Dividend payments for the period		3,113	2,808	5,926

The total dividend paid to ordinary equity holders is calculated using the number of shares expected to be in issue at the record date less own shares held in ESOP trusts, life funds of Group entities, Black Economic Empowerment trusts and related undertakings.

As a consequence of exchange control arrangements, dividends to shareholders holding shares issued through/from the company's secondary listings in Africa (being Namibia, Malawi and Zimbabwe) are settled through Dividend Access Trusts established for that purpose.

The Directors have declared an interim dividend of 45 cents per ordinary share and a special dividend of 100 cents per ordinary share. These dividends will be paid on 16 October 2018 to shareholders on the South African register and Malawi, Namibia and Zimbabwe branch registers at the close of business on Tuesday, 18 September 2018 and to shareholders on the UK register at the close of business on Wednesday, 19 September 2018.

On 3 February 2017, all of the Group's outstanding perpetual preferred callable securities were redeemed. At this date a final dividend payment of R259 million was made to the holders of the securities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

D: OTHER CONSOLIDATED INCOME STATEMENT NOTES

DI: ANALYSIS OF THE UNDERLYING OTHER OPERATING AND ADMINISTRATIVE EXPENSE BASE

The table below provides an analysis of the underlying operating and administrative expense base.

Analysis of the underlying other operating and administrative expense base

Rm	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Total other operating and administrative expenses	12,157	12,427	25,566
Perimeter adjustments			
Residual plc and Old Mutual Bermuda	(1,374)	(647)	(2,551)
Consolidation of funds	(263)	(338)	(515)
Elimination of transactions with discontinued operations	159	185	350
Expenses excluded from cost base			
Amortisation of acquired intangible assets	(35)	(205)	(252)
Impairment of goodwill and other intangible assets	–	(1,192)	(1,478)
Operational finance costs	(855)	(588)	(1,096)
Investment management expenses excluded from operating and administrative expenses	(791)	(855)	(2,173)
Cell captive share of costs	(243)	(299)	–
Restructuring costs including one-off business standalone costs	(358)	(81)	(237)
Underlying operating and administrative expense base	8,397	8,407	17,614

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations, consistent with the year ended 31 December 2017. Refer to notes A2 and G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

E: FINANCIAL ASSETS AND LIABILITIES

E1: CATEGORIES OF FINANCIAL INSTRUMENTS

The analysis of financial assets and liabilities of the Group's continuing businesses into their categories as defined in IFRS 9 'Financial Instruments' is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the period.

Information about the methods and assumptions used in determining fair value is included in note E2.

At 30 June 2018

Rm	Fair value (note E3) ¹				
	Total	Mandatorily fair value through profit or loss	Designated fair value through profit or loss	Amortised cost	Non-financial assets and liabilities
Assets					
Mandatory reserve deposits with central banks	98	–	–	98	–
Investments in associated undertakings and joint ventures ²	2,265	–	–	–	2,265
Reinsurers' share of policyholder liabilities	7,898	–	–	–	7,898
Loans and advances	24,618	–	–	24,618	–
Investments and securities	750,370	1,985	741,320	7,065	–
Trade, other receivables and other assets	21,119	–	–	19,205	1,914
Derivative financial instruments	3,347	3,347	–	–	–
Cash and cash equivalents	27,542	–	–	27,542	–
Total assets that include financial instruments	837,257	5,332	741,320	78,528	12,077
Assets held for sale and distribution	1,020,757	–	–	–	1,020,757
Total other non-financial assets	54,548	–	–	–	54,548
Total assets	1,912,562	5,332	741,320	78,528	1,087,382
Liabilities					
Life insurance contract liabilities	152,108	–	–	–	152,108
Investment contract liabilities with discretionary participating features	201,691	–	–	–	201,691
Investment contract liabilities	296,547	–	296,547	–	–
Borrowed funds	21,132	–	14,636	6,496	–
Third-party interest in consolidated funds	86,665	–	86,665	–	–
Trade, other payables and other liabilities	45,415	–	753	34,796	9,866
Amounts owed to bank depositors	16,254	–	–	16,254	–
Derivative financial instruments	4,892	4,892	–	–	–
Total liabilities that include financial instruments	824,704	4,892	398,601	57,546	363,665
Liabilities held for sale and distribution	917,713	–	–	–	917,713
Total other non-financial liabilities	18,188	–	–	–	18,188
Total liabilities	1,760,605	4,892	398,601	57,546	1,299,566

¹ As explained in note G5, the Group adopted IFRS 9 'Financial Instruments' for the first time in 2018. Although IFRS 9 introduced new classification and measurement categories, the majority of the Group's financial assets and liabilities continue to be measured at FVTPL after the implementation of IFRS 9.

² Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

At 31 December 2017

Rm	Fair value (note E3) ¹				Amortised cost		
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets							
Mandatory reserve deposits with central banks	94	-	-	-	94	-	-
Investments in associated undertakings and joint ventures ²	1,789	-	-	-	-	-	1,789
Reinsurers' share of policyholder liabilities	4,220	-	-	-	25	-	4,195
Loans and advances	21,483	-	-	-	21,483	-	-
Investments and securities	722,249	-	721,328	921	-	-	-
Trade, other receivables and other assets	21,875	-	-	-	20,675	-	1,200
Derivative financial instruments	4,101	4,101	-	-	-	-	-
Cash and cash equivalents	30,761	-	-	-	30,761	-	-
Total assets that include financial instruments	806,572	4,101	721,328	921	73,038	-	7,184
Assets held for sale and distribution	2,188,443	-	-	-	-	-	2,188,443
Total other non-financial assets	51,871	-	-	-	-	-	51,871
Total assets	3,046,886	4,101	721,328	921	73,038	-	2,247,498
Liabilities							
Life insurance contract liabilities	159,514	-	-	-	-	-	159,514
Investment contract liabilities with discretionary participating features	193,425	-	-	-	-	-	193,425
Investment contract liabilities	288,164	-	288,164	-	-	-	-
Borrowed funds	18,866	-	13,191	-	-	5,675	-
Third-party interest in consolidated funds	81,573	-	81,573	-	-	-	-
Trade, other payables and other liabilities	42,355	-	2,039	-	-	30,437	9,879
Amounts owed to bank depositors	12,440	-	-	-	-	12,440	-
Derivative financial instruments	4,498	4,498	-	-	-	-	-
Total liabilities that include financial instruments	800,835	4,498	384,967	-	-	48,552	362,818
Liabilities held for sale and distribution	2,043,759	-	-	-	-	-	2,043,759
Total other non-financial liabilities	18,847	-	-	-	-	-	18,847
Total liabilities	2,863,441	4,498	384,967	-	-	48,552	2,425,424

¹ As explained in note G5, the Group adopted IFRS 9 'Financial Instruments' for the first time in 2018 and has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

² Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E2: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The description of the determination of fair value and the fair value hierarchies of financial assets and liabilities described in this section applies to financial assets and liabilities for all the businesses.

(a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- ▶ Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.
- ▶ The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- ▶ The inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair-value measurement of derivative instruments.
- ▶ The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investments and securities that are measured at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

Investments in associated undertakings and joint ventures held by investment-linked insurance funds and venture capital divisions

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

Derivative financial instruments

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the fair value of the underlying funds that are held by the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Third-party interests in consolidation of funds

Third-party interests in consolidation of funds are measured at the attributable net asset value of each fund.

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the consolidated statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (comprising cash and cash equivalents; cash with central banks; trade, other receivables and other assets; and trade, other payables and other liabilities) reasonably approximate their carrying amounts as included in the consolidated statement of financial position as they are short-term in nature or re-price to current market rates frequently.

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurance share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E2: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

E3: DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The table below presents a summary of the financial assets and liabilities of the Group's continuing businesses that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification, as set out in note G5.

At 30 June 2018

Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Mandatorily fair value through profit or loss	5,332	1,527	3,805	–
Investments and securities	1,985	1,527	458	–
Derivative financial instruments – assets	3,347	–	3,347	–
Designated fair value through profit or loss	741,320	418,554	306,992	15,774
Investments and securities	741,320	418,554	306,992	15,774
Total financial assets measured at fair value	746,652	420,081	310,797	15,774
Financial liabilities measured at fair value				
Mandatorily fair value through profit or loss	4,892	–	4,892	–
Derivative financial instruments – liabilities	4,892	–	4,892	–
Designated fair value through profit or loss	398,601	8,892	389,709	–
Investment contract liabilities ¹	296,547	–	296,547	–
Third-party interests in consolidated funds	86,665	–	86,665	–
Borrowed funds	14,636	8,139	6,497	–
Other liabilities	753	753	–	–
Total financial liabilities measured at fair value	403,493	8,892	394,601	–

¹ Investment contract liabilities amount excludes R201,691 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

At 31 December 2017

Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	4,101	–	4,072	29
Derivative financial instruments – assets	4,101	–	4,072	29
Designated (fair value through profit or loss)	721,328	439,007	261,924	20,397
Investments and securities	721,328	439,007	261,924	20,397
Available-for-sale financial assets (fair value through other comprehensive income)	921	921	–	–
Investments and securities	921	921	–	–
Total financial assets measured at fair value	726,350	439,928	265,996	20,426
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	4,498	–	4,498	–
Derivative financial instruments – liabilities	4,498	–	4,498	–
Designated (fair value through profit or loss)	384,967	7,488	377,479	–
Investment contract liabilities ¹	288,164	–	288,164	–
Third-party interests in consolidated funds	81,573	–	81,573	–
Borrowed funds	13,191	6,696	6,495	–
Other liabilities	2,039	792	1,247	–
Total financial liabilities measured at fair value	389,465	7,488	381,977	–

¹ Investment contract liabilities amount excludes R193,425 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the period. Movements during the period include both continuing operations and assets and movements of assets and liabilities classified as held for sale and distribution during the period. A single line item at the end of the movement table is included to reflect the carrying value transferred to assets or liabilities held for sale and distribution at 30 June 2018.

Six months ended 30 June 2018

Rm	Mandatorily fair value through profit or loss	Designated fair value through profit or loss	Total
	Derivatives	Investments and securities	
Level 3 financial assets			
At beginning of the period	29	20,397	20,426
Total net fair value (losses)/gains recognised in profit or loss	(28)	135	107
Purchases and issues	–	1,648	1,648
Sales and settlements	(2)	(2,550)	(2,552)
Transfers in	–	1,975	1,975
Transfers out	–	(19)	(19)
Foreign exchange and other	1	(44)	(43)
Transferred to assets held-for-sale and distribution	–	(5,768)	(5,768)
Total level 3 financial assets	–	15,774	15,774
Unrealised fair value gains relating to assets held at 30 June 2018 recognised in profit or loss	–	135	135

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E3: DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

(b) Level 3 fair value hierarchy disclosure (continued)

At 30 June 2018, Level 3 assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the bulk of the investment risk is borne by policyholders. At 31 December 2017, all level 3 assets held by the Quilter and Nedbank businesses were transferred into assets held for sale and distribution and are therefore not included within any of the amounts disclosed in the table above.

Transfers into Level 3 principally comprise private equity investments that it is now considered more appropriate to disclose as Level 3 rather than as their previous designation of Level 2. This is due to the nature and degree of the unobservable inputs contained in the valuation models.

The amount of R5,768 million shown as transferred to held for sale and distribution relates to assets held by the Latin American businesses, which was classified as held for sale and distribution with effect from 30 June 2018. Refer to note G1 for more information.

Year ended 31 December 2017

Rm	Held-for-trading	Designated at fair value through profit or loss			Available-for-sale	Total
	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Level 3 financial assets						
At beginning of the year	490	2,357	77	24,141	410	27,475
Total net fair value (losses)/gains recognised in:						
– profit or loss	(444)	10	45	915	–	526
– other comprehensive income	18	(8)	–	6	–	16
Purchases and issues	70	1,513	–	13,814	–	15,397
Sales and settlements	(58)	(668)	(89)	(1,436)	–	(2,251)
Transfers in	–	–	–	7,632	–	7,632
Transfers out	–	–	–	(4,198)	–	(4,198)
Foreign exchange and other	(46)	(1)	–	77	–	30
Transferred to assets held-for-sale and distribution	(1)	(3,203)	(33)	(20,554)	(410)	(24,201)
Total level 3 financial assets	29	–	–	20,397	–	20,426
Unrealised fair value (losses)/gains relating to assets held at 31 December 2017 recognised in profit or loss	(444)	–	–	1,230	–	786

At 31 December 2017 all Level 3 liabilities held by the Quilter and Nedbank businesses were transferred into liabilities held for sale and distribution. No Level 3 liabilities were held by any of the other Group businesses at 30 June 2018, at 31 December 2017 or at any time during the current reporting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Year ended 31 December 2017

Rm	Held-for- trading		Designated fair value through profit or loss	Total
	Other liabilities	Derivatives	Investment contract liabilities	
Level 3 financial liabilities				
At beginning of the year	330	120	10,004	10,454
Total net losses/(gains) recognised in profit or loss	105	(122)	(388)	(405)
Purchases and issues	–	–	10,557	10,557
Sales and settlements	–	–	(403)	(403)
Transfers in	–	–	2,869	2,869
Transfers out	–	–	(2,613)	(2,613)
Transferred to liabilities held-for-sale and distribution	(435)	–	(19,550)	(19,985)
Foreign exchange and other	–	2	(476)	(474)
Total level 3 financial liabilities	–	–	–	–
Unrealised fair value losses/(gains) relating to liabilities held at 31 December 2017 recognised in profit or loss	–	–	–	–

(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiple applied to the main financial indicators (such as adjusted earnings). The source of this multiple may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available.

Structured notes and other derivatives are generally valued using option pricing models. For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. These principal assumptions used in the valuation of structured credit notes include credit volatilities and correlations. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E3: DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

The table below summarises the significant inputs to value instruments categorised as Level 3 hierarchy in the Group's continuing businesses and their sensitivity to changes in the inputs used.

Types of financial instruments	At 30 June 2018	At 31 December 2017	Valuation techniques used	Significant unobservable input	At 30 June 2018	At 31 December 2017
	Rm	Rm			Fair value measurement sensitivity to unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Assets						
Investments and securities	15 774	20 397	Discounted cash flows (DCF) EBITDA multiples Price earnings ratios Adjusted net asset values	Valuation multiples Volatilities Credit spreads Dividend growth rates Internal rates of return Cost of capital Risk premiums	Favourable: 2 973 Unfavourable: 2 633	Favourable: 1 838 Unfavourable: 1 503
Derivatives – assets	–	29	Option pricing model	Interest rates Volatilities	Favourable: nil Unfavourable: nil	Favourable: 16 Unfavourable: 14

F: ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

F1: INSURANCE AND INVESTMENT CONTRACTS

The tables below provide a summary of the Group's long term business insurance policyholder liabilities and investment contract liabilities:

Rm	At 30 June 2018			At 31 December 2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Total life insurance contracts liabilities	152,108	(691)	151,417	159,514	(563)	158,951
Life insurance contracts liabilities	149,723	(691)	149,032	157,151	(563)	156,588
Outstanding claims	2,385	–	2,385	2,363	–	2,363
Investment contract liabilities	498,238	(3,296)	494,942	481,589	–	481,589
Unit-linked investment contracts and similar contracts	295,377	(3,296)	292,081	286,957	–	286,957
Other investment contracts	1,170	–	1,170	1,207	–	1,207
Investment contracts with discretionary participating features	201,691	–	201,691	193,425	–	193,425
Total life assurance policyholder liabilities	650,346	(3,987)	646,359	641,103	(563)	640,540
Property & casualty liabilities						
Claims incurred but not reported	1,143	(294)	849	1,317	(320)	997
Unearned premiums	2,869	(1,210)	1,659	2,599	(1,185)	1,414
Outstanding claims	4,878	(2,407)	2,471	4,369	(2,152)	2,217
Total property & casualty liabilities	8,890	(3,911)	4,979	8,285	(3,657)	4,628
Total policyholder liabilities	659,236	(7,898)	651,338	649,388	(4,220)	645,168

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

F2: BORROWED FUNDS

Types of securities

Rm	At 30 June 2018					
	Old Mutual Life Assurance Company (South Africa) Limited	Old Mutual Insure	Old Mutual Finance (Pty) Ltd	Rest of Africa	Old Mutual plc ¹	Total
Term loans	–	–	3,700	1,621	–	5,321
Revolving credit facilities	–	–	975	200	–	1,175
Subordinated debt securities	5,995	500	–	–	8,141	14,636
Total borrowed funds	5,995	500	4,675	1,821	8,141	21,132

¹ On 19 July 2018, Old Mutual plc repurchased R281 million (€16 million) of its outstanding R7,944 million (€450 million) 7.875% subordinated debt securities, of which R1,105 million (€61 million) was outstanding on 30 June 2018 (Tier 2 subordinated 2025 securities) and R4,745 million (€269 million) of its outstanding R8,827 million (€500 million) 8% subordinated debt securities, of which R6,181 million (€341 million) was outstanding on 30 June 2018 (Tier 2 subordinated 2021 securities) through tender offers. Refer to note G4 for more information.

Type of securities

Rm	At 31 December 2017					
	Old Mutual Life Assurance Company (South Africa) Limited	Old Mutual Insure	Old Mutual Finance (Pty) Ltd	Rest of Africa	Old Mutual plc	Total
Term loans	–	–	2,300	1,237	–	3,537
Revolving credit facilities	–	–	975	140	–	1,115
Subordinated debt securities	5,995	500	–	–	7,719	14,214
Total borrowed funds	5,995	500	3,275	1,377	7,719	18,866

Breaches of covenant

During the six months ended 30 June 2018, the financial covenants on eight loans with aggregate funding of R656 million were breached. The funding was raised to support operations in the Rest of Africa segment.

At 30 June 2018, two of the loans, totalling R169 million, were in compliance with the covenant requirements. The Group obtained official waivers amounting to R266 million from three of the lenders. These waivers were obtained with requirements to get back to within covenant requirements by December 2018. The Group is following remediation plans to ensure that business will be in compliance with the respective covenants by December 2018.

Furthermore, an agreement has been reached in July with one of the lenders to adjust the breached covenant on a R129 million loan to a level where the Group is in compliance. The Group is still in negotiation with the lenders of the remaining two loans of R92 million to similarly amend the breached covenant.

The breaches of the covenants by the individual businesses has not had an impact on the ability of the Group to obtain additional funding.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES

G1: DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

Nedbank and Quilter

Nedbank and Quilter have continued to be presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended 30 June 2018. This is consistent with the presentation for the year ended 31 December 2017. Following the listing and distribution of Quilter on 25 June 2018 (see note A2), it ceased to be a subsidiary of the Group. Consequently, its results are only consolidated from 1 January 2018 to 25 June 2018.

In accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', comparative information in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended 30 June 2017 have been re-presented to reflect Nedbank and Quilter as discontinued operations.

The assets and liabilities of Nedbank continue to be classified as assets and liabilities held for sale and distribution in the consolidated statement of financial position at 30 June 2018. This judgement was made based on the facts and circumstances which existed at 31 December 2017 when the Directors made a formal assessment of whether the businesses should be classified as held for distribution. At that time it was determined that although a number of minor internal reorganisations remained to be implemented, the business in its current state could have been distributed within a period of twelve months based on interactions with South African regulators, positive interactions with the relevant tax authorities and interactions with the South African government. Once the Old Mutual Limited share register has had a period to settle, the Group will unbundle to its shareholders a significant portion of its shareholding in Nedbank, whilst retaining a strategic minority interest. This transaction is anticipated to be completed before 31 December 2018. Consequently, the Directors still consider it is highly probable that the Nedbank business will be distributed within a period of twelve months from initial classification, which was 31 December 2017. This is consistent with the published unbundling plans. Following the planned distribution, the Group will revalue its residual associate interest at the market value prevailing at the time and will commence equity accounting its interest as a continuing operation from that date.

In the consolidated statement of financial position at December 2017, the assets and liabilities of both Nedbank and Quilter were classified and presented as assets and liabilities held for sale and distribution. Following the listing and distribution of Quilter on 25 June 2018 (see note A2), it ceased to be a subsidiary of the Group. Consequently, its assets and liabilities are no longer included in the consolidated statement of financial position at 30 June 2018.

Latin American businesses

As a consequence of the agreed sale of the Latin American businesses as set out in note A2, its size relative to the new Group structure and its separate geographical location, the Latin American businesses have been presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended 30 June 2018. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended 30 June 2018 and year to 31 December 2017 have been re-presented.

The Group's interest in the assets and liabilities of the Latin American businesses have been classified as held for sale in the consolidated statement of financial position at 30 June 2018. This judgement was done based on the facts and circumstances which existed at 30 June 2018 when the Directors made a formal assessment of whether the businesses should be classified as held for sale. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', comparative information in the consolidated statement of financial position at 31 December 2017 have not been re-presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Old Mutual Bermuda

Old Mutual Bermuda is expected to wind-down its operations, including shutting down the New York office and either terminating or giving notice to all employees by the end of 31 December 2018. During the six months ended 30 June 2018, the Bermuda operation has actively commenced the wind down process in line with the Wind-Down plan that was presented to the Old Mutual Bermuda and Old Mutual plc Boards as well as to the Bermuda Monetary Authority (BMA) in December 2017. Given its separate geographical location, Old Mutual Bermuda has therefore been classified and presented as a discontinued operation in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for all reporting periods. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', comparative information in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented. In accordance with IFRS 5, Old Mutual Bermuda has not been classified as held for sale.

Re-presentation of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)

On 13 October 2017, the Old Mutual plc Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The investment was presented as an asset held for sale in the Old Mutual plc Group interim accounts to 30 June 2017. However, given its size relative to the Old Mutual plc Group, it was assessed that the business did not meet the definition of a component and therefore was not presented as a discontinued operation. Following the change in Group structure in 2018, as described in notes A1 and A2, the treatment of Kotak has been re-assessed. Consequently, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows the six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect Kotak as a discontinued operation.

Further information on discontinued operations is provided in note G1.1. Further information on assets and liabilities classified as held for sale and distribution is provided in note G1.2.

G1.1: Discontinued operations

The tables below present the income statement from discontinued operations (note G1.1(a)), the statement of comprehensive income from discontinued operations (note G1.1(b)) and net cash flows from discontinued operations (note G1.1(c)) for the six months ended 30 June 2018, the six months ended 30 June 2017 and the year ended 31 December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G1: DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE (continued)

G1.1: Discontinued operations (continued)

(a) Income statement from discontinued operations

Six months ended 30 June 2018

Rm	Nedbank	Quilter	Latin American businesses	Old Mutual Bermuda	Elimination of intra-segment transactions	Total
Revenue						
Gross earned premiums	-	1,268	43	-	-	1,311
Outward reinsurance	-	(749)	(11)	-	-	(760)
Net earned premiums	-	519	32	-	-	551
Investment return (non-banking)	-	5,050	40	(31)	-	5,059
Banking interest and similar income	37,660	-	-	-	-	37,660
Banking trading, investment and similar income	2,440	-	-	-	-	2,440
Fee and commission income, and income from service activities	9,513	10,254	899	-	(108)	20,558
Other income	343	188	8	-	(157)	382
Total revenue	49,956	16,011	979	(31)	(265)	66,650
Expenses						
Claims and benefits (including change in insurance contract provisions)	-	(1,150)	(33)	36	-	(1,147)
Reinsurance recoveries	-	833	3	-	-	836
Net claims and benefits incurred	-	(317)	(30)	36	-	(311)
Change in investment contract liabilities	-	(3,252)	-	-	-	(3,252)
Credit impairment charges	(1,815)	(2)	-	-	-	(1,817)
Banking interest payable and similar expenses	(23,240)	-	-	-	-	(23,240)
Fee and commission expenses, and other acquisition costs	(60)	(3,417)	(300)	-	101	(3,676)
Change in third-party interest in consolidated funds	-	(129)	-	-	-	(129)
Other operating and administrative expenses	(15,667)	(8,325)	(455)	(2)	482	(23,967)
Total expenses	(40,782)	(15,442)	(785)	34	583	(56,392)
Share of associated undertakings' and joint ventures' profits after tax	207	-	2	-	-	209
Profit before tax from discontinued operations	9,381	569	196	3	318	10,467
Income tax expense	(2,355)	174	(84)	(2)	(92)	(2,359)
Profit after tax from discontinued operations	7,026	743	112	1	226	8,108
Attributable to:						
Equity holders of the parent	3,659	743	112	1	226	4,741
Non-controlling interests						
Ordinary shares	3,082	-	-	-	-	3,082
Preferred securities	285	-	-	-	-	285
Profit after tax from discontinued operations	7,026	743	112	1	226	8,108

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Six months ended 30 June 2017 (Re-presented)¹

Rm	Nedbank	Quilter	OM Asset Management plc	Latin American businesses	Kotak	Old Mutual Bermuda	Elimination of intra-segment transactions	Total
Revenue								
Gross earned premiums	-	1,222	-	10	-	-	-	1,232
Outward reinsurance	-	(723)	-	(9)	-	-	-	(732)
Net earned premiums	-	499	-	1	-	-	-	500
Investment return (non-banking)	-	45,171	103	92	-	(374)	-	44,992
Banking interest and similar income	37,280	-	-	-	-	-	-	37,280
Banking trading, investment and similar income	2,285	-	-	-	-	-	-	2,285
Fee and commission income, and income from service activities	9,185	9,399	3,551	862	-	-	(160)	22,837
Other income	314	59	-	12	-	-	(130)	255
Total revenue	49,064	55,128	3,654	967	-	(374)	(290)	108,149
Expenses								
Claims and benefits (including change in insurance contract provisions)	-	(1,002)	-	(3)	-	844	-	(161)
Reinsurance recoveries	-	861	-	2	-	-	-	863
Net claims and benefits incurred	-	(141)	-	(1)	-	844	-	702
Change in investment contract liabilities	-	(38,394)	-	-	-	-	-	(38,394)
Credit impairment charges	(1,594)	(1)	-	-	-	-	-	(1,595)
Finance costs	-	-	(103)	-	-	-	-	(103)
Banking interest payable and similar expenses	(23,249)	-	-	-	-	-	-	(23,249)
Fee and commission expenses, and other acquisition costs	(138)	(2,851)	(81)	(299)	-	-	134	(3,235)
Change in third-party interest in consolidated funds	-	(5,194)	-	-	-	-	-	(5,194)
Other operating and administrative expenses	(15,239)	(7,748)	(3,015)	(456)	-	47	655	(25,756)
Total expenses	(40,220)	(54,329)	(3,199)	(756)	-	891	789	(96,824)
Share of associated undertakings' and joint ventures' (losses)/profits after tax	(1,053)	-	59	-	118	-	-	(876)
Profit on disposal of subsidiaries, associated undertakings and strategic investments	-	158	-	-	-	-	-	158
Profit before tax from discontinued operations	7,791	957	514	211	118	517	499	10,607
Income tax expense	(2,188)	(514)	(101)	(86)	-	1	(120)	(3,008)
Profit after tax from discontinued operations	5,603	443	413	125	118	518	379	7,599
Attributable to:								
Equity holders of the parent	2,906	443	218	125	118	518	379	4,707
Non-controlling interests								
Ordinary shares	2,399	-	195	-	-	-	-	2,594
Preferred securities	298	-	-	-	-	-	-	298
Profit after tax from discontinued operations	5,603	443	413	125	118	518	379	7,599

¹ The six months ended 30 June 2017 has been re-presented to reflect the Nedbank, Quilter, the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G1: DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE (continued)

G1.1: Discontinued operations (continued)

(a) Income statement from discontinued operations (continued)

Year ended 31 December 2017 (Re-presented)¹

Rm	Nedbank	Quilter	OM Asset Management plc	Latin American businesses	Kotak	Old Mutual Bermuda	Elimination of intra-segment transactions	Total
Revenue								
Gross earned premiums	–	2,534	–	133	–	–	–	2,667
Outward reinsurance	–	(1,498)	–	(20)	–	–	–	(1,518)
Net earned premiums	–	1,036	–	113	–	–	–	1,149
Investment return (non-banking)	–	88,627	103	144	–	(454)	–	88,420
Banking interest and similar income	75,150	–	–	–	–	–	–	75,150
Banking trading, investment and similar income	4,860	–	–	–	–	–	–	4,860
Fee and commission income, and income from service activities	18,875	21,807	3,551	1,829	–	–	(311)	45,751
Other income	415	67	–	25	–	–	(282)	225
Total revenue	99,300	111,537	3,654	2,111	–	(454)	(593)	215,555
Expenses								
Claims and benefits (including change in insurance contract provisions)	–	(2,651)	–	(125)	–	1,152	–	(1,624)
Reinsurance recoveries	–	2,388	–	6	–	–	–	2,394
Net claims and benefits incurred	–	(263)	–	(119)	–	1,152	–	770
Change in investment contract liabilities	–	(73,875)	–	–	–	–	–	(73,875)
Credit impairment charges	(3,304)	(4)	–	–	–	–	–	(3,308)
Finance costs	–	–	(103)	–	–	–	–	(103)
Banking interest payable and similar expenses	(46,838)	–	–	–	–	–	–	(46,838)
Fee and commission expenses, and other acquisition costs	(155)	(6,228)	(81)	(633)	–	–	272	(6,825)
Change in third-party interest in consolidated funds	–	(11,044)	–	–	–	–	–	(11,044)
Other operating and administrative expenses	(31,591)	(17,561)	(3,015)	(1,182)	–	(256)	932	(52,673)
Total expenses	(81,888)	(108,975)	(3,199)	(1,934)	–	896	1,204	(193,896)
Share of associated undertakings' and joint ventures' (losses)/profits after tax	(838)	–	59	2	181	–	–	(596)
Profit on disposal of subsidiaries, associated undertakings and strategic investments	–	163	–	–	–	–	–	163
Profit before tax from discontinued operations	16,574	2,725	514	179	181	442	611	21,226
Income tax expense	(4,227)	(1,274)	(101)	(186)	–	(30)	(146)	(5,964)
Profit after tax from discontinued operations	12,347	1,451	413	(7)	181	412	465	15,262
Attributable to:								
Equity holders of the parent	6,411	1,451	218	(7)	181	412	465	9,131
Non-controlling interests								
Ordinary shares	5,346	–	195	–	–	–	–	5,541
Preferred securities	590	–	–	–	–	–	–	590
Profit after tax from discontinued operations	12,347	1,451	413	(7)	181	412	465	15,262

¹ The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

(b) Statement of comprehensive income from discontinued operations

Rm	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Profit after tax from discontinued operations	8,108	7,599	15,262
Items that will not be reclassified subsequently to profit or loss			
Fair value movements – property revaluation	(2)	3	215
Net measurement (losses)/gains on defined benefit plans	(876)	194	538
Income tax on items that will not be reclassified to profit or loss	245	(22)	(151)
	(633)	175	602
Items that may be reclassified subsequently to profit or loss			
Instruments at fair value through other comprehensive income – net change in fair value	(138)	1	22
Currency translation differences/exchange differences on translating foreign operations	851	(459)	(1,248)
Share of other comprehensive income of investments	(214)	283	728
Other movements	(13)	–	45
	486	(175)	(453)
Total other comprehensive income for the financial period from discontinued operations	(147)	–	149
Total comprehensive income for the financial period from discontinued operations	7,961	7,599	15,411
Attributable to:			
Equity holders of the parent	4,655	4,742	9,264
Non-controlling interests			
Ordinary shares	3,021	2,559	5,557
Preferred securities	285	298	590
	7,961	7,599	15,411

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations. Refer to notes A2 and G1 for more information.

(c) Net cash flows from discontinued operations

Rm	Six months ended 30 June 2018	Six months ended 30 June 2017 (Re-presented) ¹	Year ended 31 December 2017 (Re-presented) ¹
Operating activities	42,921	49,522	104,758
Investing activities	(28,216)	(45,248)	(91,813)
Financing activities	3,398	2,600	(3,351)
Net cash flows from discontinued operations	18,103	6,874	9,594

¹ The six months ended 30 June 2017 and the year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. In addition, the six months ended 30 June 2017 has been re-presented to reflect Nedbank and Quilter as discontinued operations. Refer to notes A2 and G1 for more information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G1: DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE (continued)

G1.2: Assets and liabilities held for sale and distribution

The tables below present details of the assets and liabilities that have been classified as held for sale and distribution at 30 June 2018 and 31 December 2017:

At 30 June 2018

Rm	Nedbank	Latin American business	Other	Elimination of intra-segment balances	Total
Assets					
Goodwill and other intangible assets	11,963	1,036	–	–	12,999
Mandatory reserve deposits with central banks	21,596	–	–	–	21,596
Property, plant and equipment	9,013	276	–	–	9,289
Investment property	–	63	45	–	108
Deferred tax assets	341	126	–	–	467
Investments in associated undertakings and joint ventures	3,103	25	–	–	3,128
Deferred acquisition costs	–	440	–	–	440
Reinsurers' share of policyholder liabilities	102	–	–	–	102
Loans and advances	712,668	288	–	(431)	712,525
Investments and securities	191,793	8,893	–	–	200,686
Current tax receivable	922	134	–	–	1,056
Trade, other receivables and other assets	22,352	221	–	(1,156)	21,417
Derivative financial instruments	28,058	2	–	(666)	27,394
Cash and cash equivalents	14,070	429	–	(4,949)	9,550
Total assets	1,015,981	11,933	45	(7,202)	1,020,757
Liabilities					
Life insurance contract liabilities	2,044	1,972	–	–	4,016
Investment contract liabilities	18,316	5,370	–	–	23,686
Borrowed funds	53,680	–	–	(1,177)	52,503
Provisions and accruals	1	55	–	–	56
Deferred revenue	474	–	–	–	474
Deferred tax liabilities	655	80	–	–	735
Current tax payable	239	139	–	–	378
Trade, other payables and other liabilities	25,163	600	–	(11,254)	14,509
Amounts owed to bank depositors	801,165	–	–	(4,707)	796,458
Derivative financial instruments	25,394	9	–	(505)	24,898
Total liabilities	927,131	8,225	–	(17,643)	917,713
Net assets	88,850	3,708	45	10,441	103,044

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

At 31 December 2017

Rm	Nedbank	Quilter	Emerging Markets	Elimination of intra-segment balances	Total
Assets					
Goodwill and other intangible assets	11,130	23,439	–	–	34,569
Mandatory reserve deposits with central banks	19,222	–	–	–	19,222
Property, plant and equipment	9,290	310	–	–	9,600
Investment property	–	–	718	–	718
Deferred tax assets	189	519	–	–	708
Investments in associated undertakings and joint ventures	6,722	45	–	–	6,767
Deferred acquisition costs	–	9,378	–	–	9,378
Reinsurers' share of policyholder liabilities	93	48,724	–	–	48,817
Loans and advances	710,329	3,342	–	(384)	713,287
Investments and securities	158,651	1,078,276	–	–	1,236,927
Current tax receivable	211	4	–	–	215
Trade, other receivables and other assets	17,499	11,755	–	(2,139)	27,115
Derivative financial instruments	29,904	1,464	–	(505)	30,863
Cash and cash equivalents	16,900	35,475	–	(2,118)	50,257
Total assets	980,140	1,212,731	718	(5,146)	2,188,443
Liabilities					
Life insurance contract liabilities	2,277	8,190	–	–	10,467
Investment contract liabilities	18,134	990,961	–	–	1,009,095
Third-party interests in consolidated funds	–	127,427	–	–	127,427
Borrowed funds	51,576	–	–	(784)	50,792
Provisions and accruals	2	1,739	–	–	1,741
Deferred revenue	8	3,588	–	–	3,596
Deferred tax liabilities	642	3,350	–	–	3,992
Current tax payable	259	1,196	–	–	1,455
Trade, other payables and other liabilities	23,887	25,467	–	(11,098)	38,256
Amounts owed to bank depositors	771,584	–	–	(4,707)	766,877
Derivative financial instruments	23,367	7,252	–	(558)	30,061
Inter-segment funding – liabilities	–	13,102	–	(13,102)	–
Total liabilities	891,736	1,182,272	–	(30,249)	2,043,759
Net assets	88,404	30,459	718	25,103	144,684

G1.3 Impairment testing relating to the assets held for sale and distribution

At 30 June 2018, no impairment losses have been recognised for Nedbank and the Latin American business, which have been classified and presented as discontinued operations in the consolidated income statement and as held for distribution in the consolidated statement of financial position in terms of the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Impairment losses are determined as the deficit between fair value less cost to distribute and sell respectively of each business and the carrying value of each business at 31 December 2017.

The fair value less cost to distribute of Nedbank was determined by reference to its quoted market price as at 30 June 2018. At 30 June 2018, the fair value less cost to distribute exceeded the carrying value of Nedbank. The Group therefore concluded that goodwill and other intangible assets related to the Nedbank are not impaired.

The agreed selling price of the Latin American businesses is a reasonable approximation of the fair value. As such, the Group has concluded that the fair value less costs to sell exceeded the carrying value of the Latin American businesses at 30 June 2018 and therefore no impairment losses of goodwill and other intangible assets have been recognised.

In addition, no other impairments for property, plant and equipment, investment properties or other intangible assets have been recognised as a result of classifying these businesses as held for sale and distribution.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G2: RELATED PARTIES

There were no transactions with related parties during the six months ended 30 June 2018 which had a material effect on the results or financial position of the Group. The nature of the related party transactions of the Group has not changed from those described in the audited general purpose consolidated financial statements for the year ended 31 December 2017.

G3: CONTINGENT LIABILITIES AND COMMITMENTS

The Group has provided certain guarantees for specific client obligations, in return for which the Group has received a fee. The Group has evaluated the extent of the possibility of the guarantees being called on and has provided appropriately.

Contingent liabilities – tax

The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa and historically the United Kingdom) routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

Consumer protection

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and it is central to how our businesses operates. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

Implications of the Managed Separation strategy

The Group routinely monitors and reassesses contingent liabilities arising from matters such as litigation, and warranties and indemnities relating to past acquisitions and disposals. The announcement of the Managed Separation strategy on 11 March 2016 does not affect the nature of such items, however it is possible that the Group may seek to resolve certain matters as part of the implementation of the managed separation strategy.

Outcome of Zimbabwean Commission Enquiry

On 31 December 2016, the Zimbabwean Government concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation of the economy in 2009. On 9 March 2018, the results of the Zimbabwean Government's inquiry were made public.

The Group is committed to treating its customers fairly and is currently reviewing the report and preparing a preliminary evaluation of the potential impact on Group operations. We are not currently able to establish what impact the commission's findings will have on Old Mutual Zimbabwe.

US legacy items

On 13 March 2018, Old Mutual plc announced that The Travelers Companies, Inc. and St. Paul Fire and Marine Insurance Company (Travelers) had lodged a claim in the United States District Court for the Southern District of New York in relation to pre-existing plc Head Office legacy items relating to previously disposed of US assets. The Group believed at that time the claim was without merit. Old Mutual plc further announced on 9 April 2018 that Travelers had withdrawn all of the remedies they were claiming and that Old Mutual Limited, has agreed, inter alia, to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy the highly remote obligations in respect of the legacy items which were the subject of the claim.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Potential Future Commitments

Old Mutual Emerging Markets Limited (OMEM) guarantee

A sales agreement was signed between Old Mutual (South Africa) Holdings (Pty) Ltd (OMSAH) and Lily Bermuda Capital Limited (SPV domiciled in Bermuda), owned by CMIG International Holding Pte. Limited (CMI) on 15 March 2018, for the purchase of OM Latin America Holdco UK Limited and AIVA Holding Group S.A. (collectively known as 'the Latin American businesses'). The long stop date for the fulfilment of the conditions precedent in the sales agreements, is 15 March 2019, unless the parties agree otherwise. OMEM has provided a guarantee for credit worthiness of OMSAH to the buyer and has also received a reciprocal guarantee from CMI. At 30 June 2018, the timing and amount of any payments (if any) cannot be reasonably estimated.

UAP put option

At 31 December 2017, the Group owned 60.7% of UAP Holdings Limited (UAP). The two significant minority anchor shareholders in UAP have the right to collectively put up to an aggregate 6% shareholding in UAP to the Group at the occurrence of a 'Put Event'. The put option period commenced at 1 October 2015 and ends on the earlier of an Old Mutual Limited listing or 3 years from the date of completion of the initial purchase of UAP (being June 2018). The put option exercise price is equal to the initial price (paid by Old Mutual plc in acquiring its current holding), increased by the Government of Kenya Treasury one year bond rates and reduced by dividends declared by UAP.

At 31 December 2017, the Group recognised the obligation to purchase the additional 6% at R359 million with a corresponding reduction in reserves. Following the listing of Old Mutual Limited on 26 June 2018, the minority anchor shareholders collectively put a 6% ownership interest in UAP to the Group. As at 30 June 2018, the settlement agreement had been drafted and presented to the anchor shareholders. The settlement amount equates to R437 million, reflecting the contractual discount unwind and the movement in the Kenyan shilling to the rand over the period. At 30 June 2018, the acquisition of the interest held by the minority anchor shareholders has been accounted for as a transaction between shareholders as there has been no change in control. On settlement, a pro-rata portion of the non-controlling interest will be derecognised and transferred to the equity holders of the Group.

Old Mutual (Pty) Ltd Finance put option

The Old Mutual plc Group and the Business Doctor Consortium Limited and its associates ('Business Doctor') established Old Mutual Finance (Pty) Ltd (Old Mutual Finance) as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual from 50% to 75% in 2014 by acquiring an additional 25% shareholding from Business Doctor for R1.1 billion. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively). Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Old Mutual plc Group and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Following the listing of Old Mutual Limited on 26 June 2018, Business Doctor became entitled to exercise the option to put the remaining shares to Old Mutual Limited. The Group received written confirmation on 22 July 2018 from Business Doctor that the put option would not be exercised.

G4: EVENTS AFTER THE REPORTING DATE

Tender offer for Old Mutual plc's outstanding subordinated notes

On 19 July 2018, Old Mutual plc repurchased R281 million (£16 million) of its outstanding R7,944 million (£450 million) 7.875% subordinated debt securities, of which R1,105 million (£61 million) was outstanding on 30 June 2018 (Tier 2 subordinated 2025 securities) and R4,745 million (£269 million) of its outstanding R8,827 million (£500 million) 8% subordinated debt securities, of which R6,181 million (£341 million) was outstanding on 30 June 2018 (Tier 2 subordinated 2021 securities) through tender offers. All repurchased securities were cancelled on 19 July 2018. Following cancellation of these securities, the aggregate principal amounts outstanding of the R7,944 million (£450 million) securities was R793 million (£45 million) and the aggregate principal amount outstanding of R8,827 million (£500 million) securities was R1,273 million (£72 million).

Repatriation of capital from Old Mutual Bermuda

On 5 July 2018, the Bermuda Monetary Authority approved the repatriation of capital to the value of R668 million (\$49 million) from Old Mutual Bermuda to Old Mutual plc.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5.1 Introduction

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements at and for the year ended 31 December 2017.

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 January 2018. The following other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements:

- ▶ Amendment to IFRS 2 'Share based payments', regarding the classification and measurement of share-based payment transactions;
- ▶ Amendment to IAS 40 'Investment Property', regarding the transfer of property to, or from, investment property;
- ▶ Annual improvements 2014-2016 made to IAS 28 'Investments in associates and joint ventures' and IFRS 1 'First-time adoption of IFRS'; and
- ▶ Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The impact of transitioning to IFRS 9 and IFRS 15 at 1 January 2018 has been presented separately for continuing and discontinued operations for the six months ended 30 June 2018. Refer to note A2 and note G1 for more information.

As explained in 5.3.5 and 5.4.1 below for IFRS 9 and IFRS 15, prior year financial statements have not been restated. This is in compliance with the transitional provisions. The reclassifications, the adjustments arising from the new impairment rules of IFRS 9 and the adjustments relating to a change in revenue recognition from contracts with customers of IFRS 15, are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position at 1 January 2018.

The table below shows the adjustments recognised for each individual line item on the consolidated statement of financial position. As prior year figures have not been restated, an opening consolidated statement of financial position at 1 January 2017 or a consolidated income statement and consolidated statement of comprehensive income for the six months ended 30 June 2017 have not been presented. Consequently, there has been no impact on the basic and diluted earnings per share of prior periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

5.2 Impact on the consolidated statement of financial position

The impact on the Group's consolidated statement of financial position is summarised below:

Rm	Notes	At 31 December 2017 (as reported)	IFRS 9	IFRS 15	At 1 January 2018 (as adjusted)
Assets					
Goodwill and other intangible assets		6,653	–	–	6,653
Mandatory reserve deposits with central banks		94	–	–	94
Investment property		31,903	–	–	31,903
Property, plant and equipment		8,081	–	–	8,081
Investments in associated undertakings and joint ventures		1,789	–	–	1,789
Deferred tax assets	5.3.1/5.4.1	1,084	97	(245)	936
Deferred acquisition costs	5.4.1	3,086	–	(848)	2,238
Reinsurers' share of policyholder liabilities		4,220	–	–	4,220
Loans and advances	5.3.2	21,483	(915)	–	20,568
Investments and securities	5.3.2	722,249	(10)	–	722,239
Current tax receivables		1,064	–	–	1,064
Trade, other receivables and other assets	5.3.2	21,875	(13)	–	21,862
Derivative financial instruments		4,101	–	–	4,101
Cash and cash equivalents		30,761	–	–	30,761
Assets held for sale and distribution	5.5	2,188,443	(2,854)	–	2,185,589
Total assets		3,046,886	(3,695)	(1,093)	3,042,098
Liabilities					
Life insurance contract liabilities		159,514	–	–	159,514
Investment contract liabilities with discretionary participating features		193,425	–	–	193,425
Investment contract liabilities without discretionary participating features		288,164	–	–	288,164
Borrowed funds	5.3.2	18,866	266	–	19,132
Deferred tax liabilities	5.3.1/5.4.1	5,088	–	(237)	4,851
Deferred revenue	5.4.1	1,378	–	(875)	503
Property & casualty liabilities		8,285	–	–	8,285
Provisions and accruals		2,385	–	–	2,385
Third-party interests in consolidated funds		81,573	–	–	81,573
Current tax payable		1,711	–	–	1,711
Trade, other payables and other liabilities		42,355	–	–	42,355
Amounts owed to bank depositors		12,440	–	–	12,440
Derivative financial instruments		4,498	–	–	4,498
Liabilities held for sale and distribution	5.5	2,043,759	124	254	2,044,137
Total liabilities		2,863,441	390	(858)	2,862,973
Net assets		183,445	(4,085)	(235)	179,125
Shareholders' equity					
Equity attributable to equity holders of the parent		136,678	(2,573)	(119)	133,986
Continuing operations	5.3.1/5.4.1	58,775	(946)	19	57,848
Businesses classified as held for sale and distribution	5.5.2/5.5.3	77,903	(1,627)	(138)	76,138
Non-controlling interests					
Ordinary shares		40,910	(1,512)	(116)	39,282
Continuing operations	5.3.1	3,720	(161)	–	3,559
Businesses classified as held for sale and distribution	5.5.2/5.5.3	37,190	(1,351)	(116)	35,723
Preferred securities		5,857	–	–	5,857
Total non-controlling interests		46,767	(1,512)	(116)	45,139
Total equity		183,445	(4,085)	(235)	179,125

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.2 Impact on the consolidated statement of financial position (continued)

The impact of adopting IFRS 9 and IFRS 15 have been explained separately for:

- ▶ continuing operations (5.3 and 5.4 for IFRS 9 and IFRS 15 respectively); and
- ▶ businesses which have been classified as held for sale and distribution (5.5).

The adjustments are explained in more detail by standard below.

5.3 IFRS 9 Financial Instruments – Continuing operations

5.3.1 Overview including impact on the Group's total equity

The table below summarises the impact of transitioning to IFRS 9 on the Group's opening balance of total equity (comprising retained earnings, other reserves and non-controlling interests) for continuing operations at 31 December 2017. For a description of the transition method used, refer to 5.3.5 below).

Rm	Notes	Impact of adopting IFRS 9 on opening balance at 1 January 2018
Retained earnings		
Recognition of expected credit loss allowance	5.3.2	(716)
Designation of borrowed funds at fair value through profit or loss	5.3.2	(266)
Transfer of cumulative fair value changes linked to changes in credit risk of liabilities to other reserves	5.3.2	683
Related deferred tax impact	5.3.1	97
Total impact – Retained earnings		(202)
Other reserves		
Recognition of expected credit loss allowance	5.3.2	(222)
Transfer of cumulative fair value changes linked to changes in credit risk of liabilities from retained earnings	5.3.2	(683)
Related deferred tax impact	5.3.1	
Total impact – Other reserves		(905)
Total impact on shareholders' equity		(1,107)
Total impact on equity attributable to shareholders of the parent		(946)
Total impact on non-controlling interests		(161)
Total impact on shareholders' equity		(1,107)

The income tax consequences of recognising expected credit losses on financial assets at amortised cost and other instruments and writing off balances are different between the jurisdictions where the Group conducts its business. In some jurisdictions the income tax consequences are also different between different types of financial assets. As a result the Group applied judgment in determining the deferred tax consequences of the transition to IFRS 9:

- ▶ Old Mutual Finance (Pty) Ltd currently obtains an income tax deduction of approximately 80% of the allowance for incurred credit losses as prepared under IAS 39. Recent developments indicate that SARS is reconsidering the income tax allowances allowed for financial services entities that are not banks regarding the allowance for expected credit losses in terms of IFRS 9. A significant change in this income tax deduction could result in significant deferred tax assets being recognised by Old Mutual Finance (Pty) Ltd due to a delay in obtaining the income tax deduction and lead to an increase in the income tax payments made to SARS in respect of future years. Since a change in the existing income tax legislation and allowed practices has not yet been effected, the Group applied judgment by recognising a deferred tax asset of R82 million on the transition impact to the expected credit loss model, based on the current income tax treatment in retained earnings. The Group and industry participants are in discussions with National Treasury regarding the matter.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

- ▶ There is uncertainty with regards to the deductibility of the allowance for expected credit losses in Kenya for income tax purposes. The Group applied judgment and did not recognise any deferred tax on the transition impact to the expected credit loss model for loans and advances provided to customers by Faulu, the Group's micro-lender in Kenya. When more clarity has been obtained from revenue authorities an appropriate adjustment will be made.
- ▶ The total transition movement in the allowance for expected credit losses (R938 million) was recorded in retained earnings (R716 million) and other reserves (R222 million). The transition movement was recognised in other reserves to utilise regulatory reserves previously created in the Rest of Africa business.

5.3.2 Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the provisions of IAS 39 'Financial instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

Initial recognition of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- ▶ Amortised cost;
- ▶ Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- ▶ Fair Value through Profit and Loss (FVTPL).

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. Equity instruments and derivative assets are mandatorily categorised as financial assets at FVTPL. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- ▶ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVOCI. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.3 IFRS 9 Financial Instruments – Continuing operations (continued)

5.3.2 Classification and measurement of financial assets and financial liabilities (continued)

Initial recognition of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. On initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Subsequent measurement of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the measurement of financial liabilities with one exception. Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. The balance of the fair value movement is recorded in profit or loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

IFRS 9 transition impact assessment

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the group and classified its financial instruments into the appropriate IFRS 9 categories. In addition management considered the impact of implementation of the expected credit loss model for financial assets measured at amortised cost as well as any 'fair value option' designation adjustments. The tables below and accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories and carrying values under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 January 2018:

Rm	Note	IAS 39 Classification	IFRS 9 Classification	Measurement		Total IFRS 9 transition adjustment allocation		
				Carrying value IAS 39	Total IFRS 9 transition adjustment	Adjusted carrying value IFRS 9	Reclassification into new category	IFRS 9 ECL impact
Financial Assets								
Mandatory reserve deposits with central banks		Loans and receivables	Amortised cost	94	-	94	-	-
Reinsurers' share of policyholder liabilities		Loans and receivables	Amortised cost	25	-	25	-	-
Loans and advances		Loans and receivables	Amortised cost	21,483	(915)	20,568	-	(915)
Investments and securities	(a)	Designated FVTPL	at FVTPL	721,328	(434,277)	287,051	-	-
			Mandatorily at FVTPL	-	430,768	430,768	430,768	-
			Accounting mismatch					
	(b)	Designated FVTPL	Amortised cost		3,499	3,499	3,509	(10)
	(c)	Available for sale	Mandatorily at FVTPL	921	921	921	921	-
Trade and other receivables		Loans and receivables	Amortised cost	21,875	(13)	21,862	-	(13)
Derivative instruments		Held for trading	Mandatorily at FVTPL	4,101	-	4,101	-	-
Cash and cash equivalents		Loans and receivables	Amortised cost	30,761	-	30,761	-	-
Total				800,588	none	799,650	435,198	(938)
Financial liabilities								
Investment contract liabilities		Designated FVTPL	Mandatorily at FVTPL	288,164	-	288,164	-	-
Third-party interest in consolidation of funds		Designated FVTPL	Mandatorily at FVTPL	81,573	-	81,573	-	-
Borrowed funds	(d)	Designated FVTPL	(FVTPL)	13,191	1,284	14,475	-	-
			Accounting mismatch					
	(d)	Amortised cost	Amortised Cost	5,675	(1,018)	4,657	-	-
Trade, other payables and other liabilities		Accounting mismatch (FVTPL)	Accounting mismatch (FVTPL)	2,039	-	2,039	-	-
			Amortised cost	Amortised Cost	30,437	-	30,437	-
Amounts owed by depositors		Amortised cost	Amortised Cost	12,440	-	12,440	-	-
Derivative financial instruments		Held for trading	Mandatorily at FVTPL	4,498	-	4,498	-	-
Total				438,017	266	438,283	-	-

The classification and measurement of the remaining balance of R287,051 million is unchanged.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.3 IFRS 9 Financial Instruments – Continuing operations (continued)

5.3.2 Classification and measurement of financial assets and financial liabilities (continued)

Apart from the implementation of the expected credit loss model, other significant changes in the classification and measurement of financial assets and liabilities as illustrated above have been described below.

- (a) Reclassification of equity instruments with a fair value of R430,570 million (at 31 December 2017) and debt instruments with a fair value of R198 million (at 31 December 2017) from financial assets designated at fair value through profit or loss in terms of IAS 39, to financial assets mandatorily at fair value through profit or loss in terms of IFRS 9.

In accordance with the Group's accounting policies equity instruments are classified as financial assets at fair value through profit or loss. In terms of IAS 39 the debt instruments were designated as financial instruments at fair value through profit or loss. In terms of IFRS 9, the Group considers that these debt instruments are held within a business model where the financial performance of these instruments are measured and the instruments are managed on a fair value basis. As a result the debt instruments are classified as financial instruments at fair value through profit or loss. Since the instruments were measured at fair value in terms of IAS 39, no measurement adjustment was recognised when the instruments were reclassified.

- (b) Reclassification of government securities with a fair value of R3,509 million (at 31 December 2017) from financial assets designated at FVTPL under IAS 39, to financial assets at amortised cost under IFRS 9.

The government securities were designated at fair value through profit or loss in terms of IAS 39. A review of the business model regarding these instruments indicated that the instruments are held with the objective to collect contractual cash flows over the term of the instrument. A review of the cash flows characteristics of the instruments indicated that the cash flows are solely payments of capital and interest on the capital outstanding. Consequently the Group classified these instruments as financial assets at amortised cost. At 1 January 2018 the Group recognised an allowance for expected credit losses of R10 million with regards to these instruments. The expected credit loss was recognised in equity at 1 January 2018.

The fair value of these financial assets as at 30 June 2018 was R5,553 million. The various original effective interest rates of these instruments range from 5% to 26% per annum and R263 million of interest income has been recognised during the period.

- (c) Reclassification of investments and securities with a fair value of R921 million (at 31 December 2017) from available-for-sale to financial assets at fair value through profit or loss.

The investment and securities comprise of government, government guaranteed securities and equity instruments. In terms of IAS 39 these instruments were designated as available for sale financial instruments. In terms of IFRS 9, the Group considers that the debt securities are held within a business model where the financial performance of these instruments are measured and the instruments are managed on a fair value basis. As a result the government and government guaranteed securities are classified as financial instruments at fair value through profit or loss. Since the instruments were measured at fair value in terms of IAS 39, no measurement adjustment was recognised when the instruments were reclassified in terms of IFRS 9.

- (d) Reclassification of borrowed funds (R1,018 million) at 31 December 2017) from financial liabilities at amortised under IAS 39, to financial liabilities designated at fair value through profit or loss under IFRS 9.

At 31 December 2017 the Group carried total borrowed funds with a carrying value of R18,866 million. Included in this balance were borrowed funds classified as financial liabilities at amortised cost of R5,675 million. On 1 January 2018 the Group reclassified R1,018 million of this balance to financial liabilities at fair value to avoid or significantly reduce an accounting mismatch with derivative instruments (held to mitigate interest rate risk) classified as financial instruments at fair value through profit or loss. To adjust the carrying value of the borrowed funds to fair value (R1,284 million at 31 December 2017) a fair value loss of R266 million was recognised in retained earnings.

The portion of cumulative fair value losses related to changes in the credit risk of the total borrowed funds designated at fair value through profit or loss was transferred from retained earnings to other reserves at 1 January 2018. The amount of the transfer was R683 million.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

5.3.3 Impairment of financial assets

5.3.3.1 Overview

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) and corporate debt investments measured at FVOCI, but not to investments in equity instruments. As a consequence of the new standard, the Group has revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's total equity is disclosed in 5.3.1.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments.

In the absence of sufficient depth of data, management apply expert judgment within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information. Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.

Forward-looking information includes, but is not limited to macro-economic conditions expected in the future. Forward-looking information used in the ECL calculation should reflect the nature and characteristics of the credit risk exposures. All reasonable and supportable information that is available should be used when incorporating forward-looking information into the ECL allowance. Forward-looking assessments can be performed on an individual or collective basis. Forward-looking factors should be aligned with risk factors used in risk assessments, stress testing, budgeting as well as strategy and pricing decisions. Relevant factors include factors intrinsic to the entity and its business or derived from external conditions.

Estimates regarding credit risk parameters and the impact of forward-looking information used in the calculation of the ECL loss amount should be reviewed at each reporting date and updated if necessary.

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- ▶ **Stage 1:** At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- ▶ **Stage 2:** A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- ▶ **Stage 3:** A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

Under IFRS 9, impairment loss allowances are measured on either of the following bases:

- ▶ **12-month ECLs:** These are ECLs that result from possible default events within the 12 months after the reporting date; and
- ▶ **Lifetime ECLs:** These are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.3 IFRS 9 Financial Instruments – Continuing operations (continued)

5.3.3 Impairment of financial assets (continued)

5.3.3.1 Overview (continued)

Group's assessment

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- ▶ Financial assets that are determined to have low credit risk at the reporting date; and
- ▶ Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to apply the IFRS 9 simplified approach in measuring expected credit losses. This uses a provision matrix when determining the lifetime expected loss allowance for all trade receivables, contract assets and lease receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information, based on the Group's historical experience, credit assessment and including forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:

- ▶ The primary risk driver aligns to the quantitative credit risk assessments performed, such as the credit score, credit rating, probability of default or arrears aging of a financial instrument.
- ▶ The secondary risk assessment considers a broad range of qualitative risk factors based on a forward looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment at a financial instrument level.

These primary and secondary risk drivers are included by the Group as part of the ongoing credit risk management.

When making a quantitative assessment, the Group uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date.

A rebuttable assumption is that the credit risk since initial recognition has increased significantly if a financial instrument is 30 days past due on any payments or is one payment in arrears. It is not anticipated that this assumption will be rebutted.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, is applied.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Write-off policy

The Group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the financial instrument. Determining when to write-off financial assets is a matter of judgment and incorporates both quantitative and qualitative information. Different operational write off policies exist for the different businesses and jurisdictions with regards to credit impaired or in-default financial assets at amortised cost. The following are examples of what could result in the write-off of a financial asset at amortised cost:

- ▶ legal prescription
- ▶ settlement campaigns, collection efforts and legal processes do not result in the settlement of balances outstanding;
- ▶ receipt of payments from insurers; or
- ▶ financial assets have been in arrears for a significant amount of time with no qualifying payments being received in recent months.

The gross amount of loans and advances written-off during the six months ended 30 June 2018 was R165 million.

5.3.3.2 Measurement of expected credit losses

ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For presentation the ECL allowances are deducted from the gross carrying amount of the assets. ECLs are presented separately in the consolidated income statement.

5.3.3.3 Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and fluctuate. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance for the continuing business as set out in 5.3.2. The table below sets out the transition adjustment between the IAS 39 impairment provision recognised at 31 December 2017 and the IFRS 9 impairment provision at 1 January 2018 for those instruments most impacted by the new impairment model:

Instruments

Rm	IAS 39 impairment provision	IFRS 9 impairment provision – allowance for ECL				ECL coverage % at 1 January 2018				IFRS 9 – transition adjustment		
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Gross	Tax	Net
Loans and advances	2,918	642	244	2,947	3,833	4%	14%	59%	17%	915	97	818

The table below includes details on how much the loss allowance has changed during the six-month period to 30 June 2018 for those instruments most impacted by the new impairment model under IFRS 9:

Instruments

Rm	IFRS 9 impairment provision – allowance for ECL at 30 June 2018				Movement between 1 January 2018 and 30 June 2018				ECL coverage at 30 June 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances	799	282	2,893	3,974	157	38	(54)	141	4%	15%	57%	14%

The allowance for expected credit losses for loans and advances increased by R141 million from 1 January 2018 to 30 June 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.3 IFRS 9 Financial Instruments – Continuing operations (continued)

5.3.3 Impairment of financial assets (continued)

5.3.3.4 Significant judgments and estimates

In determining the ECL allowances for loans and advances the following significant judgments and estimates were considered. The availability of information and the sophistication of credit risk management systems and protocols will influence the judgments made and estimates considered.

- ▶ The Group applies judgment in determining whether a significant increase in credit risk took place since initial recognition of financial assets at amortised cost. Judgment was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through increases in behaviour risk, arrears aging and portfolio assessments. The Group makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears. The assessments are carried out on regular basis as part of the credit risk management activities of the Group.
- ▶ The Group applies judgment in identifying default and credit-impaired financial assets. The Group considers the arrears category where the balance have been allocated to or whether the balance is in legal review, debt review or under administration. In less sophisticated systems balances are considered to be in default when the balances have been past due for 90 days or more or have been identified to be in default after applying expert judgement. Financial asset are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- ▶ The calculation of the ECL balance is primarily influenced by the stage allocation of the balance and the risk parameters. The Group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets at amortised cost. Depending on the relevant information available PDs are based on a behavioural scoring model and historic default rate curves or are determined through internally developed statistical models. LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. EADs are determined with reference to expected amortisation schedules and taking into account credit conversion factors as applicable for undrawn or revolving facilities.
- ▶ The ability to include forward-looking information in the measurement of ECL balances is dependent on the existence of reliable and quantifiable correlation between forward-looking factors and changes in the ECL balance. When such correlations do not exist and where applicable, management applies expert judgment to determine an overlay provision to incorporate best estimates of the impact of forward-looking information. Any overlay provision is based on available information and qualitative risk factors within a governed process. The incorporation of forward-looking information into the ECL balances is an area where further development is expected as industry practice emerge.

5.3.4 Hedge accounting

On the adoption of IFRS 9 the Group elected to not apply hedge accounting to any financial instruments in the continuing businesses. The Group elected to continue with hedge accounting principles as set out in IAS 39 and will adopt the hedge accounting principles set out in IFRS 9 when the IASB project on marco-hedge accounting has been completed.

5.3.5 Transitional impact

Changes in accounting policies resulting from the adoption of IFRS 9 have been not been applied retrospectively and as such:

- ▶ The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. As a result the comparative information disclosed for financial instruments is based on the accounting policies applied in preparing the financial statements for the financial year ended 31 December 2017.
- ▶ Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather that of IAS 39.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- ▶ The determination of the business model within which a financial asset is held and whether or not the cash flows meet the characteristics of cash flows that are simply payments of principal and interest in the principal.
- ▶ The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- ▶ The designation of certain investments in equity instruments not held for trading as at FVOCI.
- ▶ If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

5.4. IFRS 15 'Revenue from Contracts with Customers' – Continuing businesses

5.4.1 Overview including impact on the Group's total equity

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 which has resulted in changes to accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has used the cumulative effect method, with the effect of initially applying the standard at the date of initial application, being 1 January 2018. Accordingly, no adjustments have been made to prior year figures which were previously reported under IAS 18 and related interpretations.

Adjustments made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are set out in 5.2. The table below summarises the impact, net of tax, of transition to IFRS 15 on retained earnings for continuing operations at 1 January 2018:

Rm	Notes	Reported under IAS 18	Transition adjustment	Reported under IFRS 15
Statement of financial position				
Deferred acquisition costs	(a)	848	(848)	–
Deferred tax assets		245	(245)	–
Total assets		1,093	(1,093)	–
Deferred revenue	(a)	(875)	875	–
Deferred tax liabilities		(237)	237	–
Total liabilities		(1,112)	1,112	–
Impact to retained earnings (before tax)				27
Deferred tax				(8)
Impact to retained earnings on 1 January 2018 (after tax)				19

(a) Initial financial planning fees

An initial financial planning fee is paid to brokers for providing initial financial planning to clients. Fees charged to clients consist of initial fees and ongoing fees. In the past the initial fee received was recognised as a deferred revenue liability and the initial financial planning fee paid as a deferred acquisition cost asset. These balances were amortised into the statement of comprehensive income as separate items of income and expense over the expected contractual periods.

In terms of IFRS 15 revenue is recognised when the related performance obligation has been satisfied. The initial fee received should be recognised as revenue when the services have been provided. The initial financial planning fee paid should be expensed when incurred.

Deferred acquisition costs and deferred revenue liabilities at 31 December 2017 have been adjusted with a corresponding impact to retained earnings. This led to a reduction of deferred acquisition costs of R848 million and a reduction in deferred revenue liability of R875 million at 1 January 2018. The related impact to deferred tax has been a reduction in the deferred tax asset of R245 million and a reduction in the deferred tax liability of R237 million.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.5 Impact on business classified as held for sale and distribution

The impacts of the adoption of the standard for the businesses classified as 'held for sale and distribution' is outlined below:

5.5.1 Overview

Businesses classified as held for sale and distribution and which meet the criteria of being a discontinued operation at 31 December 2017 include Nedbank and Quilter. Each business has performed an assessment of the impact of IFRS 9 and IFRS 15 on the consolidated statement of financial position and performance, the results of which are provided below. Amongst the businesses held for sale and distribution, the impact of implementation of IFRS 9 and 15 was the most significant on Nedbank.

5.5.2 IFRS 9: Financial Instruments

5.5.2.1 Impact on the Group's total equity

The table below summarises the impact of transitioning to IFRS 9 on the Group's opening balance of total equity for business classified as held for sale and distribution at 31 December 2017.

Rm	Notes	Impact of adopting IFRS 9 on opening balance at 1 January 2018
Assets held for sale and distribution		
Changes in classification and measurement	5.5.2.2	(204)
Recognition of expected credit loss allowance	5.5.2.2	(2,785)
Reduction in equity accounted carrying value of an associate		(780)
Related deferred tax impact		915
Total assets held for sale and distribution		(2,854)
Liabilities held for sale and distribution		
Changes in classification and measurement		112
Recognition of expected credit loss allowance		(205)
Related deferred tax impact		(31)
Total liabilities held for sale and distribution		(124)
Total impact on shareholders' equity		(2,978)
Total impact on non-controlling interests		(1,351)
Total impact on equity attributable to shareholders of the parent		(1,627)
Total impact on shareholders' equity		(2,978)

The implementation of IFRS 9 at Ecobank Transnational Incorporated (ETI), an associate of Nedbank, resulted in reduction in equity of R780 million (after tax). The after tax impact of the implementation of IFRS 15 was a reduction of R254 million to equity and is further discussed in note 5.5.3.

5.5.2.2 Classification and measurement of financial assets and financial liabilities

The table below and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and financial liabilities as at 1 January 2018 for the businesses held for sale and distribution. The table only includes changes which have resulted in a significant impact in the measurement of the instrument as a consequence of either a change in classification or a change in the impairment provision recognised. The line items disclosed in the table are summarised into the assets held for distribution and sale and liabilities held for distribution on sale in note 5.2. The following are the main changes impacting the classification and measurement of financial instruments for Nedbank:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

IAS 39 Categories

Rm	31 December 2017	1 January 2018 IFRS 9							
	IAS 39 Carrying value	Classification and Impairment	measurement	Carrying value	Amortised cost	FVOCI: Debt instruments	FVOCI: Equity instruments	FVTPL: Mandatorily	FVTPL: Designated
Amortised cost	731,952	(2,785)	54	729,221	705,638	18,583	–	5,000	–
Fair value through profit or loss	201,036	–	(258)	200,778	61,580	–	–	135,415	3,783
Available for sale	19,775	–	–	19,775	3,454	14,263	923	1,135	–
Total assets	952,763	(2,785)	(204)	949,774	770,672	32,846	923	141,550	3,783
Financial liabilities at amortised cost	759,004	205	(112)	759,097	759,097	–	–	–	–
Fair value through profit or loss	127,369	–	–	127,369	59,655	–	–	67,406	308
Total liabilities	886,373	205	(112)	886,466	818,752	–	–	67,406	308

Altogether R887 million of gross loans and advances and associated impairments of R474 million were reclassified from amortised cost in FVTPL, because these loans include features other than 'payments solely of principal and interest'. The loans with features other than 'payments solely of principal and interest' were reclassified in investment securities and remeasured to fair value on transition, which was R152 million lower than the amortised cost. A total of R2 billion of loans and advances at amortised cost was included in a portfolio that has a sales business objective (at 1 January 2018). These loans have been reclassified in FVTPL on adoption of IFRS 9, together with the associated impairments of R71 million. On reclassification the fair value was R44 million higher than the amortised cost. In summary, on-balance-sheet impairments decreased by R545 million on transition (R474 million due to features other than 'payments solely of principal and interest' and R71 million due to the business model). Consequently, net loans and advances decreased by R369 million and investment securities increased by R261 million, with the difference of R108 million being a fair-value remeasurement.

On adoption of IFRS 9 the Group reviewed a number of accounting policies, including those on the effective-interest-rate and the derecognition of loans and advances on modification thereof. As a result of the review, the Group changed the recognition of certain initiation fees from upfront recognition in net interest revenue to amortisation, using the effective-interest-rate method. On adoption of IFRS 9 and IFRS 15 management estimated the cumulative impact of the change in effective interest rate to be R658 million (before tax) and R474 million (after tax).

5.5.2.3 Impact of the new impairment model

The impact of the expected credit loss model on businesses held for sale and for distribution is largely attributable to Nedbank. Nedbank's IFRS 9 implementation accounts for supervisory guidance provided by the Basel Committee on Banking Supervision guidance document issued on credit risk and accounting for ECL, which outlines the basic principles of supervisory requirements for sound credit risk practices associated with the implementation and ongoing application of ECL accounting models, and the supervisory evaluation of credit risk, as well as by the corresponding SARB Guidance Note 3/2016.

It is important to note that the methods, assumptions and accounting policies applied in applying the ECL model in Nedbank will differ from the methods, assumptions and accounting policies applied in the lending businesses reported under continuing businesses. The differences in methods, assumptions and accounting policies must be viewed against the backdrop of different products, systems and availability of information across the continuing businesses and the businesses held for sale and distribution.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

G: OTHER NOTES (continued)

G5: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.5 Impact on business classified as held for sale and distribution (continued)

5.5.2 IFRS 9: Financial Instruments (continued)

5.5.2.3 Impact of the new impairment model (continued)

The total transition adjustment for ECL was R2,135 million (after tax) on 1 January 2018 and can be analysed as follows:

Rm	At 1 January 2018
Loans and advances	2,752
Provision for items not recorded on the balance sheet	205
Other	33
Total impact before tax	2,990
Tax impact	(855)
Total impact after tax	2,135

The table below sets out the transition adjustment between the IAS 39 impairment provision recognised at 31 December 2017 and the IFRS 9 impairment provision at 1 January 2018 for loans and advances and related liabilities held by Nedbank:

Instruments

Rm	IAS 39 impairment provision (note 1)	IFRS 9 impairment provision – allowance for ECL				ECL coverage %				IFRS 9 – transition adjustment		
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Gross	Tax	Net
Loans and advances	11,527	2,695	3,889	7,695	14,279	0.38%	0.55%	1.09%	2.03%	2,752	(855)	1,897
Provision for items not recorded on the balance sheet	–	82	63	60	205					205	–	205
Total	11,527	2,777	3,952	7,755	14,484	0.38%	0.55%	1.09%	2.03%	2,957	(855)	2,102

Note 1: At 1 January 2018 Nedbank reclassified loans and advances with accompanying IAS 39 impairment provision of R475 million to financial assets at fair value through profit or loss. The adjusted IAS 39 impairment provision at 1 January 2018 was R11,527 million (31 December 2017: R12,002 million).

Loans and advances

The largest contributor to the transition adjustment of R2,752 million was Retail and Business Banking with a transition adjustment of R2,370 million. The adjustment was due to measuring ECL for balances allocated to stage 1 of the ECL model at 12-month expected credit losses, revised behavioural lifetime estimates for products and refined modelling for performing loans.

Forward-looking information

The IFRS 9 macro-economic forecasts are reviewed quarterly, aligned with SARB's Monetary Policy Committee meetings. Additional ad hoc reviews will be performed in the event of significant change in the economic climate. The macroeconomic forecast includes four scenarios: a base case, a mild-stress case, a high-stress case, and a positive case. Each scenario is assigned an appropriate probability, based on its likelihood of occurring relative to the base scenario. The key macroeconomic variables included in the forecast are: GDP growth, the prime rate forecast, the household debt-to-income ratio and credit growth.

The impact of macroeconomic factors is included on a probability-weighted basis by firstly determining whether the credit risk of the loan has increased significantly since origination and secondly, once it has been determined whether 12-month ECL (stage 1) or lifetime ECL (stage 2) applies, by adjusting the ECL for the macroeconomic forecast on a probability-weighted basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2018

Income and deferred tax

Historically, Nedbank has deducted allowances on credit loss impairment provisions in accordance with the SARS ruling applicable to banks in order to determine cash tax payable. In terms of revised income tax legislation Nedbank will be able to claim a tax deduction equal to 25% of the stage 1 ECL allowance, 40% of the stage 2 ECL allowance and 85% of the stage 3 ECL allowance. It is important to note that there is no reduction for a present-value factor in the new legislation. This results in an overall reduction of current tax payable in 2018 of R450 million. The total current and deferred tax adjustment for ECL is R855 million, with R405 million recognised as a deferred tax asset. The deferred tax asset represents the difference between the accounting ECL allowance and the deduction allowed under the revised tax regime multiplied by the current corporate tax rate.

Write-off

IFRS 9 provides more detailed guidance on the point at which loans and advances should be written off. In terms of IFRS 9, loans and advances are written off when the Group has no reasonable expectations of recovering the asset partially or in its entirety. This assessment is judgemental and includes both qualitative and quantitative information, including trends based on historical recoveries. The implementation of IFRS 9 has resulted in an opening adjustment to balance sheet impairments to take into account the net impact of removing the benefit of post write-off recoveries and amending the point of write-off.

Comparative information

As permitted by the transitional provisions of IFRS 9, Nedbank has elected not to restate comparative figures. Information in this report for the year ended 31 December 2017 relating to Nedbank is presented on the basis calculated in terms of IAS 39.

5.5.3 IFRS 15 'Revenue from Contracts with Customers'

Nedbank performed an assessment to determine the impact of the new standard on the Group's client loyalty programmes. Nedbank has concluded that the loyalty points awarded to clients are consideration payable in terms of IFRS 15 guidance. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is affected. The liability for the amount expected to be paid to clients under the loyalty programmes increased by R347 million and R254 million (on an after-tax basis) on transition. Under IFRS 15, as clients earn loyalty points, the fee and commission income earned from card transactions is reduced by the expected cost of the loyalty points against a loyalty points liability. On redemption of the loyalty points the actual costs incurred are offset against the liability. Under IFRS 15 costs of Nedbank's rewards programme were previously recognised as an expense whereas they are now recognised as a reduction in net interest revenue.

G6: FUTURE STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS NOT EARLY-ADOPTED IN THE 2018 UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Certain new accounting standards and interpretations, have been published that are not mandatory for 2018 reporting periods and have not been early adopted by the Group.

IFRS 16 'Leases'

IFRS 16 'Leases' (IFRS 16) was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019. All of the Group's businesses will be impacted by the adoption of IFRS 16.

The Group as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit or loss using the effective interest rate method.

The Group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The Group is in the process of assessing the impact of IFRS 16 and which transitional approach it will follow.

IFRS 17 'Insurance Contracts'

The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 Insurance Contracts.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts or investment contracts with discretionary participation features.

The Group has commenced assessing the impact of IFRS 17.

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6

ADDITIONAL DISCLOSURE SUPPLEMENT

Unaudited Condensed Group Interim Results



DO GREAT THINGS EVERY DAY

Old Mutual Limited **GROUP INTERIM RESULTS** for the six months ended 30 June 2018

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The financial metrics included within this disclosure supplement have not been audited or reported upon by the Group's auditors.

KEY METRICS

1.1 KEY PERFORMANCE INDICATORS

Rm (unless otherwise restated)	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations (RFO) ¹	4,848	318	7%	4,530	10,367
Adjusted Headline Earnings (AHE) ¹	5,393	34	1%	5,359	12,947
Return on Net Asset Value (RoNAV) (%) ¹	17.5%	–	(190 bps)	19.4%	22.9%
Free Surplus Generated from Operations ¹	3,471	165	5%	3,306	7,842
% of AHE converted to Free Surplus Generated ¹	64%	–	200 bps	62%	61%
Group Solvency ratio (%) ^{2,3}	164%	–	(300 bps)	na	167%

1 Comparatives have been restated to exclude discontinued operations comprising Latin America and India, which was sold in October 2017. Refer to 3.7 for a reconciliation to previously reported KPI's.

2 The Group's solvency ratio has been presented on a post unbundling basis.

3 The solvency position is presented on a SAM basis using the Group's preferred methodology, which is still to be formally presented for Regulatory approval.

1.2 SUPPLEMENTARY PERFORMANCE INDICATORS

Rm (unless otherwise restated)	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Gross flows ¹	91,563	8,221	10%	83,342	173,317
Life APE sales ¹	5,810	671	13%	5,139	11,512
NCCF (Rbn) ¹	9.4	7.8	>100%	1.6	5.6
FUM (Rbn) ^{1,2}	1,097.0	24.7	2%	1,033.6	1,072.3
VNB ¹	1,109	102	10%	1,007	2,280
VNB margin (%) ¹	3.3%	–	(10 bps)	3.4%	3.5%
Banking and lending					
Loans and advances ²	27,638	4,327	19%	22,139	23,311
Net lending margin (%)	11.8%	–	(70 bps)	12.5%	13.8%
Property and casualty					
Gross written premiums	8,076	59	1%	8,017	16,135
Underwriting margin (%)	3.9%	–	320 bps	0.7%	2.5%

1 Comparatives have been restated to exclude discontinued operations comprising Latin America and India, which was sold in October 2017. Refer to 3.7 for a reconciliation to previously reported KPI's.

2 The % change has been calculated with reference to FY 2017.

KEY METRICS (continued)

1.3 SUPPLEMENTARY INCOME STATEMENT

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Mass and Foundation Cluster	1,534	228	17%	1,306	3,052
Personal Finance	918	(476)	(34%)	1,394	3,150
Wealth and Investments	783	145	23%	638	1,490
Old Mutual Corporate	854	54	7%	800	1,576
Old Mutual Insure	370	170	85%	200	524
Rest of Africa	478	110	30%	368	1,081
Net expenses from central functions	(89)	87	49%	(176)	(506)
Results from Operations¹	4,848	318	7%	4,530	10,367
Shareholder investment return	1,177	(692)	(37%)	1,869	4,920
Finance costs	(337)	(51)	(18%)	(286)	(622)
Income from associates ²	1,379	343	33%	1,036	2,305
Adjusted Headline Earnings before tax and non-controlling interests	7,067	(82)	(1%)	7,149	16,970
Shareholder tax	(1,566)	34	2%	(1,600)	(3,535)
Non-controlling interests	(108)	82	43%	(190)	(488)
Adjusted Headline Earnings	5,393	34	1%	5,359	12,947

¹ For comparative data refer to table 3.11 for the reconciliation from Adjusted operating profit to Adjusted Headline Earnings.

² Income from associates includes 19.9% stake in Nedbank and investment in China.

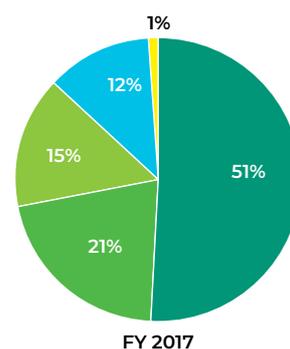
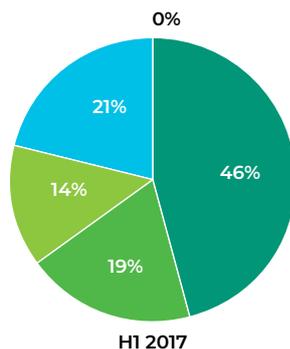
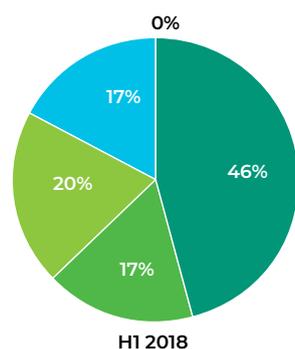
1.4 INVESTED SHAREHOLDER ASSETS

Rm	H1 2018	Change (H1 2018 vs FY 2017)		H1 2017	FY 2017
		Value	%		
Shareholder investment return (Rm)¹	1,177	(692)	(37%)	1,869	4,920
South Africa	568	(36)	(6%)	604	1,849
Rest of Africa	609	(656)	(52%)	1,265	3,071
Invested Shareholder Assets (Rbn)	40.3	4.2	12%	34.1	36.1
South Africa	25.1	2.3	10%	22.0	22.8
Rest of Africa	15.2	1.9	14%	12.1	13.3

¹ The % change has been calculated with reference to H1 2017.

Invested shareholder assets by asset class

■ South African interest-bearing assets and property
 ■ South African equities
 ■ Rest of Africa equities
■ Rest of Africa interest-bearing assets and property
 ■ Other



KEY METRICS (continued)

1.5 RETURN ON NET ASSET VALUE

	H1 2018	Change (H1 2018 vs FY 2017)		H1 2017	FY 2017
		Value	%		
Total RoNAV (%)^{1,2}	17.5%	–	(190 bps)	19.4%	22.9%
South Africa ³	18.5%	–	40 bps	18.1%	21.0%
Rest of Africa	13.2%	–	(1,220 bps)	25.4%	31.1%
Average Adjusted IFRS Equity (Rbn)¹	61.8	5.3	9%	55.1	56.5
South Africa ³	49.6	3.9	9%	45.1	45.7
Rest of Africa	12.2	1.4	13%	10.0	10.8
Closing Adjusted IFRS Equity (Rbn)¹	63.9	4.2	7%	57.1	59.7
South Africa ⁴	51.0	2.8	6%	47.1	48.2
Rest of Africa	12.9	1.4	12%	10.0	11.5

1 Comparatives have been restated to exclude Latin America and India (sold in October 2017) as these businesses have been classified as discontinued operations.

2 The % change has been calculated with reference to H1 2017.

3 The investment in China was previously reported as part of LatAm, and has now been included in South Africa.

4 Closing Adjusted IFRS Equity includes 19.9% of the closing equity of Nedbank of R16.3 billion (H1 2017: R15.8 billion, FY 2017: R16.4 billion).

1.6 FREE SURPLUS GENERATED FROM OPERATIONS

Rm	H1 2018			Change (H1 2018 vs H1 2017)		H1 2017		
	Free Surplus Generated	AHE	%	Value	%	Free Surplus Generated	AHE	%
Operating segments before capital requirements	3,987	3,995	100%	(458)	(10%)	4,445	4,310	>100%
Capital requirements	(815)	–	–	(98)	(14%)	(717)	–	–
Operating segments before fungibility restrictions	3,172	3,995	79%	(556)	(15%)	3,728	4,310	86%
Nedbank (19.9%)	699	1,398	50%	175	33%	524	1,049	50%
Free Surplus Generated before fungibility restrictions	3,871	5,393	72%	(381)	(9%)	4,252	5,359	79%
Fungibility restriction ¹	(400)	–	–	546	58%	(946)	–	–
Free Surplus Generated from Operations	3,471	5,393	64%	165	5%	3,306	5,359	62%

1 Fungibility restriction represents the free surplus generated in Zimbabwe which cannot be remitted.

Rm	FY 2017		
	Free Surplus Generated	AHE	%
Operating segments before capital requirements	10,904	10,601	>100%
Capital requirements	(2,237)	–	–
Operating segments before fungibility restrictions	8,667	10,601	82%
Nedbank (19.9%)	1,173	2,346	50%
Free Surplus Generated before fungibility restrictions	9,840	12,947	76%
Fungibility restriction ¹	(1,998)	–	–
Free Surplus Generated from Operations	7,842	12,947	61%

1 Fungibility restriction represents the free surplus generated in Zimbabwe which cannot be remitted.

KEY METRICS (continued)

1.7 GROUP SOLVENCY POSITION¹

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
Nedbank at current holding				
Eligible own funds	132.3	5.3	4%	127.0
Solvency capital requirement	83.1	4.6	6%	78.5
Solvency ratio (%)	159%	–	(300 bps)	162%
Nedbank on a post unbundling basis (19.9%)²				
Eligible own funds	102.3	4.0	4%	98.3
Solvency capital requirement	62.2	3.4	6%	58.8
Solvency ratio (%)	164%	–	(300 bps)	167%

¹ The solvency positions are presented on a SAM basis using the Group's preferred methodology, which is still to be formally presented for Regulatory approval.

² The post unbundling position includes 19.9% holding in Nedbank.

1.8 DEBT SUMMARY

Rm	H1 2018	Change (H1 2018 vs FY 2017)		H1 2017	FY 2017
		Value	%		
Gearing¹					
IFRS book value of subordinated debt ²	6,495	2	–	5,945	6,495
IFRS equity attributable to operating segments ³	47,594	4,313	10%	41,266	43,281
Gearing ratio (%)	12.0%		(100 bps)	12.6%	13.0%
Interest cover⁴					
Finance costs	337	51	18%	286	622
AHE before tax and non-controlling interests and debt service costs	7,404	(31)	–	7,435	17,592
Interest cover	22.0	(4)	(15%)	26.0	28.3

¹ Debt ratios are calculated based on the IFRS book value of debt that supports the capital structure. This excludes non-qualifying debt, Nedbank and Residual plc debt.

² Refer to table 3.8 for the reconciliation of IFRS book value of subordinated debt to IFRS borrowed funds as disclosed in the IFRS balance sheet.

³ Excludes equity attributable to Residual plc and assets held for sale and distribution.

⁴ The % change has been calculated with reference to H1 2017.

SEGMENT KEY PERFORMANCE INDICATORS

OUR PRESENCE IN AFRICA

	Banking and Lending	Life and Savings	Property and Casualty	Asset Management	Property
South Africa	✓	✓	✓	✓	
SADC					
Botswana		✓	✓		
Malawi		✓		✓	
Namibia	✓	✓	✓	✓	
Swaziland		✓		✓	
Zimbabwe	✓	✓	✓	✓	
East Africa					
Kenya	✓	✓	✓	✓	
Rwanda			✓		
South Sudan		✓	✓		✓
Tanzania			✓		
Uganda		✓	✓		✓
West Africa					
Ghana		✓		✓	
Nigeria		✓	✓		



2.1 MASS AND FOUNDATION CLUSTER

2.1.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	1,534	228	17%	1,306	3,052
Gross flows	6,532	823	14%	5,709	12,022
Life APE sales	2,142	376	21%	1,766	4,091
Single premium	2	1	100%	1	3
Recurring premium	2,140	375	21%	1,765	4,088
NCCF (Rbn)	3.1	0.2	7%	2.9	6.1
FUM (Rbn)¹	13.1	0.7	6%	11.7	12.4
VNB	655	70v	12%	585	1,236
VNB margin (%)	10.5%	–	30 bps	10.2%	10.6%

¹ The % change has been calculated with reference to FY 2017.

SEGMENT KEY PERFORMANCE INDICATORS (continued)

2.1.2 OLD MUTUAL FINANCE

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Loans and advances¹	13,432	1,362	11%	11,150	12,070
Performing	10,202	1,507	17%	7,713	8,695
Defaulted	3,230	(145)	(4%)	3,437	3,375
Balance sheet impairment provision¹	2,993	425	17%	2,674	2,568
Performing	928	451	95%	534	477
Defaulted	2,065	(26)	(1%)	2,140	2,091
Impairment coverage ratio ²	23.0%	–	(1.0%)	24.0%	21.3%
Results from Operations	342	48	16%	294	715
Net interest income (NII)	847	50	6%	797	1,587
Non-interest revenue (NIR)	386	(17)	(4%)	403	812
Net lending margin (%)	14.4%	–	(90 bps)	15.3%	16.2%
Credit loss ratio (%)	5.4%	–	(90 bps)	6.3%	5.0%

¹ The % change has been calculated with reference to FY 2017.

² Impairment coverage ratio calculates the impairment provision as a percentage of loans and advances.

2.2 PERSONAL FINANCE

2.2.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	918	(476)	(34%)	1,394	3,150
Gross flows	12,970	530	4%	12,440	24,947
Life APE sales	1,221	(20)	(2%)	1,241	2,502
Single premium	444	25	6%	419	831
Recurring premium	777	(45)	(5%)	822	1,671
NCCF (Rbn)	(1.8)	(0.5)	(38%)	(1.3)	(2.8)
FUM (Rbn)¹	188.5	(5.2)	(3%)	192.0	193.7
VNB	100	13	15%	87	366
VNB margin (%)	1.3%	–	20 bps	1.1%	2.4%

¹ The % change has been calculated with reference to FY 2017.

SEGMENT KEY PERFORMANCE INDICATORS (continued)

2.3 WEALTH AND INVESTMENTS

2.3.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	783	145	23%	638	1,490
Gross flows	45,114	2,709	6%	42,405	88,250
NCCF (Rbn)	10.9	9.1	>100%	1.8	14.1
Assets under management (AUM)^{1,2} (Rbn)	741.9	5.3	1%	695.3	736.6
FUM	516.6	18.5	4%	463.3	498.1
Intergroup assets	345.8	5.4	2%	329.8	340.4
Assets under management and administration (AuMA) ²	862.4	23.9	3%	793.1	838.5
Assets under administration	(120.5)	(18.6)	(18%)	(97.8)	(101.9)
Total revenue	2,374	90	4%	2,284	4,889
Annuity	2,151	–	–	2,151	4,358
Non-annuity	223	90	68%	133	531

¹ The % change has been calculated with reference to FY 2017.

² AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM of these respective segments. Assets under administration that is managed externally is not included in AUM.

³ AuMA is AUM including assets under administration.

⁴ Comparatives have been restated to reflect amounts gross of external management fees of R148 million in H1 2017 (FY 2017: R317 million).

2.3.2 RESULTS FROM OPERATIONS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Wealth	331	(39)	(11%)	370	728
Asset Management	125	(2)	(2%)	127	224
Wealth and Asset Management	456	(41)	(8%)	497	952
Alternatives	150	174	>100%	(24)	144
Specialised Finance	177	12	7%	165	394
Results from Operations (Rm)	783	145	23%	638	1,490
Profit margin (%) ¹	0.21%	–	–	0.21%	0.22%

¹ Calculated as Results from Operations divided by the average AUM.

2.3.3 NCCF

Rbn	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Wealth	6.6	5.2	>100%	1.4	8.8
Asset Management	3.7	3.2	>100%	0.5	4.2
Wealth and Asset Management	10.3	8.4	>100%	1.9	13.0
Alternatives	0.6	0.7	>100%	(0.1)	1.1
Wealth Investments	10.9	9.1	>100%	1.8	14.1

SEGMENT KEY PERFORMANCE INDICATORS (continued)

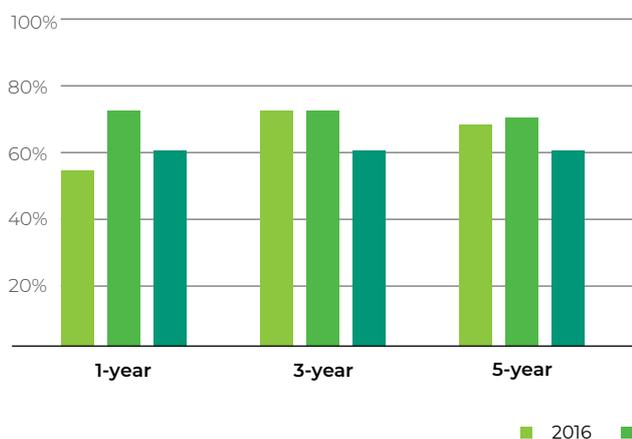
2.3.4 REVENUE

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Revenue – Annuity¹					
Wealth	1,177	23	2%	1,154	2,344
Asset Management	539	26	5%	513	1,055
Wealth and Asset Management	1,716	49	3%	1,667	3,399
Alternatives	201	9	5%	192	395
Specialised Finance	234	(58)	(20%)	292	564
Total annuity revenue (Rm)	2,151	–	–	2,151	4,358
Revenue – Non-annuity					
Wealth	–	–	–	–	–
Asset Management	23	(18)	(44%)	41	118
Wealth and Asset Management	23	(18)	(44%)	41	118
Alternatives	145	29	25%	116	368
Specialised Finance	55	79	>100%	(24)	45
Total non-annuity revenue (Rm)	223	90	68%	133	531

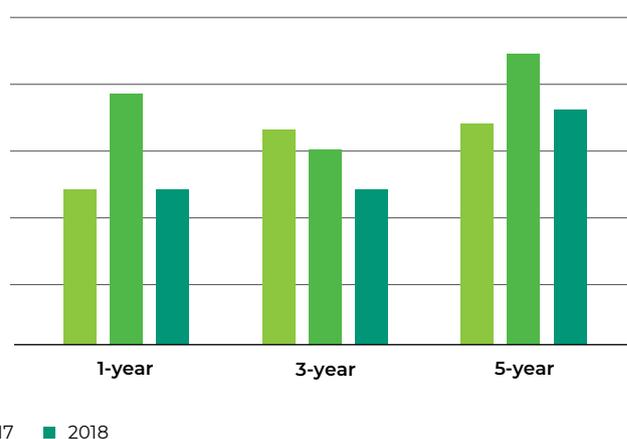
¹ Comparatives have been restated to reflect amounts gross of external management fees of R148 million in H1 2017 (FY 2017: R317 million).

2.3.4 INVESTMENT PERFORMANCE

Funds Above Median – June 2018 (%)



Funds Above Benchmark – June 2018 (%)



SEGMENT KEY PERFORMANCE INDICATORS (continued)

2.4 OLD MUTUAL CORPORATE

2.4.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	854	54	7%	800	1,576
Gross flows	21,723	4,963	30%	16,760	35,671
Life APE sales	1,451	292	25%	1,159	2,719
Single premium	1,150	332	41%	818	1,804
Recurring premium	301	(40)	(12%)	341	915
NCCF (Rbn)	0.8	1.1	>100%	(0.3)	(7.1)
FUM (Rbn)¹	258.2	2.6	1%	251.6	255.6
VNB	168	38	29%	130	254
VNB margin (%)	1.2%	–	–	1.2%	1.0%

¹ The % change has been calculated with reference to FY 2017.

2.5 OLD MUTUAL INSURE

2.5.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	370	170	85%	200	524
Gross written premiums	6,293	195	3%	6,098	12,481
Net earned premiums	4,247	32	1%	4,215	8,409
Underwriting result	270	174	>100%	96	312
Personal	210	137	>100%	73	179
Commercial	120	75	>100%	45	166
OMSI (previously Corporate and Niche)	(22)	3	12%	(25)	(90)
CGIC	(8)	(20)	>(100%)	12	60
Central expenses	(30)	(21)	>(100%)	(9)	(3)
Underwriting margin (%)	6.4%	–	410 bps	2.3%	3.7%
Insurance margin (%)	8.7%	–	390 bps	4.8%	6.1%
Claims ratio (%) ¹	59.8%	–	(410 bps)	63.9%	61.4%

¹ Claims ratio for H1 2018 is presented net of administration costs following a methodology change in December 2017. The H1 2017 claims ratio has been restated to include administration cost of R169 million.

SEGMENT KEY PERFORMANCE INDICATORS (continued)

2.6 REST OF AFRICA

2.6.1 KEY PERFORMANCE INDICATORS

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations¹	478	110	30%	368	1,081
Gross flows	9,986	(370)	(4%)	10,356	21,306
Life APE sales	555	13	2%	542	1,347
Single premium	133	28	27%	105	238
Recurring premium	422	(15)	(3%)	437	1,109
NCCF (Rbn)	0.7	(0.9)	(56%)	1.6	2.2
FUM (Rbn)²	116.0	12.0	12%	96.7	104.0
VNB	102	(25)	(20%)	127	267
VNB margin (%)	3.3%	–	(100 bps)	4.3%	4.3%
Banking and lending³					
Loans and advances ²	14,206	2,965	26%	10,989	11,241
Net lending margin (%) ⁴	9.4%	–	(10 bps)	9.5%	11.4%
Credit loss ratio (%)	1.9%	–	100 bps	0.9%	0.4%
Property and casualty					
Gross written premiums	1,783	(136)	(7%)	1,919	3,654
Net earned premiums	1,299	(61)	(4%)	1,360	2,800
Underwriting margin (%) ⁵	(6.7%)	–	(230 bps)	(4.4%)	(1.1%)

¹ Results from Operations for Rest of Africa includes central regional expenses of R57 million (H1 2017: R82 million, FY 2017: R188 million).

² The % change has been calculated with reference to FY 2017.

³ Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.

⁴ Net interest margin plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.

⁵ Underwriting margin is calculated with reference to Results from Operations.

2.6.2 SADC

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	745	145	24%	600	1,519
Gross flows	8,372	428	5%	7,944	17,291
Life APE sales	468	33	8%	435	1,131
NCCF (Rbn)	0.3	(0.4)	(57%)	0.7	1.0
FUM (Rbn)¹	86.8	7.5	9%	71.8	79.3
VNB	135	(37)	(22%)	172	337
VNB margin (%)	4.7%	–	(170 bps)	6.4%	6.0%
Banking and lending					
Loans and advances ¹	11,814	2,647	29%	8,796	9,167
Net lending margin (%) ²	9.0%	–	–	9.0%	11.0%
Credit loss ratio (%)	2.0%	–	100 bps	1.0%	0.17%
Property and casualty					
Gross written premiums	683	(5)	(1%)	688	1,361
Net earned premiums	504	5	1%	499	1,016
Underwriting margin (%) ³	7.4%	–	120 bps	6.2%	7.2%

¹ The % change has been calculated with reference to FY 2017.

² Net interest margin plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

³ Underwriting margin is calculated with reference to Results from Operations.

SEGMENT KEY PERFORMANCE INDICATORS (continued)

2.6 REST OF AFRICA (continued)

2.6.3 EAST AFRICA

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	(108)	(59)	>(100%)	(49)	(67)
Gross flows	1,466	(798)	(35%)	2,264	3,735
Life APE sales	46	1	2%	45	100
NCCF (Rbn)	0.3	(0.5)	(63%)	0.8	1.1
FUM (Rbn)¹	28.1	4.3	18%	23.9	23.8
VNB	(16)	6	27%	(22)	(38)
VNB margin (%)	(17.6%)	–	370 bps	(21.3%)	(22.2%)
Banking and lending					
Loans and advances ¹	2,392	318	15%	2,193	2,074
Net lending margin (%) ²	11.3	–	(30 bps)	11.6%	12.8%
Credit loss ratio (%)	1.6%	–	100 bps	0.6%	1.3%
Property and casualty					
Gross written premiums	1,027	(105)	(9%)	1,132	2,145
Net earned premiums	773	(68)	(8%)	841	1,741
Underwriting margin (%) ³	(8.5%)	–	(290 bps)	(5.6%)	(0.9%)

¹ The % change has been calculated with reference to FY 2017.

² Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.

³ Underwriting margin is calculated with reference to Results from Operations.

2.6.4 WEST AFRICA

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Results from Operations	(102)	(1)	(1%)	(101)	(183)
Gross flows	148	–	–	148	280
Life APE sales	41	(21)	(34%)	62	116
NCCF (Rbn)	0.1	–	–	0.1	0.2
FUM (Rbn)¹	1.1	0.1	22%	1.0	0.9
VNB	(17)	6	26%	(23)	(32)
VNB margin (%)	(15.6%)	–	(420 bps)	(11.4%)	(8.1%)
Property and casualty					
Gross written premiums	73	(26)	(26%)	99	148
Net earned premiums	22	1	5%	21	43
Underwriting margin (%) ²	(195.5%)	–	(6,690 bps)	(128.6%)	(104.7%)

¹ The % change has been calculated with reference to FY 2017.

² Underwriting margin is calculated with reference to Results from Operations.

OTHER DISCLOSURES AND RECONCILIATIONS

3.1 SOURCES OF EARNINGS

Rm	H1 2018			Change (H1 2018 vs H1 2017)		H1 2017		
	South Africa	Rest of Africa	Group	Value	%	South Africa	Rest of Africa	Group
New business strain	(259)	(113)	(372)	125	25%	(385)	(112)	(497)
Expected profits	3,351	303	3,654	333	10%	3,058	263	3,321
Non-economic experience items	(98)	(51)	(149)	(422)	>(100%)	367	(94)	273
Experience variances	17	(44)	(27)	(257)	>(100%)	298	(68)	230
Assumption changes	(115)	(7)	(122)	(165)	>(100%)	69	(26)	43
Economic experience items	308	1	309	(152)	(33%)	411	50	461
Investment variances	308	1	309	(152)	(33%)	411	50	461
Assumption changes	-	-	-	-	-	-	-	-
Life and savings RFO	3,302	140	3,442	(116)	(3%)	3,451	107	3,558
Asset Management RFO	394	143	537	181	51%	248	108	356
Banking and lending RFO	304	283	587	112	24%	263	212	475
Net earned premiums	4,247	1,299	5,546	(29)	(1%)	4,215	1,360	5,575
Net claims incurred ¹	(2,541)	(810)	(3,351)	(17)	(1%)	(2,525)	(809)	(3,334)
Net commission expenses	(648)	(98)	(746)	113	13%	(698)	(161)	(859)
Net operating expenses ¹	(784)	(479)	(1,263)	85	6%	(899)	(449)	(1,348)
Investment return on insurance funds	96	-	96	(11)	(10%)	107	-	107
Property and casualty RFO	370	(88)	282	141	100%	200	(59)	141
RFO	4,370	478	4,848	318	7%	4,162	368	4,530
Shareholder investment return	568	609	1,177	(692)	(37%)	604	1,265	1,869
Finance costs	(337)	-	(337)	(51)	(18%)	(286)	-	(286)
Income from associates ²	1,379	-	1,379	343	33%	1,036	-	1,036
Adjusted Headline Earnings before tax and non-controlling interests	5,980	1,087	7,067	(82)	(1%)	5,516	1,633	7,149
Shareholder tax	(1,315)	(251)	(1,566)	34	2%	(1,364)	(236)	(1,600)
Non-controlling interests	(78)	(30)	(108)	82	43%	(65)	(125)	(190)
Adjusted Headline Earnings	4,587	806	5,393	34	1%	4,087	1,272	5,359

¹ Following a methodology change in December 2017 claims administration costs are reported in Net claims incurred.

² Income from associates includes the 19.9% stake in Nedbank and investment in China.

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.1 SOURCES OF EARNINGS (continued)

Rm	FY 2017		Group
	South Africa	Rest of Africa	
New business strain	(203)	(173)	(376)
Expected profits	5,793	455	6,248
Non-economic experience items	899	(56)	843
Experience variances	167	(13)	154
Assumption changes	732	(43)	689
Economic experience items	900	122	1,022
Investment variances	652	124	776
Assumption changes	248	(2)	246
Life and savings RFO	7,389	348	7,737
Asset Management RFO	673	212	885
Banking and lending RFO	699	556	1,255
Net earned premiums	8,409	2,800	11,209
Net claims incurred	(5,160)	(1,551)	(6,711)
Net commission expenses	(1,381)	(172)	(1,553)
Net operating expenses	(1,543)	(1,112)	(2,655)
Investment return on insurance funds	200	–	200
Property and casualty RFO	525	(35)	490
RFO	9,286	1,081	10,367
Shareholder investment return	1,849	3,071	4,920
Finance costs	(622)	–	(622)
Income from associates ¹	2,305	–	2,305
Adjusted Headline Earnings before tax and non-controlling interests	12,818	4,152	16,970
Shareholder tax	(3,082)	(453)	(3,535)
Non-controlling interests	(144)	(344)	(488)
Adjusted Headline Earnings	9,592	3,355	12,947

¹ Income from associates includes the 19.9% stake in Nedbank and investment in China.

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.2 SOLO SOLVENCY POSITION¹

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
South Africa Life (OMLACSA) – solvency position				
Eligible own funds	76.4	(1.4)	(2%)	77.8
Solvency capital requirement (SCR)	31.8	(0.1)	–	31.9
Solvency ratio (%)	240%	–	(300 bps)	243%
Old Mutual Insure – solvency position				
Eligible own funds	3.7	(0.1)	(3%)	3.8
Solvency capital requirement (SCR)	2.5	(0.1)	(4%)	2.6
Solvency ratio (%)	150%	–	100 bps	149%

¹ The solvency positions are presented on a SAM basis using the Group's preferred methodology, which is still to be formally presented for Regulatory approval.

3.3 SOLO SOLVENCY POSITION ON SVM BASIS

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		H1 2017	FY 2018
		Value	%		
South Africa Life (OMLACSA) – solvency position					
Excess admissible assets	47.1	1.5	3%	45.6	45.6
Statutory capital adequacy requirement	16.3	0.9	6%	14.8	15.4
Statutory capital cover (after regulatory asset limits)	2.9	(0.1)	(3%)	3.1	3.0
Old Mutual Insure – solvency position					
Excess admissible assets	3.5	–	–	3.1	3.5
Statutory capital adequacy requirement	2.0	–	–	2.0	2.0
Statutory capital cover (after regulatory asset limits)	1.7	–	–	1.6	1.7

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.4 IFRS NAV TO SAM GROUP OWN FUNDS

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
Closing Adjusted IFRS Equity¹	107,769	13,638	14%	94,131
Scoping adjustment ³	(2,378)	1,409	37%	(3,787)
Treasury shares in policyholder funds ⁴	7,322	428	6%	6,894
Residual plc assets ⁵	–	(2,753)	(100%)	2,753
Goodwill and other intangibles ⁶	(8,331)	(692)	(9%)	(7,639)
Technical provisions (net of deferred tax) ⁷	35,993	971	3%	35,022
Subordinated debt ⁸	13,431	1,022	8%	12,409
Fungibility and eligibility adjustment ⁹	(14,292)	(3,746)	(36%)	(10,546)
Foreseeable dividend	(7,166)	(4,937)	>(100%)	(2,229)
Group own funds	132,348	5,340	4%	127,008
Post Nedbank unbundling basis (19.9%)				
Closing Adjusted IFRS Equity^{1,2}	75,742	12,922	21%	62,820
Scoping adjustment ³	(480)	1,810	79%	(2,290)
Treasury shares in policyholder funds ⁴	7,322	428	6%	6,894
Residual plc assets ⁵	–	(2,753)	(100%)	2,753
Goodwill and other intangibles ⁶	(4,265)	(463)	(12%)	(3,802)
Technical provisions (net of deferred tax) ⁷	35,299	951	3%	34,348
Subordinated debt ⁸	9,052	363	4%	8,689
Fungibility and eligibility adjustment ⁹	(13,229)	(4,358)	(49%)	(8,871)
Foreseeable dividend	(7,166)	(4,937)	>(100%)	(2,229)
Group own funds	102,275	3,963	4%	98,312

1 For the purposes of Group own funds, Closing Adjusted IFRS Equity includes Residual plc and Latin America. In FY 2017 the net assets of Residual plc that were deemed fungible was presented on a net basis in the Residual plc assets line item. In H1 2018 the net asset of Residual plc have been presented gross in the starting point of Closing Adjusted IFRS Equity with a corresponding adjustment in the Fungibility and eligibility adjustment line item. No restatement was made to comparatives.

2 Includes Nedbank at 19.9% holding.

3 Deduction for entities included in IFRS reporting but not included in scope for SAM Group reporting.

4 These are Old Mutual Limited shares and Nedbank shares backing policyholder liabilities that are eliminated per IFRS requirements but not under SAM.

5 Reflects SAM own funds after adjusting for the assumed fungibility restriction, which sets the own funds for Residual plc equal to its SCR.

6 Goodwill and other intangibles are assets that are recognised per IFRS requirements, however, they are deemed inadmissible for SAM purposes. The figure shown in the above reconciliation only includes goodwill and other intangible assets for those entities which are in the scope of SAM Group reporting.

7 SAM uses a best estimate liability basis to measure insurance liabilities. This effectively recognises an earnings component within the liabilities and results in an increase in capital requirement.

This is partially offset by the recognition of the risk margin which replaces prudential margins allowed for in IFRS insurance liabilities.

8 OMLACSA, Old Mutual Insure and Nedbank subordinated debt comprises tier 2 debt instruments counting towards the SAM capital position.

9 Restricted surplus includes excess own funds mainly from Residual plc and Zimbabwe. Further adjustments are made for eligibility requirements and the removal of inadmissible items.

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.5 ADJUSTED HEADLINE EARNINGS TO IFRS PROFIT

Rm	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Adjusted Headline Earnings	5,393	34	1%	5,359	12,947
Investment return for Group equity and debt instruments in life funds	620	514	>100%	106	(1,355)
Impact of restructuring	(450)	(369)	>(100%)	(81)	(54)
Discontinued operations ¹	4,536	338	8%	4,198	8,870
Income from associates ²	(1,398)	(349)	(33%)	(1,049)	(2,346)
Residual plc ¹	(901)	606	40%	(1,507)	(4,918)
Headline earnings	7,800	774	11%	7,026	13,144
Impairment of goodwill and other intangible assets	(21)	699	97%	(720)	(1,080)
Profit/(loss) on disposal of fixed assets	14	26	>100%	(12)	(26)
Profits on disposal of subsidiaries, associated undertakings and strategic investments	2,855	1,899	>100%	956	2,081
Profit after tax for the financial period attributable to ordinary equity holders of the parent	10,648	3,398	47%	7,250	14,119
Dividends on preferred securities	–	(253)	(100%)	253	253
Profit after tax for the financial period attributable to equity holders of the parent	10,648	3,145	42%	7,503	14,372

¹ Comparatives as disclosed in the SENS announcement on 7 August 2018, have been represented to reclassify the results of Old Mutual Bermuda from Residual plc to discontinued operations.

² Income from associates includes 19.9% stake in Nedbank.

3.6 RECONCILIATION OF SEGMENT PERFORMANCE INDICATORS

	Gross flows (Rm)			Life APE Sales (Rm)			NCCF (Rbn)			FUM (Rbn)			VNB (Rm)		
	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017
Mass and Foundation Cluster	6,532	5,709	12,022	2,142	1,766	4,091	3.1	2.9	6.1	13.1	11.7	12.4	655	585	1,236
Personal Finance	12,970	12,440	24,947	1,221	1,241	2,502	(1.8)	(1.3)	(2.8)	188.5	192.0	193.7	100	87	366
Wealth and Investments	45,114	42,405	88,250	623	530	1,112	10.9	1.8	14.1	516.6	463.3	498.1	84	78	157
Old Mutual Corporate	21,723	16,760	35,671	1,451	1,159	2,719	0.8	(0.3)	(7.1)	258.2	251.6	255.6	168	130	254
Rest of Africa	9,986	10,356	21,306	555	542	1,347	0.7	1.6	2.2	116.0	96.7	104.0	102	127	267
Other Group Activities ¹	260	1,137	1,378	90	193	300	(1.8)	0.2	(1.3)	48.4	54.0	48.0	–	–	–
Intra-group eliminations	(5,022)	(5,465)	(10,257)	(272)	(292)	(559)	(2.5)	(3.3)	(5.6)	(43.8)	(35.7)	(39.5)	–	–	–
Group	91,563	83,342	173,317	5,810	5,139	11,512	9.4	1.6	5.6	1,097.0	1,033.6	1,072.3	1,109	1,007	2,280

¹ Other Group Activities includes investment in China.

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.7 RECONCILIATION OF PREVIOUSLY REPORTED KPIS

Rm	H1 2017			FY 2017		
	Old Mutual Limited	Discontinued operations ¹	Previously reported ²	Old Mutual Limited	Discontinued operations ¹	Previously reported ³
Results from Operations (RFO) ¹	4,530	323	4,853	10,367	609	10,976
Adjusted Headline Earnings (AHE)	5,359	251	5,610	12,947	462	13,409
Gross flows	83,342	20,275	103,617	173,317	61,947	235,264
Life APE Sales	5,139	987	6,126	11,512	1,577	13,089
NCCF (Rbn)	1.6	5.7	7.3	5.6	26.2	31.8
FUM (Rbn)	1,033.6	138.4	1,172.0	1,072.3	172.1	1,244.4
VNB	1,007	(9.0)	998	2,280	(24)	2,256

¹ Discontinued operations includes Latin America and India, which was sold in October 2017. The Results from Operations includes investment in China.

² As published in the Old Mutual Emerging Markets unaudited disclosure supplement for the year ended 31 December 2017.

³ As published in the Old Mutual Limited pre-listing statement for the year ended 31 December 2017.

3.8 IFRS BOOK VALUE TO IFRS BORROWED FUNDS

Rm	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
IFRS book value of subordinated debt¹	14,636	422	3%	14,214
Term loans and revolving credit facilities	6,496	1,844	40%	4,652
Total borrowed funds	21,132	2,266	12%	18,866

¹ Includes subordinated debt securities of R6,495 million (FY 2017: R6,495 million) issued by operating segments and subordinated debt securities of R8,141 million (FY 2017: R7,719 million) issued by Residual plc.

3.9 IFRS EQUITY TO RONAV

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
Equity attributable to the holders of the parent	104.6	(32.1)	(23%)	136.7
Equity in respect of discontinued operations	(48.9)	30	38%	(78.9)
Equity in respect of Residual plc and other	(8.1)	6.4	44%	(14.5)
Equity attributable to operating segments	47.6	4.3	10%	43.3
Equity attributable to 19.9% Nedbank	16.3	(0.1)	(1%)	16.4
Adjusted IFRS equity	63.9	4.2	7%	59.7

OTHER DISCLOSURES AND RECONCILIATIONS (continued)

3.10 RESIDUAL PLC IFRS NAV TO ECONOMIC VALUE

£ million	At 30 June 2018 As reported	At 30 June 2018 Proforma	At 31 December 2017 As reported
UK gilts and cash	921	624	540
Investment in Quilter	24	24	–
Net intercompany funding	–	–	759
Other assets and liabilities	67	67	64
Old Mutual Bermuda	58	21	124
Third party debt	(449)	(132)	(461)
Residual plc IFRS NAV	621	604	1 026
Adjustment of debt valuation to risk free rate	(54)	(22)	n/a
Prefunding of plc Head office costs	(109)	(109)	n/a
Other ¹	(34)	(34)	n/a
Residual plc Economic NAV²	424	439	n/a

¹ Includes Nedbank and Quilter shares held for purposes of remuneration schemes in Residual plc and therefore not included in the economic NAV.

² Includes an inter-company balance of £37 million between with Zimbabwe and Old Mutual plc and therefore proforma realisable NAV is closer to c. £400 million.

3.11 AOP TO AHE

Rm	H1 2017	FY 2017
AOP before tax and non-controlling interest	6,025	13,326
LatAm and Asia ¹	(323)	(609)
Long term investment return	(1,371)	(2,974)
Shareholder investment return ²	1,976	5,120
Amortisation of acquired intangible and acquisition costs	(206)	(221)
Impairment of intangible assets and fixed assets	12	23
Income from associates ³	1,036	2,305
AHE before tax and non-controlling interests	7,149	16,970
Shareholder tax	(1,600)	(3,535)
Non-controlling interests	(190)	(488)
AHE	5,359	12,947

¹ Latin America and India which was sold in October 2017, have been classified as discontinued operations and therefore not included in AHE by definition. Investment in China is reported as part of the Other Group activities segment.

² Amounts include investment return on insurance return to the amount of R107 million and R200 million related to Old Mutual Insure for H1 2017 and FY 2017.

³ Income from associates includes the 19.9% stake in Nedbank and investment in China.

ECONOMIC STATISTICS

4 ECONOMIC STATISTICS

	H1 2018	Change (H1 2018 vs H1 2017)		H1 2017	FY 2017
		Value	%		
Exchange rates					
GBP:ZAR					
Average exchange rate (YTD)	16.927	0.284	2%	16.643	17.149
Closing exchange rate	18.127	1.143	7%	16.983	16.757
KES:ZAR					
Average exchange rate (YTD)	0.121	(0.007)	(5%)	0.128	0.129
Closing exchange rate	0.136	0.010	8%	0.126	0.120
USD:ZAR					
Average exchange rate (YTD)	12.306	(0.913)	(7%)	13.218	13.311
Closing exchange rate	13.725	0.669	5%	13.056	12.390
South African equity indices					
FTSE/JSE capped All Share	47,016	5,447	13%	41,569	47,978
JSE/FTSE Africa All Share Index	57,611	6,000	12%	51,611	59,505
JSE/FTSE Shareholder weighted All Share Index	12,457	969	8%	11,488	13,292
Rest of Africa equity indices					
Zimbabwe Industrial Index	343	147	75%	196	324
Nairobi Securities Exchange Ltd All Share Index	174	21	14%	153	171
Malawi All Share Index	583	299	105%	284	369
FTSE JSE Namibia Overall Index	1,284	270	27%	1,014	1,300
Global equity indices					
MSCI Emerging Markets Index (Net)	487	37	8%	450	521
Interest-bearing indices					
STEFI composite	397	27	7%	370	383
FSV discount rate used (%)	9.2%	-	10 bps	9.1%	9.0%

EMBEDDED VALUE

All disclosures are presented in line with Market Consistent Embedded Value (MCEV) principles, consistent with previous disclosures prepared for Old Mutual Emerging Markets published by Old Mutual plc.

5.1 COMPONENTS OF EMBEDDED VALUE

Rm	At 30 June 2018	At 30 June 2017	At 31 December 2017
Adjusted net worth (ANW)	33,677	29,575	29,966
Free surplus	9,409	7,907	7,090
Required capital ¹	24,268	21,668	22,876
Value of in-force (VIF)	33,652	32,245	33,695
Present value of future profits (PVFP)	40,535	38,280	39,949
Frictional costs ²	(3,476)	(3,704)	(3,866)
Cost of residual non-hedgeable risks (CNHR) ³	(3,407)	(2,331)	(2,388)
Embedded value⁴	67,329	61,820	63,661

¹ Required capital has increased since 31 December 2017 mainly due to revision of the capital framework following the implementation of SAM.

² Frictional costs have reduced since 31 December 2017 following a review of the allocation of capital to different products.

³ The cost of residual non-hedgeable risks (CNHR) increased over the period due to the alignment of non-hedgeable risk capital with SAM.

⁴ Latin America was reclassified as discontinued operations and has therefore also been removed from the covered business and prior year comparatives (June 2017: R936 million; December 2017: R812 million).

EMBEDDED VALUE (continued)

5.2 ANALYSIS OF CHANGE IN EMBEDDED VALUE

Rm	Note	H1 2018				EV
		Free surplus	Required capital	Adjusted net worth	Value of in-force	
Opening EV		7,090	22,876	29,966	33,695	63,661
New business value	5.3	(1,565)	1,172	(393)	1,502	1,109
Expected existing business contribution (reference rate)		189	668	857	1,535	2,392
Expected existing business contribution (in excess of reference rate)		74	135	209	213	422
Transfers from VIF and required capital to free surplus		4,287	(1,617)	2,670	(2,670)	–
Experience variances	5.4	(99)	74	(25)	(191)	(216)
Development cost variances ¹		(118)	–	(118)	–	(118)
Assumption and model changes	5.5	(725)	528	(197)	482	285
Operating EV earnings		2,043	960	3,003	871	3,874
Economic variances	5.6	(477)	173	(304)	(1,034)	(1,338)
Regulatory and tax changes		(5)	–	(5)	(1)	(6)
Total EV earnings		1,561	1,133	2,694	(164)	2,530
Closing adjustments		758	259	1,017	121	1,138
Capital and dividend flows ²		415	–	415	–	415
Foreign exchange variance ³		343	259	602	121	723
Closing EV⁴		9,409	24,268	33,677	33,652	67,329
Return on EV (RoEV)% per annum⁵						11.7%

¹ The development cost variances in 2018 include costs in respect of initiatives to support the expansion in Rest of Africa and building the Old Mutual brand, investment in information technology to improve customer experience and deliver efficiencies and the development of alternative products and distribution capabilities.

² Capital and dividend flows in 2018 relate mainly to the reclassification of Quilter shares to investment and securities, the waiver of a further loan repayment due to Old Mutual plc in respect of the Zimbabwe Holding Company and a transfer to non-life businesses to fund their portion of central expenses.

³ The foreign exchange variance in 2018 relates mainly to the weakening of the Rand relative to other currencies, including the weakening of the Rand to the US dollar which increased the value of the Zimbabwe business.

⁴ All EV results are after tax and non-controlling interests, unless stated otherwise.

⁵ Return on EV is calculated as the annualised operating EV earnings after tax divided by opening EV.

EMBEDDED VALUE (continued)

Rm	Note	H1 2017				EV
		Free surplus	Required capital	Adjusted net worth	Value of in-force	
Opening EV		6,161	20,900	27,061	31,383	58,444
New business value	5.3	(1,657)	1,168	(489)	1,496	1,007
Expected existing business contribution (reference rate)		141	661	802	1,523	2,325
Expected existing business contribution (in excess of reference rate)		74	125	199	208	407
Transfers from VIF and required capital to free surplus		3,767	(1,467)	2,300	(2,300)	–
Experience variances	5.4	195	104	299	(185)	114
Development cost variances		(113)	–	(113)	–	(113)
Assumption and model changes	5.5	(75)	117	42	(65)	(23)
Operating EV earnings		2,332	708	3,040	677	3,717
Economic variances	5.6	295	155	450	238	688
Regulatory and tax changes		(8)	–	(8)	(10)	(18)
Total EV earnings		2,619	863	3,482	905	4,387
Closing adjustments		(873)	(95)	(968)	(43)	(1,011)
Capital and dividend flows		(746)	(2)	(748)	(0)	(748)
Foreign exchange variance		(127)	(93)	(220)	(43)	(263)
Closing EV		7,907	21,668	29,575	32,245	61,820
Return on EV (RoEV)% per annum						12.8%

EMBEDDED VALUE (continued)

5.2 ANALYSIS OF CHANGE IN EMBEDDED VALUE (continued)

Rm	Note	FY 2017				
		Free surplus	Required capital	Adjusted net worth	Value of in-force	EV
Opening EV		6,161	20,900	27,061	31,383	58,444
New business value	5.3	(3,075)	2,536	(539)	2,819	2,280
Expected existing business contribution (reference rate)		377	1,326	1,703	3,123	4,826
Expected existing business contribution (in excess of reference rate)		146	251	397	409	806
Transfers from VIF and required capital to free surplus		7,049	(2,729)	4,320	(4,320)	–
Experience variances	5.4	692	(133)	559	(500)	59
Development cost variances		(269)	–	(269)	–	(269)
Assumption and model changes	5.5	(82)	515	433	109	542
Operating EV earnings		4,838	1,766	6,604	1,640	8,244
Economic variances	5.6	1,335	436	1,771	832	2,603
Regulatory and tax changes		38	–	38	6	44
Total EV earnings		6,211	2,202	8,413	2,478	10,891
Closing adjustments		(5,282)	(226)	(5,508)	(166)	(5,674)
Capital and dividend flows		(4,956)	(2)	(4,958)	(62)	(5,020)
Foreign exchange variance		(326)	(224)	(550)	(104)	(654)
Closing EV		7,090	22,876	29,966	33,695	63,661
Return on EV (RoEV)% per annum						14.1%

5.3 NEW BUSINESS

5.3.1 DRIVERS OF NEW BUSINESS PROFITABILITY

%	H1 2018	H1 2017	FY 2017
VNB margin at the end of comparative reporting period	3.4	3.5	3.4
Change in volume and new business expenses ¹	0.2	(0.3)	(0.2)
Change in country and product mix ²	(0.6)	0.5	0.2
Change in assumptions and models ³	0.3	(0.3)	0.1
Change in economic assumptions	–	–	–
Change in tax/regulation	–	–	–
VNB margin at the end of the reporting period	3.3	3.4	3.5

1 The increase in margin in H1 2018 is due to revised allocation of channel expenses in Personal Finance, and the benefit of lower than expected initial costs for South African operations.

2 The reduction in margin in H1 2018 is a result of the Mass Foundation Cluster and Personal Finance selling lower margin business than in H1 2017.

3 The change in H1 2018 pertains to the impact of basis changes implemented at December 2017 and capital optimisation initiatives.

EMBEDDED VALUE (continued)

5.3.2 VALUE OF NEW BUSINESS AND NEW BUSINESS PROFITABILITY

Rm	HI 2018					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation ¹	VNB	PVNB margin
South Africa	3,010	19,094	30,891	3.9	1,007	3.3%
Personal Finance	777	4,441	7,797	4.3	100	1.3%
Mass and Foundation Cluster	1,894	17	6,245	3.3	655	10.5%
Old Mutual Corporate	301	11,501	13,676	7.2	168	1.2%
Wealth and Investments	38	5,852	5,890	1.0	84	1.4%
Intra-group eliminations ²		(2,717)	(2,717)			
Rest of Africa	422	1,333	3,098	4.2	102	3.3%
SADC	335	1,331	2,899	4.7	135	4.7%
East Africa	46	–	88	1.9	(16)	(17.6%)
West Africa	41	2	111	2.7	(17)	(15.6%)
Group	3,432	20,427	33,989	4.0	1,109	3.3%

¹ The PVNB capitalisation factors are calculated as follows: $(PVNB - \text{single premiums}) / \text{annualised recurring premiums}$.

² Sales of Old Mutual Corporate products through the retail platform are included in Personal Finance, Wealth and Investments as well as Old Mutual Corporate sales, but are eliminated on consolidation.

Rm	HI 2017					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation	VNB	PVNB margin
South Africa	2,770	14,538	26,531	4.3	880	3.3%
Personal Finance	822	4,183	7,763	4.4	87	1.1%
Mass and Foundation Cluster	1,585	12	5,744	3.6	585	10.2%
Old Mutual Corporate	341	8,178	10,859	7.9	130	1.2%
Wealth and Investments	22	5,087	5,087	–	78	1.5%
Intra-group eliminations		(2,922)	(2,922)			
Rest of Africa	437	1,053	2,985	4.4	127	4.3%
SADC	330	1,049	2,679	4.9	172	6.4%
East Africa	45	–	102	2.3	(22)	(21.3%)
West Africa	62	4	204	3.2	(23)	(11.4%)
Group	3,207	15,591	29,516	4.3	1,007	3.4%

EMBEDDED VALUE (continued)

5.3 NEW BUSINESS (continued)

Rm	FY 2017					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation	VNB	PVNB margin
South Africa	6,291	31,507	59,083	4.4	2,013	3.4%
Personal Finance	1,672	8,309	15,561	4.3	366	2.4%
Mass and Foundation Cluster	3,665	29	11,634	3.2	1,236	10.6%
Old Mutual Corporate	915	18,033	26,713	9.5	254	1.0%
Wealth and Investments	39	10,722	10,761	1.0	157	1.5%
Intra-group eliminations		(5,586)	(5,586)			
Rest of Africa	1,109	2,375	6,214	3.5	267	4.3%
SADC	894	2,369	5,651	3.7	337	6.0%
East Africa	100	–	172	1.7	(38)	(22.2%)
West Africa	115	6	391	3.3	(32)	(8.1%)
Group	7,400	33,882	65,297	4.2	2,280	3.5%

5.4 EXPERIENCE VARIANCES

Rm	H1 2018			H1 2017			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Persistency ¹	44	(262)	(218)	48	(116)	(68)	139	(501)	(362)
Risk ²	(48)	70	22	146	38	184	78	81	159
Expenses ³	48	34	82	180	27	207	254	99	353
Other ⁴	(69)	(33)	(102)	(75)	(134)	(209)	88	(179)	(91)
Experience variances	(25)	(191)	(216)	299	(185)	114	559	(500)	59

¹ Persistency losses in 2018 were impacted by unfavourable experience in two large schemes in Old Mutual Corporate, with one undergoing a significant retrenchment exercise and another shifting to a lower margin product, as well as poor persistency experience in Rest of Africa.

² Claims experience deteriorated in 2018 due to poor mortality and morbidity experience in Personal Finance and continued high group disability claims in Old Mutual Corporate.

³ Expense profits in 2018 reflect good expense management across the business. Expense variances are less favourable than H1 2017 due to a once-off provision release in the prior period.

⁴ Other experience items improved from H1 2017, as a result of higher than expected premium and cover increases in the Mass and Foundation Cluster.

EMBEDDED VALUE (continued)

5.5 ASSUMPTION AND MODEL CHANGES

Rm	H1 2018			H1 2017			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Persistence	-	-	-	-	-	-	(3)	(247)	(250)
Risk	-	-	-	-	-	-	339	(10)	329
Expenses	-	-	-	-	-	-	464	(37)	427
Model and other changes ¹	(197)	482	285	42	(65)	(23)	(367)	403	36
Assumption and model changes	(197)	482	285	42	(65)	(23)	433	109	542

¹ Model changes in 2018 include the removal of dividend withholding tax from the embedded value calculations as a result of restructuring post managed separation, partly offset by the impact of aligning embedded value capital to SAM.

5.6 ECONOMIC VARIANCES

Rm	H1 2018			H1 2017			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Investment variance on in-force business ¹	219	(1,113)	(894)	328	(219)	109	559	397	956
Investment variance on adjusted net worth ²	(523)	-	(523)	122	-	122	1,035	-	1,035
Impact of economic assumption changes ³	-	79	79	-	457	457	177	435	612
Economic variances	(304)	(1,034)	(1,338)	450	238	688	1,771	832	2,603

¹ The negative VIF impact in 2018 is due to lower than expected investment returns on policyholder funds resulting in a reduction in expected asset-based fee income on most investment and smooth bonus products in South Africa.

² The negative investment variance on ANW in 2018 relates mostly to lower than expected investment return on shareholder funds in South Africa as a result of poor equity markets.

³ The overall positive impact from economic assumption changes in 2018 is mostly due to bond yield curve changes implying a reduction in expected inflation.

EMBEDDED VALUE (continued)

5.7 EMBEDDED VALUE RECONCILIATIONS

5.7.1 RECONCILIATION OF IFRS EQUITY TO EMBEDDED VALUE

Rm	H1 2018	H1 2017	FY 2017
IFRS equity attributable to operating segments¹	47,594	41,266	43,281
Less IFRS equity value for non-covered business ²	(16,075)	(13,783)	(16,086)
IFRS equity for covered business	31,519	27,483	27,195
Adjustment to include long term business on a statutory basis ³	(979)	(854)	(894)
Inclusion of Group equity and debt instruments held in life funds	4,245	3,701	4,517
Other ⁴	(1,108)	(755)	(852)
Adjusted net worth attributable to ordinary equity holders of the parent	33,677	29,575	29,966
Value of in-force business	33,652	32,245	33,695
EV	67,329	61,820	63,661

¹ Old Mutual Limited IFRS equity excluding Residual plc and discontinued operations.

² The net asset value for non-covered business has remained in-line with December 2017.

³ The adjustment to include long term business on a statutory solvency basis reflects deferred acquisition costs and deferred tax differences.

⁴ Adjustment to allow for non-controlling interest in Zimbabwe.

5.7.2 RECONCILIATION OF ADJUSTED HEADLINE EARNINGS TO TOTAL EMBEDDED VALUE EARNINGS

Rm	H1 2018	H1 2017	FY 2017
Adjusted Headline Earnings after tax and non-controlling interest	5,393	5,359	12,947
Less AHE after tax and non-controlling interest on other lines of business	(2,472)	(1,808)	(4,604)
Life and Savings AHE after tax and non-controlling interest¹	2,921	3,551	8,343
Other adjustments ²	(227)	(69)	70
Adjusted net worth total earnings	2,694	3,482	8,413
Other value of in-force total earnings³	(164)	905	2,478
Covered business EV total earnings	2,530	4,387	10,891

¹ The reduction in Life and Savings AHE compared to H1 2017 is mainly due to lower equity returns on shareholder funds in Zimbabwe.

² Other adjustments in 2018 comprise mainly of restructuring costs not included in AHE.

³ The reduction in VIF total earnings compared to H1 2017 largely reflects the impact of adverse economic variances.

5.8 EMBEDDED VALUE SENSITIVITIES

For each sensitivity illustrated, all other assumptions have been left unchanged except where they are directly affected by the revised conditions. Sensitivity scenarios therefore include consistent changes in cash flows directly affected by the changed assumption(s), for example future bonus participation in changed economic scenarios.

Rm	H1 2018		
	EV	VIF	VNB
Central assumptions	67,329	33,652	1,109
Value given changes in:			
Economic assumptions 100bps increase ¹	67,233	33,550	1,054
Economic assumptions 100bps decrease ¹	67,162	33,491	1,176
10bps increase of liquidity spreads ²	67,471	33,795	1,112

¹ Economic assumptions 100bps increase/decrease: Increasing/decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100bps, with credited rates and discount rates changing commensurately.

² 10bps increase in liquidity spreads: Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities (annuities only), with credited rates and discount rates changing commensurately.

EMBEDDED VALUE (continued)

5.9 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS

The methodology used to calculate embedded value and the manner of determining embedded value assumptions at 30 June 2018 is consistent with 31 December 2017 unless explicitly noted in this disclosure.

5.9.1 METHODOLOGY

The [Market Consistent Embedded Value principles](#) (Copyright © Stichting CFO Forum Foundation 2008) issued in June 2008 and updated in May 2016 by the CFO Forum (the Principles or MCEV principles) have been used as the basis for preparing the MCEV disclosure information for the covered business. We have not changed our MCEV methodology in light of the May 2016 updates to the CFO Forum MCEV principles, which allows (but does not require) the alignment of MCEV and Solvency II methodologies and assumptions.

Apart from Principle 14 the Principles have been [materially complied with](#) in the preparation of MCEV information at 30 June 2018. Principle 14 requires the use of a swap curve as the reference curve, however a government bond curve has been used predominantly as the reference curve in South Africa for consistency with the new regulatory solvency reporting regime (SAM) which uses a government bond curve as the default risk free rate. Where the liabilities are hedged with swaps, the risk free rate will remain the swap rate which is allowed under SAM requirements with prior Prudential Authority approval. This is however only a small percentage of covered business. The reference curve and resulting embedded value is still considered to be market consistent as it is derived directly from market indicators. Namibia uses the same reference curves as South Africa.

The covered business within certain [African entities](#) (Kenya, Uganda, Malawi, Swaziland, Nigeria, Ghana and Botswana) has been included in MCEV at their respective ANW values only. No VIF for these entities have been recognised. However, the VNB for these entities have been calculated allowing for VIF.

The [covered business](#) includes, where material, any contracts that are regarded by local insurance supervisors as long term life insurance business, and 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. For the life businesses in entities where the covered business is not material, the treatment within this supplementary information is the same as in the primary IFRS financial statements (i.e. expected future profits for this business are not capitalised for MCEV reporting purposes).

Some types of business are legally written by a life company but are classified as [asset management under IFRS](#) because 'long term business' only serves as a wrapper. This business is excluded from covered business.

The [EV](#) consists of the sum of the ANW excluding intangibles and goodwill, plus the VIF covered business. The ANW consists of the free surplus and the required capital to support the business. The VIF covered business consists of the present value of future profits (PVFP), less the time value of financial options and guarantees, less frictional costs of required capital, less CNHR.

The liability to repay and finance the [subordinated debt](#) allocated to the covered business has been allowed for in the ANW.

The [required capital](#) is determined with reference to internal management objectives.

The market value of OMLACSA's investment in [Nedbank](#) is excluded from ANW as this investment is shown separately on consolidation. If this investment were to be included in the ANW, the reported free surplus would increase by R2.4 billion at June 2018.

The PVFP is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business, including the value of contractual renewal of in-force business, on a best estimate basis where assumed earned rates of return and discount rates are equal to the risk free reference rates.

Allowance is made in the determination of EV for the potential impact of variability of investment returns (i.e. asymmetric impact) on future shareholder cash flows of policyholder financial options and guarantees within the in-force covered business. The [time value of financial options and guarantees](#) describes that part of the value of financial options and guarantees that arises from the variability of future investment returns on assets to the extent that it is not already included in the local statutory reserves. The full market consistent value of financial options and guarantees is already reflected in the local statutory reserves, so no additional allowance is required. The calculation of the value of financial options and guarantees (including the allowance in ANW and VIF components of EV) is based on market consistent stochastic modelling techniques. In the generated economic scenarios, allowance is made, where appropriate, for the effect of dynamic management and/or policyholder actions in different circumstances.

An allowance has been made for the [frictional costs](#) in respect of the taxation on investment return and investment costs on the assets backing the required capital for covered business, where material. The run-off pattern of the required capital is projected on an approximate basis over the lifetime of the underlying risks.

EMBEDDED VALUE (continued)

5.9 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS (continued)

An allowance is made in the CNHR to reflect uncertainty in the best estimate of shareholder cash flows as a result of both symmetric and asymmetric non-hedgeable risks since these risks cannot be hedged in deep and liquid capital markets and are managed, inter alia, by holding risk capital. CNHR is calculated using a cost of capital approach, i.e. it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements. A cost of capital charge of 2.0% has been applied to non-hedgeable capital over the life of the contracts. The amount of diversified capital held in respect of residual non-hedgeable risks is R26,117 million at June 2018 (December 2017: R16,884 million). The risks considered include mortality and morbidity, persistency and expense risk (among others), but excludes market risks.

For participating business, the method of valuation makes assumptions about **future bonus rates** and the determination of **profit allocation between policyholders and shareholders**. These assumptions are made on a basis consistent with other projection assumptions, especially the projected future risk free investment returns, established Company practice (with due consideration of the PPFM for South African business), past external communication, any payout smoothing strategy, local market practice, regulatory/contractual restrictions and bonus participation rules. Where current benefit levels are higher than can be supported by the existing fund assets together with projected investment returns, a downward 'glide path' in benefit levels is projected so that the policyholder fund would be exhausted on payment of the last benefit.

In valuing shareholders' cash flows, allowance is made in the cash flow projections for **taxes** in the relevant jurisdiction affecting the covered business. Tax assumptions are based on best estimate assumptions, applying current local corporate tax legislation and practice together with known future changes and taking credit for any deferred tax assets. The value of deferred tax assets is partly recognised in the EV. Typically those tax assets are expected to be utilised in future by being offset against expected tax liabilities that are generated on expected profits emerging from in-force business.

The market consistent **VNB** measures the value of the future profits expected to emerge from all new business sold, and in certain cases from premium increases to existing contracts, during the reporting period after allowance for the time value of financial options and guarantees, frictional costs and the cost of residual non-hedgeable risks associated with writing the new business. VNB includes contractual renewals and voluntary increments that are not allowed for in PVFP. Where increases are allowed for in PVFP, variations from this expectation are classified as experience variance, rather than new business.

The key principles applied in calculating **VNB** are noted below:

- ▶ Economic assumptions at the start of the reporting period are used, except for OMLACSA's non-profit annuity products where point of sale assumptions are used that are consistent with the pricing basis.
- ▶ Demographic and operating assumptions at the end of the reporting period are used.
- ▶ VNB is calculated at point of sale and rolled forward to the end of the reporting period.
- ▶ Generally a stand-alone approach is used unless a marginal approach would better reflect the additional value to shareholders created through the activity of writing new business.
- ▶ Expense allowances include all acquisition expenses, including any acquisition expense overruns. Strategic business development expenses are excluded.
- ▶ VNB is calculated net of tax, reinsurance and non-controlling interests.
- ▶ Economic and operating variances are not attributed to VNB.

PVNB is calculated at point of sale using premiums before reinsurance and applying a valuation approach that is consistent with the calculation of VNB.

5.9.2 ASSUMPTIONS

5.9.2.1 Economic assumptions

The **risk free reference rates, reinvestment rates and discount rates** are determined as set out in the basis of preparation. The swap yield curve is sourced internally (based on market data from the Bond Exchange of South Africa) and compared to the Bloomberg swap yield curve, for reasonability. The government bond curve is published by the Financial Services Board in South Africa and validated internally.

Expense inflation rates have been derived by comparing real rates of return against nominal risk free rates, with adjustments for higher anticipated inflation rates where appropriate.

EMBEDDED VALUE (continued)

Real world economic assumptions are determined with reference to one-year forward risk free reference rates applicable to the currency of the liabilities at the start of the reporting period. The expected asset returns, in excess of the risk free reference rates, only impact the calculation of the expected existing business contribution in the analysis of EV earnings.

The **cash return** equals the one year risk free reference rate.

The **bond return** equals the one year risk free reference rate (plus the liquidity premium for applicable product portfolios).

All **other economic assumptions**, for example future bonus rates, are set at levels consistent with the real world investment return assumptions.

The economic assumptions in **non-South African entities** were set with reference to local economic conditions.

	At 30 June 2018	At 30 June 2017	At 31 December 2017
South African risk free reference spot yields³ and expense inflation			
Risk free (based on bond curve)			
1 year	7.5%	7.6%	7.3%
5 years	8.5%	8.2%	8.1%
10 years	9.5%	9.4%	9.3%
20 years	10.3%	10.7%	10.5%
Expense inflation (based on bond curve)			
1 year	5.5%	5.4%	5.6%
5 years	6.1%	5.9%	6.0%
10 years	6.9%	7.1%	7.0%
20 years	7.4%	8.5%	8.1%

	30 June 2018	30 June 2017	31 December 2017
Pre-tax real world economic assumptions			
Personal Finance illiquidity premium ¹	0.65%	0.75%	0.75%
Old Mutual Corporate illiquidity premium ¹	0.47%	0.75%	0.50%
Equity risk premium	3.70%	3.70%	3.70%
Property risk premium	1.50%	1.50%	1.50%
Weighted average effective tax rate ²	27%	29%	29%

¹ An illiquidity premium adjustment has been added to the reference rates of OMLACSA's immediate annuity business (Personal Finance and Old Mutual Corporate immediate annuities) for setting investment return and discounting assumptions.

² The reduction in the weighted average effective tax rate relates to the removal of dividend withholding tax from the EV earnings, which is no longer payable following Managed Separation.

³ Excluding illiquidity adjustments.

5.9.2.2 Non-economic assumptions

The non-economic assumptions are determined using **best estimate assumptions** of future cash flows and have regard to past, current and expected future experience where sufficient evidence exists (entity-specific and industry data).

These assumptions are based on the covered business being part of a **going concern**. Favourable changes in maintenance expenses are generally not included beyond what has been achieved by the end of the reporting period.

All expected **maintenance expense overruns** affecting the covered business are allowed for in the calculations at the time identified.

The EV makes provision for **future development costs and one-off expenses** relating to in-force covered business that are known with sufficient certainty, based on three-year business plans. **Holding company expenses** have been included to the extent that they are (notionally) allocated to the covered business.

KPI DEFINITIONS

6. KPI DEFINITIONS

KPI	Definition
Results from Operations	The primary measure of the business performance of the operating segments. Calculated as Adjusted Headline Earnings before shareholder tax and non-controlling interests, excluding net investment return on shareholder assets and finance costs.
Adjusted Headline Earnings	The Group profit measure that adjusts headline earnings, as defined by SAICA Circular 2/2015, for the impact of material transactions, non-core operations and any IFRS accounting treatments that don't fairly reflect the economic performance of the business.
Return on Net Asset Value	Adjusted Headline Earnings divided by average Adjusted IFRS Equity. Adjusted IFRS Equity is calculated as IFRS equity attributable to operating segments before adjustments related to consolidation of funds. It excludes equity related to Residual plc and discontinued operations and is further adjusted to recognise the equity attributable to the retained 19.9% interest in Nedbank.
Free Surplus Generated from Operations	Free Surplus Generated from Operations represents the net cash generated from the operations that contribute to AHE after allowing for normal course investment in the business and the impact of any fungibility constraints.
Gross flows	The gross cash flows received from customers during the period by Group businesses engaged in Life and Savings and Asset Management.
Life APE sales	A standardised measure of the volume of new life insurance business written. It is calculated as the sum of new business recurring premiums (annualised) and 10% of the new single premiums written in an annual reporting period.
NCCF	The difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period.
FUM	The total market value of funds managed by the Group, at the point at which funds flow into the Group.
VNB	The discounted value of expected future profits arising from new life insurance business sold in the reporting period.
VNB margin	VNB divided by PVNBP, where PVNBP is the discounted value of expected future life insurance premiums from new recurring premium business, plus 100% of new single premiums. The VNB margin reflects how much future profit is expected from each future life insurance premium and therefore measures the profitability of new business sold.
GWP	The value of premiums that a property and casualty insurer is entitled to receive from its insurance business in a period, before adjustments for reinsurance premiums. It is a measure of sales performance in Group businesses engaged in Property and Casualty.
Underwriting margin	Underwriting result as a percentage of net premiums earned. It is calculated for the Property and Casualty businesses across the Group.
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 interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

ADMINISTRATION

Registered name: Old Mutual Limited
Country of incorporation: South Africa
Registration number: 2017/235138/06
Income tax reference number: 9267358233
Share code (JSE and LSE): OMU
Share code (NSX): OMM

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Company Secretary

Kirsten, Elsabé Margaretha

Transfer secretaries

Link Market Services South Africa (Pty) Limited

Directors

Independent non-executive Directors

Manuel, Trevor Andrew (Chairperson)
Baloyi, Paul Cambo
Du Toit, Matthys Michielse
Essien, Albert Kobina
Kgaboesele, Itumeleng
Lister, John Robert
Magwentshu-Rensburg, Sizeka Monica
Moholi, Nombulelo Thokozile
Mokgosi-Mwantembe, Thoko Martha
Molope, Carol Winifred Nosipho
Mwangi, James Irungu
Sehoole, Ignatius Simon
Van Graan, Stewart William

Non-executive Directors

De Beyer, Peter Gerard
Johnson, Ingrid Gail
Naidoo, Vassi
Rapiya, Bahleli Marshall

Executive Directors

Moyo, Mthandazo Peter (Chief Executive Officer)
Troskie, Casparus Gerhardus (Chief Financial Officer)