



06

ADDITIONAL DISCLOSURES



ADDITIONAL DISCLOSURES

Contents

1. KEY METRICS	115
1.1 Key performance indicators	115
1.2 Supplementary performance indicators	115
1.3 Supplementary income statement	116
1.4 Per share measures	116
1.5 Invested Shareholder Assets	117
1.6 Return on Net Asset Value	117
1.7 Free surplus Generated from operations	118
1.8 Group Solvency position	118
1.9 Key components of the Group solvency position	119
1.10 Debt summary	119
2. SEGMENT KEY PERFORMANCE INDICATORS	120
2.1 Mass and Foundation Cluster	120
2.2 Personal Finance	121
2.3 Wealth and Investments	122
2.4 Old Mutual Corporate	124
2.5 Old Mutual Insure	124
2.6 Rest of Africa	125
3. OTHER DISCLOSURES AND RECONCILIATIONS	129
3.1 Sources of earnings	129
3.2 Solo Solvency position	133
3.3 IFRS NAV to Group own funds	133
3.4 Adjusted Headline Earnings to IFRS profit	134
3.5 Reconciliation of segment performance indicators	135
3.6 IFRS book value to IFRS borrowed funds	135
3.7 Adjusted IFRS equity to RoNAV	136
3.8 Residual plc IFRS NAV to economic value	136
3.9 Cost efficiency leadership	137
3.10 Group equity value	137
4. ECONOMIC STATISTICS	138
5. EMBEDDED VALUE	139
5.1 Components of embedded value	139
5.2 Analysis of change in embedded value	140
5.3 New business	141
5.4 Experience variances	143
5.5 Assumption and model changes	143
5.6 Economic variances	143
5.7 Embedded value reconciliations	144
5.8 Expected return for the following period	144
5.9 Embedded value sensitivities	145
5.10 Embedded value methodology and assumptions	145
6. KPI DEFINITIONS	149
7. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT	150

The auditors have issued an ISAE 3420 Independent Reporting Accountant's assurance report on the compilation of the non IFRS financial information of Old Mutual Limited. This report is included on page 150 and 151 of this document.

1. Key Metrics

1.1 KEY PERFORMANCE INDICATORS

Rm (unless otherwise indicated)	FY 2018		FY 2018 Reported ²	H1 2018	Change		FY 2017	H1 2017
	Before FC ¹	Impact ¹			Before FC %	Reported %		
Results from Operations (RFO) ³	10,186	(223)	9,963	4,848	(2%)	(4%)	10,367	4,530
Adjusted Headline Earnings (AHE) ³	13,057	(1,545)	11,512	5,393	1%	(11%)	12,947	5,359
Return on Net Asset Value (RoNAV) (%) ^{3,4}	20.1%	(150 bps)	18.6%	17.5%	(280 bps)	(430 bps)	22.9%	19.4%
Free Surplus Generated from Operations ³	6,585	–	6,585	3,471	(16%)	(16%)	7,842	3,306
% of AHE converted to Free Surplus Generated ³	50%	700 bps	57%	64%	(1 100 bps)	(400 bps)	61%	62%
Group Solvency ratio (%) ⁵	161%	900 bps	170%	156%	–	900 bps	161%	na

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS:US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS:US Dollar exchange rate of 3.3 to 1.

³ Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India, which was sold in October 2017.

⁴ Non IFRS pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information is the responsibility of the directors of Old Mutual Limited and should be read in conjunction with the unmodified independent reporting accountants report included on page 150 and 151.

⁵ The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement except for the use of the iterative risk margin approach. It represents our remaining stake in Nedbank and includes the portion of fungible Residual plc surplus.

1.2 SUPPLEMENTARY PERFORMANCE INDICATORS

Rm (unless otherwise indicated)	FY 2018		FY 2018 ² Reported	H1 2018	Change		FY 2017	H1 2017
	Before FC ¹	Impact ¹			Before FC %	Reported %		
Gross flows ³	183,538	(1,738)	181,800	91,563	6%	5%	173,317	83,342
Life APE sales ³	12,361	(50)	12,311	5,810	7%	7%	11,512	5,139
NCCF (Rbn) ³	11.2	(0.5)	10.7	9.4	100%	91%	5.6	1.6
FUM (Rbn) ³	1,083.8	(40.1)	1,043.7	1,097.0	1%	(3%)	1,072.3	1,033.6
VNB ³	2,179	(12)	2,167	1,109	(4%)	(5%)	2,280	1,007
VNB margin (%) ³	3.2%	n/a	3.2%	3.3%	(30 bps)	(30 bps)	3.5%	3.4%
Banking and Lending								
Loans and advances	31,913	(8,175)	23,738	27,638	37%	2%	23,311	22,139
Net lending margin (%)	12.6%	(0.2%)	12.4%	11.8%	(120 bps)	(140 bps)	13.8%	12.5%
Property and Casualty								
Gross written premiums	16,847	(117)	16,730	8,076	4%	4%	16,135	8,017
Underwriting margin (%)	3.1%	n/a	3.1%	3.9%	60 bps	60 bps	2.5%	0.7%

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and a RTGS:US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS:US Dollar exchange rate of 3.3 to 1.

³ Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India, which was sold in October 2017.

1. Key Metrics (continued)

1.3 SUPPLEMENTARY INCOME STATEMENT

Rm (unless otherwise indicated)	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Mass and Foundation Cluster	3,129	1,534	77	3%	3,052	1,306
Personal Finance	2,021	918	(1,129)	(36%)	3,150	1,394
Wealth and Investments	1,611	783	121	8%	1,490	638
Old Mutual Corporate	1,703	854	127	8%	1,576	800
Old Mutual Insure	670	370	146	28%	524	200
Rest of Africa	1,254	478	173	16%	1,081	368
Net expenses from central functions	(425)	(89)	81	16%	(506)	(176)
Results from Operations	9,963	4,848	(404)	(4%)	10,367	4,530
Shareholder investment return	2,880	1,177	(2,040)	(41%)	4,920	1,869
Finance costs	(601)	(337)	21	3%	(622)	(286)
Income from associates ¹	2,593	1,379	288	13%	2,305	1,036
Adjusted Headline Earnings before tax and non-controlling interests	14,835	7,067	(2,135)	(13%)	16,970	7,149
Shareholder tax	(2,947)	(1,566)	588	17%	(3,535)	(1,600)
Non-controlling interests	(376)	(108)	112	23%	(488)	(190)
Adjusted Headline Earnings	11,512	5,393	(1,435)	(11%)	12,947	5,359

¹ Income from associates includes our remaining stake in Nedbank and investment in China.

1.4 PER SHARE MEASURES

Millions	FY 2018	FY 2017
Weighted average number of ordinary shares in issue	4,938	4,931
Shares held in charitable foundations and trusts	(19)	(21)
Shares held in ESOP and similar trusts	(104)	(134)
Adjusted weighted average number of ordinary shares¹	4,815	4,776
Shares held in policyholder and consolidated investment funds	(173)	(141)
Shares held in Black Economic Empowerment trusts	(2)	(2)
Weighted average number of ordinary shares used to calculate basic earnings per share	4,640	4,633
Adjusted Headline Earnings per share (cents) ^{2,4}	239.1	271.1
Group equity value per share (cents) ³	2,575	N/A

¹ Adjusted to reflect the Group's BBE shares and share held in policyholder funds and consolidated investment funds as being in the hands of third parties, consistent with the treatment of the related revenue in AHE. Refer to note C1.1(a) in the condensed consolidated financial statements.

² Calculated as Adjusted Headline Earnings divided by Adjusted weighted average number of ordinary shares.

³ Calculated as Group equity value divided by Adjusted weighted average number of ordinary shares.

⁴ Non IFRS pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information is the responsibility of the directors of Old Mutual Limited and should be read in conjunction with the unmodified independent reporting accountants report included on page 150 and 151.

1. Key Metrics (continued)

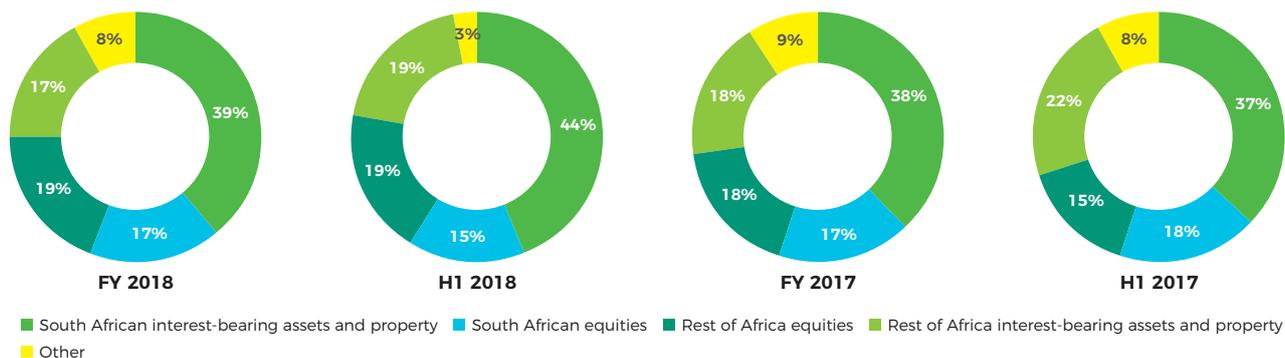
1.5 INVESTED SHAREHOLDER ASSETS

Rm (unless otherwise indicated)	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Shareholder investment return¹ (Rm)	2,880	1,177	(2,040)	(41%)	4,920	1,869
South Africa	1,075	547	(835)	(44%)	1,910	619
Rest of Africa	1,805	630	(1,205)	(40%)	3,010	1,250
Invested Shareholder Assets² (Rbn)	34.5	40.9	(2.1)	(6%)	36.6	34.7
South Africa	23.2	24.6	1.0	5%	22.2	21.4
Rest of Africa	11.3	16.3	(3.1)	(22%)	14.4	13.3

¹ The elimination of shareholder investment return on Group instruments related to RoA was previously shown in South Africa. These eliminations have been reallocated to RoA.

² Prior periods have been re-presented to better reflect management's view of invested shareholder assets.

Invested shareholder assets by asset class (%)



1.6 RETURN ON NET ASSET VALUE

Rbn or %	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Total RoNAV (%)^{1,2,4}	18.6%	17.5%	-	(430 bps)	22.9%	19.4%
South Africa	17.8%	18.5%	-	(320 bps)	21.0%	18.1%
Rest of Africa	22.0%	13.2%	-	(910 bps)	31.1%	25.4%
Average Adjusted IFRS Equity¹	62.1	61.8	5.6	10%	56.5	55.1
South Africa	51.4	49.6	5.7	12%	45.7	45.1
Rest of Africa	10.7	12.2	(0.1)	(1%)	10.8	10.0
Closing Adjusted IFRS Equity¹	64.6	63.9	4.9	8%	59.7	57.1
South Africa ³	54.9	51.0	6.7	14%	48.2	47.1
Rest of Africa	9.7	12.9	(1.8)	(16%)	11.5	10.0

¹ Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India which was sold in October 2017.

² The investment in China was previously reported as part of Latin America and Asia, and has now been included in South Africa.

³ Closing Adjusted IFRS Equity includes 19.9% of the closing equity of Nedbank of R18.6 billion (H1 2018: 16.3 billion, H1 2017: 15.8 billion, FY 2017: R16.4 billion).

⁴ Non IFRS pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information is the responsibility of the directors of Old Mutual Limited and should be read in conjunction with the unmodified independent reporting accountants report included on page 150 and 151.

1. Key Metrics (continued)

1.7 FREE SURPLUS GENERATED FROM OPERATIONS

Rm (unless otherwise indicated)	FY 2018			Change		FY 2017		
	Free Surplus Generated	AHE	%	FY 2018 Value	FY 2017 %	Free Surplus Generated	AHE	%
Gross operating segments	8,912	8,831	101%	(1,992)	(18%)	10,904	10,601	>100%
Capital requirements	(2,510)	-	-	(273)	(12%)	(2,237)	-	-
Net operating segments	6,402	8,831	72%	(2,265)	(26%)	8,667	10,601	82%
Nedbank (19.9%)	1,340	2,681	50%	167	14%	1,173	2,346	50%
Before fungibility restrictions	7,742	11,512	67%	(2,098)	(21%)	9,840	12,947	76%
Fungibility restriction ¹	(1,157)	-	-	841	(42%)	(1,998)	-	-
Free Surplus Generated from Operations	6,585	11,512	57%	(1,257)	(16%)	7,842	12,947	61%

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

Rm (unless otherwise indicated)	H1 2018			Change		H1 2017		
	Free Surplus Generated	AHE	%	H1 2018 Value	H1 2017 %	Free Surplus Generated	AHE	%
Gross operating segments	3,987	3,995	100%	(458)	(10%)	4,445	4,310	>100%
Capital requirements	(815)	-	-	(98)	(14%)	(717)	-	-
Net operating segments	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%
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.

1.8 GROUP SOLVENCY POSITION

Rbn (unless otherwise indicated)	FY 2018	Change		FY 2017
	Pro forma ¹	Value	%	Pro forma ¹
Eligible own funds	100.6	3.6	4%	97.0
Solvency capital requirement	59.1	(1.3)	(2%)	60.4
Solvency ratio (%)	170%	-	900 bps	161%

¹ The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement except for the use of the iterative risk margin approach. It represents our remaining stake in Nedbank and includes the portion of fungible Residual plc surplus.

1. Key Metrics (continued)

1.9 KEY COMPONENTS OF THE GROUP SOLVENCY POSITION

Rbn (unless otherwise indicated)	FY 2018						OML Group
	OMLACSA ^{1,2}	Nedbank ³	Old Mutual Insure ⁴	Residual plc ⁵	Other ⁶	Consolidation adjustments ⁷	
Own Funds ⁸	78.2	18.1	4.0	3.2	29.3	(32.2)	100.6
SCR	34.8	13.1	2.5	2.1	17.7	(11.1)	59.1
Ratio (%) ⁹	225%	137%	157%	155%	166%		170%

Rbn	FY 2017						OML Group
	OMLACSA ^{1,2}	Nedbank ³	Old Mutual Insure ⁴	Residual plc ⁵	Other ⁶	Consolidation Adjustments ⁷	
Own Funds ⁸	76.4	17.0	3.8	2.8	27.6	(30.6)	97.0
SCR	33.4	11.5	2.6	2.8	19.4	(9.3)	60.4
Ratio (%) ⁹	229%	148%	149%	100%	142%		161%

1 The standard formula under the Prudential Standards is used for OMLACSA.

2 The OMLACSA position includes OMLACSA's holding in strategic assets.

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

4 The standard formula under the Prudential Standards is used for Old Mutual Insure.

5 It has been assumed that surplus arising in Residual plc operations is non-fungible under the Prudential Standards, with the exception of surplus arising in some of the entities now owned by Old Mutual Limited and surplus deemed fungible by the Court Scheme.

6 This category includes the balance of the Group, including holding companies and asset managers, Rest of Africa, Latin America and Asia and smaller lending businesses.

7 Includes the

(i) elimination of double counting between entities e.g. the investment of a holding company in a subsidiary.

(ii) OMLACSA's investment holding of Nedbank.

(iii) fungibility restrictions where the own funds for certain entities are restricted to the solvency capital requirement of that entity (calculated according to the Prudential Standards). The most material non-fungible surplus relates to Zimbabwe and Residual Plc

(iv) diversification of risks within entities subject to accounting consolidation, most importantly between OMLACSA and Old Mutual Insure.

8 Refer to table 3.3 for a reconciliation between IFRS NAV and Own Funds.

9 Due to rounding of own funds and SCR, the ratio presented could differ when recalculated.

1.10 DEBT SUMMARY

Rm (unless otherwise indicated)	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Gearing¹						
IFRS value of subordinated debt ²	6,548	6,495	53	1%	6,495	5,945
IFRS equity attributable to operating segments ³	45,979	47,594	2,698	6%	43,281	41,266
Gearing ratio (%)	12.5%	12.0%	-	(50 bps)	13.0%	12.6%
Interest cover						
Finance costs	601	337	(21)	(3%)	622	286
AHE before tax and non-controlling interests and debt service costs	15,436	7,404	(2,156)	(12%)	17,592	7,435
Interest cover	25.7	22.0	(2.6)	(9%)	28.3	26.0

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

2 Refer to table 3.6 for the reconciliation of IFRS 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.

2. Segment Key Performance Indicators

OUR PRESENCE IN AFRICA

		Life and Savings	Asset Management	Banking and Lending	Property and Casualty
South Africa		✓	✓	✓	✓
Southern Africa					
Botswana		✓			✓
Malawi		✓	✓		
Namibia		✓	✓	✓	✓
eSwatini		✓	✓		
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	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Results from Operations	3,129	1,534	77	3%	3,052	1,306
Gross flows	13,700	6,532	1,678	14%	12,022	5,709
Life APE sales	4,579	2,142	488	12%	4,091	1,766
Single premium	3	2	-	-	3	1
Savings	3	2	-	-	3	1
Recurring premium	4,576	2,140	488	12%	4,088	1,765
Savings	1,899	942	95	5%	1,804	794
Risk	2,677	1,198	393	17%	2,284	971
NCCF (Rbn)	6.5	3.1	0.4	7%	6.1	2.9
FUM (Rbn)	12.7	13.1	0.3	2%	12.4	11.7
VNB	1,222	655	(14)	(1%)	1,236	585
VNB margin (%)	10.3%	10.5%	-	(30 bps)	10.6%	10.2%

2. Segment Key Performance Indicators (continued)

2.1 MASS AND FOUNDATION CLUSTER (continued)

2.1.2 Old Mutual Finance

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Loans and advances	16,518	13,432	4,448	37%	12,070	11,150
Performing	13,120	10,202	4,425	51%	8,695	7,713
Defaulted	3,398	3,230	23	1%	3,375	3,437
Balance sheet impairment provision	3,225	2,993	657	26%	2,568	2,674
Performing	1,107	928	630	>100%	477	534
Defaulted	2,118	2,065	27	1%	2,091	2,140
Impairment coverage ratio ¹	19.5%	23.0%	-	(180 bps)	21.3%	24.0%
Results from Operations ²	730	342	15	2%	715	294
Net interest income (NII)	1,874	847	287	18%	1,587	797
Non-interest revenue (NIR)	822	386	10	1%	812	403
Net lending margin (%)	13.7%	14.4%	-	(250 bps)	16.2%	15.3%
Credit loss ratio (%)	5.9%	5.4%	-	90 bps	5.0%	6.3%

¹ Impairment coverage ratio calculates the impairment provision as a percentage of loans and advances.

² Results from Operations includes credit life profits of R305 million in FY 2018 which is classified as Life and Savings (FY 2017: 347 million, H1 2018: R149 million, H1 2017: 176 million)

2.2 PERSONAL FINANCE

2.2.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Results from Operations	2,021	918	(1,129)	(36%)	3,150	1,394
Gross flows	26,165	12,970	1,218	5%	24,947	12,440
Life APE sales	2,556	1,221	54	2%	2,502	1,241
Single premium	906	444	75	9%	831	419
Savings	665	340	37	6%	628	323
Annuities	241	104	38	19%	203	96
Recurring premium	1,650	777	(21)	(1%)	1,671	822
Savings	970	465	(11)	(1%)	981	497
Risk	680	312	(10)	(1%)	690	325
NCCF (Rbn)	(3.6)	(1.8)	(0.8)	(29%)	(2.8)	(1.3)
FUM (Rbn)	181.4	188.5	(12.3)	(6%)	193.7	192.0
VNB	418	100	52	14%	366	87
VNB margin (%)	2.6%	1.3%	-	20 bps	2.4%	1.1%

2. Segment Key Performance Indicators (continued)

2.3 WEALTH AND INVESTMENTS

2.3.1 Key performance indicators

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Results from Operations	1,611	783	121	8%	1,490	638
Gross flows	89,214	45,114	964	1%	88,250	42,405
NCCF (Rbn)	10.8	10.9	(3.3)	(23%)	14.1	1.8
Assets under management (AUM)¹ (Rbn)	724.4	741.9	(12.2)	(2%)	736.6	695.3
FUM	502.7	516.6	4.6	1%	498.1	463.3
Intergroup assets	334.3	345.8	(6.1)	(2%)	340.4	329.8
Assets under management and administration (AuMA) ²	837.0	862.4	(1.5)	(0.2%)	838.5	793.1
Assets under administration	(112.6)	(120.5)	(10.7)	(11%)	(101.9)	(97.8)
Total revenue³	5,013	2,374	124	3%	4,889	2,284
Annuity	4,498	2,151	140	3%	4,358	2,151
Non-annuity	515	223	(16)	(3%)	531	133
Life APE sales by product	1,308	623	196	18%	1,112	530
Savings	1,308	623	196	18%	1,112	530
VNB	117	84	(40)	(25%)	157	78
VNB margin	0.9%	1.4%	-	(60 bps)	1.5%	1.5%

1 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.

2 AuMA is AUM including assets under administration.

3 Comparatives have been re-presented to reflect amounts gross of external management fees of R317 million in FY 2017 (HI 2017: R148 million).

2.3.2 Results from Operations

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Wealth	733	331	5	1%	728	370
Asset Management	243	125	19	8%	224	127
Wealth and Asset Management	976	456	24	3%	952	497
Alternatives	272	150	128	89%	144	(24)
Specialised Finance	363	177	(31)	(8%)	394	165
Results from Operations	1,611	783	121	8%	1,490	638
Operating margin (%) ¹	32%	33%	-	200 bps	30%	28%

1 Calculated as Results from Operations divided by total revenue for the period.

2.3.3 NCCF

Rbn	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Wealth	11.8	6.6	3.0	34%	8.8	1.4
Asset Management	1.1	3.7	(3.1)	(74%)	4.2	0.5
Wealth and Asset Management	12.9	10.3	(0.1)	(1%)	13.0	1.9
Alternatives	(2.1)	0.6	(3.2)	>(100%)	1.1	(0.1)
NCCF	10.8	10.9	(3.3)	(23%)	14.1	1.8

2. Segment Key Performance Indicators (continued)

2.3 WEALTH AND INVESTMENTS (continued)

2.3.4 AUM

Rbn	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Wealth and Asset Management	620.2	639.7	(11)	(2%)	631.2	587.2
Alternatives	48.2	45.2	-	-	48.2	43.6
Specialised Finance	56.0	57.0	(1.2)	(2%)	57.2	64.5
AUM	724.4	741.9	(12.2)	(2%)	736.6	695.3

2.3.5 Revenue

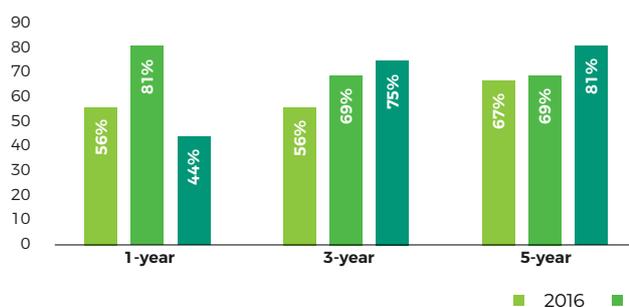
Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Revenue – Annuity¹						
Wealth	2,517	1,177	173	7%	2,344	1,154
Asset Management	1,103	539	48	5%	1,055	513
Wealth and Asset Management	3,620	1,716	221	7%	3,399	1,667
Alternatives	427	201	32	8%	395	192
Specialised Finance	451	234	(113)	(20%)	564	292
Total annuity revenue	4,498	2,151	140	3%	4,358	2,151
Revenue bps – Annuity²	0.6%	0.3%	-	-	0.6%	0.3%
Revenue – Non-annuity						
Wealth	-	-	-	-	-	-
Asset Management	54	23	(64)	(54%)	118	41
Wealth and Asset Management	54	23	(64)	(54%)	118	41
Alternatives	333	145	(35)	(10%)	368	116
Specialised Finance	128	55	83	>100%	45	(24)
Total non-annuity revenue	515	223	(16)	(3%)	531	133
Revenue bps – Non-annuity³	0.1%	0.03%	-	-	0.1%	0.02%

1 Comparatives have been re-presented to reflect amounts gross of external management fees of R317 million in FY 2018 (HI 2017: R148 million).

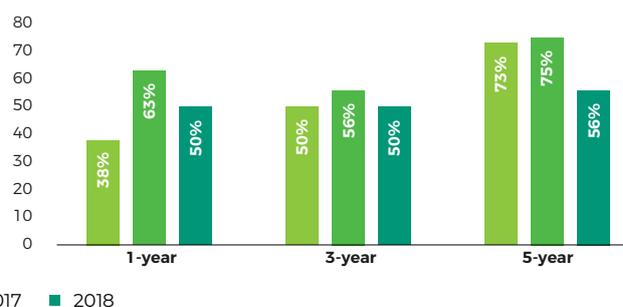
2 Calculated as total annuity revenue divided by average AUM.

3 Calculated as total non-annuity revenue divided by average AUM.

Funds Above Median – December 2018 (%)¹



Funds Above Benchmark – December 2018 (%)¹



1 Represents investment performance of all funds.

2. Segment Key Performance Indicators (continued)

2.4 OLD MUTUAL CORPORATE

2.4.1 Key performance indicators

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Results from Operations	1,703	854	127	8%	1,576	800
Gross flows	42,669	21,723	6,998	20%	35,671	16,760
Life APE sales	3,133	1,451	414	15%	2,719	1,159
Single premium	2,212	1,150	408	23%	1,804	818
Savings	2,121	1,088	436	26%	1,685	791
Risk	5	-	3	>100%	2	1
Annuities	86	62	(31)	(26%)	117	26
Recurring premium	921	301	6	1%	915	341
Savings	376	120	(126)	(25%)	502	114
Risk	545	181	132	32%	413	227
NCCF (Rbn)	2.0	0.8	9.1	>100%	(7.1)	(0.3)
FUM (Rbn)	254.6	258.2	(1.0)	(0.4%)	255.6	251.6
VNB	309	168	55	22%	254	130
VNB margin (%)	1.1%	1.2%	-	10 bps	1.0%	1.2%

2.5 OLD MUTUAL INSURE

2.5.1 Key performance indicators

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Gross written premiums	13,218	6,293	737	6%	12,481	6,098
Net earned premiums	9,048	4,247	639	8%	8,409	4,215
Personal	380	210	201	>100%	179	73
Commercial	102	120	(64)	(39%)	166	45
Specialty	(55)	(22)	35	39%	(90)	(25)
CGIC	102	(8)	42	70%	60	12
Central expenses	(49)	-	(46)	>(100%)	(3)	(9)
Underwriting result¹	480	300	168	54%	312	96
Investment return on insurance funds	244	96	44	22%	200	107
Other income and expenses	(54)	(26)	(66)	>(100%)	12	(3)
Results from Operations	670	370	146	28%	524	200
Underwriting margin (%) ¹	5.3%	7.1%	-	160 bps	3.7%	2.3%
Insurance margin (%)	7.4%	8.7%	-	130 bps	6.1%	4.8%
Claims ratio (%)	60.7%	59.8%	-	(70 bps)	61.4%	63.9%

¹ The HI 2018 underwriting result and underwriting margin have been re-presented to exclude minorities that arose from a strategic partnership agreement. FY 2018 also excludes these minorities.

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA

2.6.1 Key performance indicators

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Results from Operations¹	1,254	478	173	16%	1,081	368
Gross flows	20,859	9,986	(447)	(2%)	21,306	10,356
Life APE sales	1,128	555	(219)	(16%)	1,347	542
Single premium	257	133	19	8%	238	105
Savings	223	114	9	4%	214	96
Risk	21	13	10	91%	11	3
Annuities	13	6	-	-	13	6
Recurring premium	871	422	(238)	(21%)	1,109	437
Savings	421	229	(262)	(38%)	683	229
Risk	450	193	24	6%	426	208
NCCF (Rbn)	3.9	0.7	1.7	77%	2.2	1.6
FUM (Rbn)	97.5	116.0	(6.5)	(6%)	104.0	96.7
VNB	101	102	(166)	(62%)	267	127
VNB margin (%)	1.9%	3.3%	-	(240 bps)	4.3%	4.3%
Banking and Lending²						
Loans and advances	7,219	14,206	(4,022)	(36%)	11,241	10,989
Net lending margin (%) ³	10.7%	9.4%	-	(70 bps)	11.4%	9.5%
Credit loss ratio (%)	1.2%	1.9%	-	80 bps	0.4%	0.9%
Property and Casualty						
Gross written premiums	3,512	1,783	(142)	(4%)	3,654	1,919
Net earned premiums	2,719	1,299	(81)	(3%)	2,800	1,360
Underwriting margin (%) ⁴	(4.3%)	(3.6%)	-	(320 bps)	(1.1%)	(4.4%)

¹ Results from Operations for Rest of Africa includes central regional expenses of R91 million (HI 2018: 57 million, HI 2017: R82 million, FY 2017: R188 million).

² Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.

³ Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.

⁴ Underwriting margin is calculated with reference to Results from Operations. The HI 2018 underwriting margin has been re-presented to exclude restructuring costs incurred in East Africa during the period. FY 2018 underwriting margin also exclude these restructuring costs.

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA (continued)

2.6.2 Southern Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Results from Operations	1,589	745	70	5%	1,519	600
Gross flows	17,283	8,372	(8)	(0%)	17,291	7,944
Life APE sales	914	468	(217)	(19%)	1,131	435
Single premium	256	133	19	8%	237	105
Savings	223	114	9	4%	214	97
Risk	20	13	10	100%	10	2
Annuities	13	6	-	-	13	6
Recurring premium	658	335	(236)	(26%)	894	330
Savings	343	192	(252)	(42%)	595	189
Risk	315	143	16	5%	299	141
NCCF (Rbn)	3.0	0.3	2.0	>100%	1.0	0.7
FUM (Rbn)	67.1	86.8	(12.2)	(15%)	79.3	71.8
VNB	172	135	(165)	(49%)	337	172
VNB margin (%)	3.5%	4.7%	-	(250 bps)	6.0%	6.4%
Banking and Lending						
Loans and advances	4,515	11,814	(4,652)	(51%)	9,167	8,796
Net lending margin (%) ¹	10.1%	9.0%	-	(90 bps)	11.0%	9.0%
Credit loss ratio (%)	1.5%	2.0%	-	(130 bps)	0.2%	1.0%
Property and Casualty						
Gross written premiums	1,306	683	(55)	(4%)	1,361	688
Net earned premiums	955	504	(61)	(6%)	1,016	499
Underwriting margin (%) ²	4.6%	7.4%	-	(260 bps)	7.2%	6.2%

¹ Net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

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

2.6.3 East Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Results from Operations	11	(108)	78	>100%	(67)	(49)
Gross flows	3,259	1,466	(476)	(13%)	3,735	2,264
Life APE sales	123	46	23	23%	100	45
Recurring premium	123	46	23	23%	100	45
Savings	17	7	9	>100%	8	3
Risk	106	39	14	15%	92	42
NCCF (Rbn)	0.7	0.3	(0.4)	(36%)	1.1	0.8
FUM (Rbn)	29.3	28.1	5.5	23%	23.8	23.9
VNB	(25)	(16)	13	34%	(38)	(22)
VNB margin (%)	(11.8%)	(17.6%)	-	1,040 bps	(22.2%)	(21.3%)
Banking and Lending						
Loans and advances	2,704	2,392	630	30%	2,074	2,193
Net lending margin (%) ¹	13.2%	11.3%	-	40 bps	12.8%	11.6%
Credit loss ratio (%)	0.3%	1.6%	-	(100 bps)	1.3%	0.6%
Property and Casualty						
Gross written premiums	2,101	1,027	(44)	(2%)	2,145	1,132
Net earned premiums	1,726	773	(15)	(1%)	1,741	841
Underwriting margin (%) ²	(1.8%)	(3.4%)	-	(90 bps)	(0.9%)	(5.6%)

¹ Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.

² Underwriting margin is calculated with reference to Results from Operations. The H1 2018 underwriting margin has been re-presented to exclude restructuring cost incurred in East Africa during the period. FY 2018 underwriting margins also excludes these restructuring costs.

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA (continued)

2.6.4 West Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017	H1 2017
			Value	%		
Results from Operations	(255)	(102)	(72)	(39%)	(183)	(101)
Gross flows	317	148	37	13%	280	148
Life APE sales	91	41	(25)	(22%)	116	62
Single premium	1	-	-	-	1	-
Risk	1	-	-	-	1	-
Recurring premium	90	41	(25)	(22%)	115	62
Savings	61	29	(19)	(24%)	80	37
Risk	29	12	(6)	(17%)	35	25
NCCF (Rbn)	0.2	0.1	-	-	0.2	0.1
FUM (Rbn)	1.2	1.1	0.3	33%	0.9	1.0
VNB	(47)	(17)	(15)	(47%)	(32)	(23)
VNB margin (%)	(17.3%)	(15.6%)	-	(920 bps)	(8.1%)	(11.4%)
Property and Casualty						
Gross written premiums	104	73	(44)	(30%)	148	99
Net earned premiums	39	22	(4)	(9%)	43	21
Underwriting margin (%) ¹	(246.4%)	(195.5%)	-	(14170 bps)	(104.7%)	(128.6%)

¹ Underwriting margin is calculated with reference to Results from Operations.

2.6.5 Impact of the change in functional currency of Zimbabwe

2.6.5.1 Rest of Africa

Rm	FY 2018 Before FC ¹	Impact ¹	FY 2018 Reported ²	Change		FY 2017
				Before FC %	Reported %	
Results from Operations	1,477	(223)	1,254	37%	16%	1,081
Gross flows	22,597	(1,738)	20,859	6%	(2%)	21,306
Life APE sales	1,178	(50)	1,128	(13%)	(16%)	1,347
NCCF (Rbn)	4.4	(0.5)	3.9	100%	77%	2.2
FUM (Rbn)	137.6	(40.1)	97.5	32%	(6%)	104.0
VNB	113	(12)	101	(58%)	(62%)	267
VNB margin (%)	1.9%	-	1.9%	(240 bps)	(240 bps)	4.3%
Banking and Lending						
Loans and advances	15,394	(8,175)	7,219	37%	(36%)	11,241
Property and Casualty						
Gross written premiums	3,629	(117)	3,512	(1%)	(4%)	3,654

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS:US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS:US Dollar exchange rate of 3.3 to 1.

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA (continued)

2.6.5.2 Southern Africa

Rm	FY 2018		Reported FY 2018 ²	Change		FY 2017
	Before FC ¹	Impact ¹		Before FC %	Reported %	
Results from Operations	1,812	(223)	1,589	19%	5%	1,519
Gross flows	19,021	(1,738)	17,283	10%	(0%)	17,291
Life APE sales	964	(50)	914	(15%)	(19%)	1,131
NCCF (Rbn)	3.5	(0.5)	3.0	>100%	>100%	1.0
FUM (Rbn)	107.2	(40.1)	67.1	35%	(15%)	79.3
VNB	184	(12)	172	(45%)	(49%)	337
VNB margin (%)	3.5%	-	3.5%	(250 bps)	(250 bps)	6.0%
Banking and Lending						
Loans and advances	12,690	(8,175)	4,515	38%	(51%)	9,167
Property and Casualty						
Gross written premiums	1,423	(117)	1,306	5%	(4%)	1,361

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS: US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS: US Dollar exchange rate of 3.3 to 1.

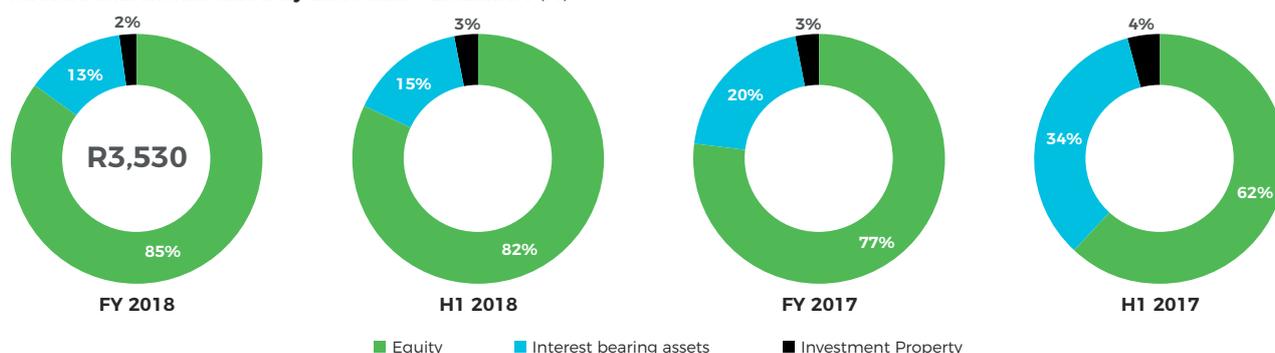
2.6.5.3 Zimbabwe

Rm	FY 2018		Reported FY 2018 ²	Change		FY 2017
	Before FC ¹	Impact ¹		Before FC %	Reported %	
Results from Operations	1,047	(223)	824	22%	(4%)	857
Gross flows	6,997	(1,738)	5 259	9%	(18%)	6,431
Life APE sales	232	(50)	182	11%	(13%)	209
NCCF (Rbn)	2.2	(0.5)	1.7	69%	31%	1.3
FUM (Rbn)	57.8	(40.1)	17.7	74%	(47%)	33.3
VNB	56	(12)	44	(34%)	(48%)	85
VNB margin (%)	3.8%	-	3.8%	(230 bps)	(230 bps)	6.1%
Banking and Lending						
Loans and advances	11,729	(8,175)	3,554	37%	(58%)	8,532
Property and Casualty						
Gross written premiums	549	(117)	432	9%	(14%)	504

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS: US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS: US Dollar exchange rate of 3.3 to 1.

Invested shareholder assets by asset class - Zimbabwe (%)



3. Other Disclosures and Reconciliations

3.1 SOURCES OF EARNINGS

Rm	FY 2018			Change		FY 2017		
	South Africa	Rest of Africa	Group	Value	%	South Africa	Rest of Africa	Group
New business strain	(328)	(212)	(540)	(164)	(44%)	(203)	(173)	(376)
Expected profits	6,478	507	6,985	198	3%	6,332	455	6,787
Non-economic experience items	5	105	110	(494)	(82%)	660	(56)	604
Experience variances	17	148	165	250	>100%	(72)	(13)	(85)
Assumption changes	(12)	(43)	(55)	(744)	>(100%)	732	(43)	689
Economic experience items	753	46	799	(223)	(22%)	900	122	1,022
Investment variances	754	46	800	24	3%	652	124	776
Assumption changes	(1)	-	(1)	(247)	(100%)	248	(2)	246
Life and Savings RFO¹	6,908	446	7,354	(683)	(8%)	7,689	348	8,037
Asset Management RFO¹	893	366	1,259	167	15%	880	212	1,092
Banking and Lending RFO	663	603	1,266	11	1%	699	556	1,255
Net earned premiums	9,048	2,719	11,767	558	5%	8,409	2,800	11,209
Net claims incurred	(5,496)	(1,719)	(7,215)	(504)	(8%)	(5,160)	(1,551)	(6,711)
Net commission expenses ²	(1,394)	(207)	(1,601)	82	5%	(1,394)	(289)	(1,683)
Net operating expenses ²	(1,678)	(910)	(2,588)	(50)	(2%)	(1,543)	(995)	(2,538)
Investment return on insurance funds	244	-	244	44	22%	200	-	200
Other income/(expenses)	(54)	(44)	(98)	(110)	>(100%)	12	-	12
Property and Casualty RFO	670	(161)	509	20	4%	524	(35)	489
Other RFO								
Central expenses ¹	(425)	-	(425)	81	16%	(506)	-	(506)
Results from Operations	8,709	1,254	9,963	(404)	(4%)	9,286	1,081	10,367
Shareholder investment returns ³	1,075	1,805	2,880	(2,040)	(41%)	1,910	3,010	4,920
Finance costs	(601)	-	(601)	21	3%	(622)	-	(622)
Income from associates ⁴	2,593	-	2,593	288	13%	2,305	-	2,305
Adjusted Headline Earnings before tax and non-controlling interests	11,776	3,059	14,835	(2,135)	(13%)	12,879	4,091	16,970
Shareholder tax	(2,432)	(515)	(2,947)	588	17%	(3,082)	(453)	(3,535)
Non-controlling interests	(184)	(192)	(376)	112	23%	(144)	(344)	(488)
Adjusted Headline Earnings	9,160	2,352	11,512	(1,435)	(11%)	9,653	3,294	12,947

¹ Comparatives have been re-presented to show central expenses separately. These were previously included in Life and Savings and Asset Management.

² Comparatives have been re-presented to accurately reflect intercompany elimination entries.

³ The elimination of shareholder investment return on Group instruments related to RoA was previously included as part of South Africa. These eliminations have been reallocated to RoA.

⁴ Income from associates includes our remaining stake in Nedbank and our investment in China.

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

Rm	H1 2018			Change		H1 2017		
	South Africa	Rest of Africa	Group	(H1 2018 vs H1 2017) Value	%	South Africa	Rest of Africa	Group
New business strain	(223)	(113)	(336)	161	32%	(385)	(112)	(497)
Expected profits	3,432	303	3 735	149	4%	3,323	263	3,586
Non-economic experience items	(202)	(51)	(253)	(336)	>(100%)	177	(94)	83
Experience variances	(87)	(44)	(131)	(171)	>(100%)	108	(68)	40
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 RFO¹	3,315	140	3,455	(178)	(5%)	3,526	107	3,633
Asset Management RFO¹	470	143	613	156	34%	349	108	457
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 ²	(2,541)	(810)	(3,351)	(17)	(1%)	(2,525)	(809)	(3,334)
Net commission expenses ³	(622)	(123)	(745)	131	15%	(695)	(181)	(876)
Net operating expenses ^{2,3}	(784)	(414)	(1,198)	130	10%	(899)	(429)	(1,328)
Investment return on insurance funds	96	-	96	(11)	(10%)	107	-	107
Other income/(expenses)	(26)	(40)	(66)	(63)	>(100%)	(3)	-	(3)
Property and Casualty RFO	370	(88)	282	141	100%	200	(59)	141
Other RFO								
Central expenses ¹	(89)	-	(89)	87	49%	(176)	-	(176)
Results from Operations	4,370	478	4,848	318	7%	4,162	368	4,530
Shareholder investment return ⁴	547	630	1,177	(692)	(37%)	619	1,250	1,869
Finance costs	(337)	-	(337)	(51)	(18%)	(286)	-	(286)
Income from associates ⁵	1,379	-	1,379	343	33%	1,036	-	1,036
Adjusted Headline Earnings before tax and non-controlling interests	5,959	1,108	7,067	(82)	(1%)	5,531	1,618	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	4,566	827	5,393	34	1%	4,102	1,257	5,359

¹ Comparatives have been re-presented to show central expenses separately. These were previously included in Life and Savings and Asset Management.

² Following a methodology change in December 2017 claims administration costs are reported in net claims incurred.

³ Comparatives have been re-presented to accurately reflect intercompany elimination entries.

⁴ The elimination of shareholder investment return on Group instruments related to RoA was previously included as part of South Africa. These eliminations have been reallocated to RoA.

⁵ Income from associates includes our remaining stake in Nedbank and our investment in China.

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

This analysis is presented as additional information and is not representative of how the Group is managed.

Rm	FY 2018					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	2,730	-	399	-	-	3,129
Personal Finance	1,813	208	-	-	-	2,021
Wealth and Investments	660	687	264	-	-	1,611
Old Mutual Corporate	1,705	(2)	-	-	-	1,703
Old Mutual Insure	-	-	-	670	-	670
Rest of Africa	446	366	603	(161)	-	1,254
Central expenses	-	-	-	-	(425)	(425)
Results from Operations	7,354	1,259	1,266	509	(425)	9,963
Shareholder investment return ¹	2,515	(69)	-	434	-	2,880
Finance costs	(556)	-	-	(45)	-	(601)
Income from associates	(88)	-	-	-	2,681	2,593
Adjusted headline earnings before tax	9,225	1,190	1,266	898	2,256	14,835
Shareholder tax	(2,135)	(409)	(290)	(232)	119	(2,947)
Non-controlling interests	(197)	5	(148)	(36)	-	(376)
Adjusted headline earnings	6,893	786	828	630	2,375	11,512

¹ Shareholder investment return in Asset Management includes net rental income from investment properties.

Rm	FY 2017					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	2,743	-	309	-	-	3,052
Personal Finance	2,947	203	-	-	-	3,150
Wealth and Investments	420	680	390	-	-	1,490
Old Mutual Corporate	1,579	(3)	-	-	-	1,576
Old Mutual Insure	-	-	-	524	-	524
Rest of Africa	348	212	556	(35)	-	1,081
Central expenses	-	-	-	-	(506)	(506)
Results from Operations	8,037	1,092	1,255	489	(506)	10,367
Shareholder investment return ¹	4,181	(37)	-	776	-	4,920
Finance costs	(622)	-	-	-	-	(622)
Income from associates	(41)	-	-	-	2,346	2,305
Adjusted headline earnings before tax	11,555	1,055	1,255	1,265	1,840	16,970
Shareholder tax	(2,800)	(303)	(278)	(296)	142	(3,535)
Non-controlling interests	(237)	(32)	(88)	(131)	-	(488)
Adjusted headline earnings	8,518	720	889	838	1,982	12,947

¹ Shareholder investment return in Asset Management includes net rental income from investment properties.

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

Rm	H1 2018					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	1,345	-	189	-	-	1,534
Personal Finance	812	106	-	-	-	918
Wealth and Investments	302	366	115	-	-	783
Old Mutual Corporate	856	(2)	-	-	-	854
Old Mutual Insure	-	-	-	370	-	370
Rest of Africa	140	143	283	(88)	-	478
Central expenses	-	-	-	-	(89)	(89)
Results from Operations	3,455	613	587	282	(89)	4,848
Shareholder investment return ¹	954	-	-	223	-	1,177
Finance costs	(315)	-	-	(22)	-	(337)
Income from associates	(19)	-	-	-	1,398	1,379
Adjusted headline earnings before tax	4,075	613	587	483	1,309	7,067
Shareholder tax	(1,107)	(223)	(116)	(145)	25	(1,566)
Non-controlling interests	(57)	5	(45)	(11)	-	(108)
Adjusted headline earnings	2,911	395	426	327	1,334	5,393

¹ Shareholder investment return in Asset Management includes net rental income from investment properties.

Rm	H1 2017					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	1,214	-	92	-	-	1,306
Personal Finance	1,301	93	-	-	-	1,394
Wealth and Investments	211	256	171	-	-	638
Old Mutual Corporate	800	-	-	-	-	800
Old Mutual Insure	-	-	-	200	-	200
Rest of Africa	107	108	212	(59)	-	368
Central expenses	-	-	-	-	(176)	(176)
Results from Operations	3,633	457	475	141	(176)	4,530
Shareholder investment return ¹	1,566	(16)	-	319	-	1,869
Finance costs	(286)	-	-	-	-	(286)
Income from associates	(13)	-	-	-	1,049	1,036
Adjusted headline earnings before tax	4,900	441	475	460	873	7,149
Shareholder tax	(1,200)	(166)	(118)	(99)	(17)	(1,600)
Non-controlling interests	(108)	(12)	(30)	(40)	-	(190)
Adjusted headline earnings	3,592	263	327	321	856	5,359

¹ Shareholder investment return in Asset Management includes net rental income from investment properties.

3. Other Disclosures and Reconciliations (continued)

3.2 SOLO SOLVENCY POSITION

Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017 ¹
			Value	%	
South Africa Life (OMLACSA)					
Eligible own funds	78.2	75.2	1.8	2%	76.4
Solvency capital requirement (SCR)	34.8	33.2	1.4	4%	33.4
Solvency ratio (%) ²	225%	227%	-	(400 bps)	229%
Old Mutual Insure					
Eligible own funds	4.0	3.7	0.2	5%	3.8
Solvency capital requirement (SCR)	2.5	2.5	(0.1)	(4%)	2.6
Solvency ratio (%) ²	157%	150%	-	800 bps	149%

¹ FY 2017 amounts have been re-presented to exclude the impact of using an iterative risk margin approach to calculate solvency capital requirements as previously disclosed.

² Due to rounding of own funds and SCR, the ratio could differ when calculated.

3.3 IFRS NAV TO GROUP OWN FUNDS

Rm	FY 2018	Change (FY 2018 vs FY 2017)		FY 2017 ¹
		Value	%	
IFRS Equity²	78,021	(27,345)	(26%)	105,366
Scoping adjustment ³	(7,376)	30,385	80%	(37,761)
Treasury shares ⁴	6,902	8	0,1%	6,894
Goodwill and other intangibles ⁵	(4,801)	(999)	(26%)	(3,802)
Technical provisions (net of deferred tax) ⁶	32,325	(743)	(2%)	33,068
Subordinated debt ⁷	9,062	373	4%	8,689
Fungibility and eligibility adjustment ⁸	(10,042)	3,151	24%	(13,193)
Foreseeable dividend	(3,502)	(1,273)	(57%)	(2,229)
Group own funds	100,589	3,557	4%	97,032

¹ FY 2017 includes our remaining stake in Nedbank.

² Reflects equity attributable to operating segments after adjusting for the net asset value of Quilter.

³ Deduction for entities included in IFRS reporting but not included in scope for Group Solvency reporting. The FY 2017 adjustment included the deduction of the Quilter business.

⁴ These are Old Mutual Limited shares that are eliminated per IFRS requirements but not under the Prudential Standards.

⁵ Goodwill and other intangibles are assets that are recognised per IFRS requirements but are deemed inadmissible for solvency reporting purposes. Included in the figure shown in the above reconciliation is 19.9% of Nedbank's goodwill and intangibles, based on the Prudential Authority's requirement to treat the Group's remaining stake in Nedbank as a participation when calculating the Group solvency position.

⁶ Prudential Standards use 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 requirements. This is partially offset by the recognition of the risk margin which replaces Prudential margins allowed for in IFRS insurance liabilities.

⁷ OMLACSA, Old Mutual Insure and Nedbank subordinated debt comprises tier 2 debt instruments counting towards the Prudential Standards position.

⁸ 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.

3. Other Disclosures and Reconciliations (continued)

3.4 ADJUSTED HEADLINE EARNINGS TO IFRS PROFIT

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
Adjusted Headline Earnings	11,512	5,393	(1,435)	(11%)	12,947	5,359
Investment return for Group equity and debt instruments in life funds	(219)	620	1,136	84%	(1,355)	106
Impact of restructuring	(700)	(450)	(646)	>(100%)	(54)	(81)
Discontinued operations ¹	8,129	4,536	(741)	(8%)	8,870	4,198
Income from associates ²	(2,132)	(1,398)	214	9%	(2,346)	(1,049)
Residual plc ¹	(2,349)	(901)	2,569	52%	(4,918)	(1,507)
Headline earnings	14,241	7,800	1,097	8%	13,144	7,026
Impairment of goodwill and other intangible assets	(627)	(21)	453	42%	(1,080)	(720)
Impairment of associated undertakings	(265)	-	(265)	(100%)	-	-
Profit/(loss) on disposal of fixed assets	51	14	77	>100%	(26)	(12)
Profits on disposal of subsidiaries, associated undertakings and strategic investments	23,166	2,855	21,085	>100%	2,081	956
Profit after tax for the financial period attributable to ordinary equity holders of the parent	36,566	10,648	22,447	>100%	14,119	7,250
Dividends on preferred securities	-	-	(253)	(100%)	253	253
Profit after tax for the financial period attributable to equity holders of the parent	36,566	10,648	22,194	>100%	14,372	7,503

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

² Income from associates includes our remaining stake in Nedbank.

3. Other Disclosures and Reconciliations (continued)

3.5 RECONCILIATION OF SEGMENT PERFORMANCE INDICATORS

	Gross flows (Rm)				Life APE Sales (Rm)			
	FY 2018	HI 2018	FY 2017	HI 2017	FY 2018	HI 2018	FY 2017	HI 2017
Mass and Foundation Cluster	13,700	6,532	12,022	5,709	4,579	2,142	4,091	1,766
Personal Finance	26,165	12,970	24,947	12,440	2,556	1,221	2,502	1,241
Wealth and Investments	89,214	45,114	88,250	42,405	1,308	623	1,112	530
Old Mutual Corporate	42,669	21,723	35,671	16,760	3,133	1,451	2,719	1,159
Rest of Africa	20,859	9,986	21,306	10,356	1,128	555	1,347	542
Other Group Activities ¹	584	260	1,378	1,137	234	90	300	193
Intra-group eliminations	(11,391)	(5,022)	(10,257)	(5,465)	(627)	(272)	(559)	(292)
Group	181,800	91,563	173,317	83,342	12,311	5,810	11,512	5,139

	NCCF (Rbn)				FUM (Rbn)			
	FY 2018	HI 2018	FY 2017	HI 2017	FY 2018	HI 2018	FY 2017	HI 2017
Mass and Foundation Cluster	6.5	3.1	6.1	2.9	12.7	13.1	12.4	11.7
Personal Finance	(3.6)	(1.8)	(2.8)	(1.3)	181.4	188.5	193.7	192.0
Wealth and Investments	10.8	10.9	14.1	1.8	502.7	516.6	498.1	463.3
Old Mutual Corporate	2.0	0.8	(7.1)	(0.3)	254.6	258.2	255.6	251.6
Rest of Africa	3.9	0.7	2.2	1.6	97.5	116.0	104.0	96.7
Other Group Activities ¹	(2.5)	(1.8)	(1.3)	0.2	42.2	48.4	48.0	54.0
Intra-group eliminations	(6.4)	(2.5)	(5.6)	(3.3)	(47.4)	(43.8)	(39.5)	(35.7)
Group	10.7	9.4	5.6	1.6	1 043.7	1,097	1,072.3	1,033.6

	VNB (Rm)			
	FY 2018	HI 2018	FY 2017	HI 2017
Mass and Foundation Cluster	1,222	655	1,236	585
Personal Finance	418	100	366	87
Wealth and Investments	117	84	157	78
Old Mutual Corporate	309	168	254	130
Rest of Africa	101	102	267	127
Other Group Activities ¹	-	-	-	-
Intra-group eliminations	-	-	-	-
Group	2,167	1,109	2,280	1,007

¹ Other Group Activities includes investment in China.

3.6 IFRS VALUE TO IFRS BORROWED FUNDS

Rm	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017
			Value	%	
IFRS value of subordinated debt¹	6,548	14,636	(7,666)	(54%)	14,214
Term loans and drawn credit facilities	10,340	6,496	5,688	>100%	4,652
Total borrowed funds	16,888	21,132	(1,978)	(11%)	18,866

¹ Includes subordinated debt securities of R6,548 million (FY 2017: R6,495 million) issued by operating segments and subordinated debt securities of R7,719 million in FY 2017 issued by Residual plc.

3. Other Disclosures and Reconciliations (continued)

3.7 ADJUSTED IFRS EQUITY FOR RONAV

Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017)		FY 2017
			Value	%	
Equity attributable to the holders of the parent	78.0	104.6	(58.7)	(43%)	136.7
Equity in respect of assets held for sale or distribution	(4.1)	(48.9)	74.8	95%	(78.9)
Equity in respect of associated undertakings ¹	(24.8)	-	(24.8)	(100%)	-
Equity in respect of non-core operations ²	(3.1)	(8.1)	11.4	79%	(14.5)
Equity attributable to operating segments	46.0	47.6	2.7	6%	43.3
Equity attributable to 19.9% Nedbank ³	18.6	16.3	2.2	13%	16.4
Closing Adjusted IFRS equity⁴	64.6	63.9	4.9	8%	59.7

¹ This represents our remaining stake in Nedbank at fair value

² Consolidation adjustments reflecting own shares held by consolidated funds have been included in equity in respect of non-core operations.

³ This represents our remaining stake in Nedbank at book value which is the basis on which we include Nedbank in RoNAV.

⁴ Non IFRS pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information is the responsibility of the directors of Old Mutual Limited and should be read in conjunction with the unmodified independent reporting accountants report included on page 150 and 151.

The table below sets out the calculation of the one off fair value adjustment that has been made to closing Adjusted IFRS equity, and will be made on a go-forward basis, when calculating RoNAV for the Group. The fair value adjustment reflects the difference between the fair value and the net asset value of our retained interest in Nedbank on the date of unbundling.

Rbn	FY 2018
Fair value on date of unbundling ¹	24.4
Net asset value on date of unbundling	(18.2)
One off fair value adjustment	6.2

¹ Nedbank's closing share price on 12 October 2018 of R244.87.

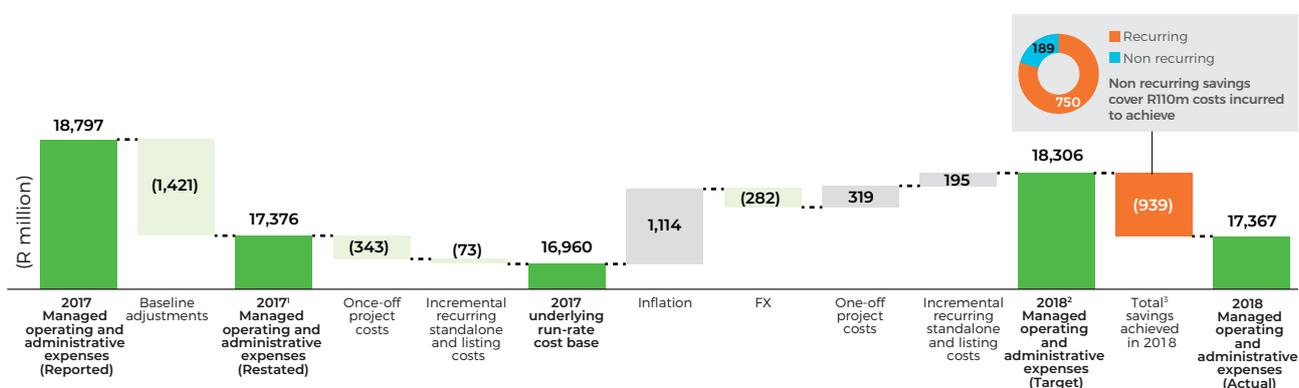
3.8 RESIDUAL PLC IFRS NAV TO ECONOMIC VALUE

£ million	At December 2018	At June 2018	At December 2017
UK gilts and cash	235	921	540
Investment in Quilter	-	24	-
Net intercompany funding	-	-	759
Other assets and liabilities	37	67	64
Old Mutual Bermuda	3	58	124
Third party debt	-	(449)	(461)
Residual plc IFRS NAV	275	621	1 026
Adjustment of debt valuation to risk free rate	-	(54)	n/a
Prefunding of plc Head office costs	(6)	(109)	n/a
Other ¹	(48)	(34)	n/a
Residual plc Economic NAV	221	424	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.

3. Other Disclosures and Reconciliations (continued)

3.9 COST EFFICIENCY TARGET – 2018 EXPENSE RECONCILIATION



- 1 Re-presented to exclude certain commission related and the costs related to Latin America as this business is now classified as held for sale.
- 2 Target calculated as 2017 underlying run rate cost base adjusted for actual inflation and FX movements in 2018, project costs and incremental standalone and listing costs.
- 3 Calculated as difference between calculated target and actual managed operating and administrative expenses per note D8 in the condensed consolidated financial statements.

3.10 GROUP EQUITY VALUE

R billion	2018		
	IFRS NAV	GEV	AHE ¹
Covered ²	28.9	66.4	6.9
Non covered	15.1	28.3	2.2
Asset Management ³	7.2	12.0	0.8
Banking and Lending ⁴	3.4	8.6	0.8
Property and Casualty ⁵	4.5	7.7	0.6
Other ⁶	2.0	(6.8)	
GEV related to operating businesses	46.0	87.9	
South Africa	36.3	76.0	
Rest of Africa	9.7	11.9	
Nedbank ⁷	24.8	27.3	2.7
Residual plc ⁸	4.9	4.1	
Assets held for sale and distribution ⁹	4.1	4.7	
Consolidation of funds	(1.8)	-	
Total	78.0	124.0	
GEV per share (cents)¹⁰		2,575	

- 1 The table above excludes the earnings related to Residual plc and Latin America as these businesses are excluded from the perimeter of AHE. The valuations are based on the economic net asset value and the agreed proceeds, respectively.
- 2 Covered business consists of Life and Savings and was valued using the MCEV methodology set out in section 5 of the Additional Disclosures.
- 3 Material entities include Old Mutual Investment Group (OMIG) and Old Mutual Wealth (OMW). OMIG was valued using a combination of a discounted cash flow and peer P/E multiples. OMW was valued as a sum of its parts using a discounted cash flow and peer P/E multiples. Smaller entities were included at IFRS net asset value. Range of multiples: P/E 8 – 12.
- 4 Material entities include Specialised Finance, Old Mutual Finance and Central Africa Building Society (CABS). All material entities were valued using a combination of a discounted cash flow, peer P/E multiples, peer P/B multiples and comparable transactions where relevant. Smaller entities were included at IFRS net asset value. The financial results of CABS have been reduced by a factor of 3.3 to account for the change in functional currency in Zimbabwe which has negatively impacted the valuation. Range of multiples: P/E 6 – 9; P/B 1.1 – 1.5.
- 5 Material entities include Old Mutual Insure and UAP, both of which were valued using a combination of a discounted cash flow, peer P/E multiples and peer P/B multiples. The UAP valuation also included weightings for the over the counter price in Kenya and an independent Stanbic valuation which was commissioned by Old Mutual in 2017. Smaller entities were included at IFRS net asset value. Range of multiples: P/E 8 – 11; P/B 1.0 – 2.8.
- 6 Other includes the IFRS net asset value in holding companies (including cash), present value of central costs and subordinated debt at fair value.
- 7 Nedbank market value was calculated with reference to the closing price and number of shares held at 31 December 2018.
- 8 The Residual plc contribution to Group Equity Value is based on the realisable economic value of approximately £221 million at 31 December 2018, translated at the closing exchange rate on 31 December 2018. A reconciliation from IFRS net asset value to economic value has been provided in section 3 of the Additional Disclosures.
- 9 Assets held for sale and distribution includes Latin America and properties held for sale. The Latin America contribution to Group Equity Value was calculated using the agreed gross proceeds of \$308 million, translated at the closing exchange rate on 31 December 2018.
- 10 Calculated as the Group Equity Value divided by the adjusted weighted average number of shares of 4,815 million.

4. Economic Statistics

	FY 2018	HI 2018	Change (FY 2018 vs FY 2017)		FY 2017	HI 2017
			Value	%		
GBP:ZAR						
Average exchange rate (YTD)	17,689	16,927	0.5	3%	17,149	16,643
Closing exchange rate	18,298	18,127	1.5	9%	16,757	16,983
KES:ZAR						
Average exchange rate (YTD)	0.131	0.121	-	2%	0.129	0.128
Closing exchange rate	0.141	0.136	-	18%	0.120	0.126
USD:ZAR						
Average exchange rate (YTD)	13,250	12,306	(0.1)	(0.5%)	13,311	13,218
Closing exchange rate	14,347	13,725	2.0	16%	12,390	13,056
South African equity indices						
FTSE/JSE capped All Share	44,297	47,016	(3,681)	(8%)	47,978	41,569
JSE/FTSE Africa All Share Index	52,737	57,611	(6,768)	(11%)	59,505	51,611
JSE/FTSE Shareholder weighted All Share Index	11,386	12,457	(1,906)	(14%)	13,292	11,488
Rest of Africa equity indices						
Zimbabwe Industrial Index (USD)	487	343	163	50%	324	196
Nairobi Securities Exchange Ltd All Share Index (KES)	140	174	(31)	(18%)	171	153
Malawi All Share Index (ZAR)	571	583	202	55%	369	284
FTSE JSE Namibia Overall Index (ZAR)	1,307	1,284	7	1%	1,300	1,014
Global equity indices						
MSCI Emerging Markets Index (Net)	445	487	(76)	(15%)	521	450
Interest-bearing indices						
STEFI composite	411	397	28	7%	383	370
FSV discount rate used (%)						
	9.4%	9.2%	-	40 bps	9.0%	9.1%

5. Embedded Value

All disclosures are presented in line with Market Consistent Embedded Value (MCEV) principles, consistent with previously published disclosures.

5.1 COMPONENTS OF EMBEDDED VALUE

Rm	At 31 December 2018	At 31 December 2017
Adjusted net worth (ANW)	34,542	29,966
Free surplus	10,348	7,090
Required capital ¹	24,194	22,876
Value of in-force (VIF)	31,856	33,695
Present value of future profits (PVFP)	38,480	39,949
Frictional costs ²	(3,429)	(3,866)
Cost of residual non-hedgeable risks (CNHR) ³	(3,195)	(2,388)
Embedded value⁴	66,398	63,661

¹ Required capital has increased since 31 December 2017 mainly due to the growth in covered business book and a revision of the capital framework following the implementation of the Prudential Standards.

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 capital requirements based on the Prudential Standards.

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

5. Embedded Value (continued)

5.2 ANALYSIS OF CHANGE IN EMBEDDED VALUE

Rm	Note	FY 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	(2,930)	2,283	(647)	2,814	2,167
Expected existing business contribution (reference rate)		482	1,323	1,805	3,048	4,853
Expected existing business contribution (in excess of reference rate)		24	271	295	448	743
Transfers from VIF and required capital to free surplus		8,198	(3,092)	5,106	(5,106)	–
Experience variances	5.4	510	99	609	(297)	312
Development cost variances ¹		(225)	–	(225)	–	(225)
Assumption and model changes	5.5	(730)	630	(100)	240	140
Operating EV earnings		5,329	1,514	6,843	1,147	7,990
Economic variances	5.6	(2,064)	2,148	84	(2,120)	(2,036)
Regulatory and tax changes		(12)	–	(12)	(1)	(13)
Total EV earnings		3,253	3,662	6,915	(974)	5,941
Closing adjustments		5	(2,344)	(2,339)	(865)	(3,204)
Capital and dividend flows ²		288	11	299	–	299
Foreign exchange variance ³		(283)	(2,355)	(2,638)	(865)	(3,503)
Closing EV⁴		10,348	24,194	34,542	31,856	66,398
Return on EV (RoEV)% per annum⁵						12.6%

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 waiver of a further loan repayment due to Old Mutual plc in respect of the Zimbabwe Holding Company and the reclassification of Quilter shares to investment and securities. This was partly offset by a net dividend outflow from the Life and Savings business, to fund the external dividends.

³ The foreign exchange variance in 2018 relates mainly to the change in functional currency in Zimbabwe.

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.

5. 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

%	FY 2018	FY 2017
VNB margin at the end of comparative reporting period	3.5	3.4
Change in volume and new business expenses	-	(0.2)
Change in country and product mix ¹	(0.4)	0.2
Change in assumptions and models ²	0.1	0.1
Change in economic assumptions	-	-
Change in tax/regulation	-	-
VNB margin at the end of the reporting period	3.2	3.5

¹ The reduction in margin in FY 2018 is a result of Mass and Foundation Cluster, Personal Finance and Rest of Africa selling lower margin business than in FY 2017.

² The change in FY 2018 pertains to the impact of basis changes implemented at December 2018. The positive impact of the removal of dividend withholding tax from the embedded value calculations (as a result of Managed Separation restructuring) and the release of the Life and Savings central expense provision (following such expenses moving to Other Group Activities) were partly offset by the negative impacts of modelling changes in Namibia.

5. Embedded Value (continued)

5.3.2 Value of new business and new business profitability

Rm	FY 2018					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation ¹	VNB	VNB margin
South Africa	6,692	37,691	62,390	3.7	2,066	3.3%
Mass and Foundation Cluster ²	4,088	32	11,902	2.9	1,222	10.3%
Personal Finance	1,650	9,063	16,176	4.3	418	2.6%
Wealth and Investments	72	12,358	12,431	1.0	117	0.9%
Old Mutual Corporate	921	22,120	27,763	6.1	309	1.1%
Intra-group eliminations ³	(39)	(5,882)	(5,882)	-	-	-
Rest of Africa	871	2,565	5,411	3.3	101	1.9%
Southern Africa	658	2,558	4,929	3.6	173	3.5%
East Africa	123	-	211	1.7	(25)	(11.2%)
West Africa	90	7	271	2.9	(47)	(17.6%)
Group	7,563	40,256	67,801	3.6	2,167	3.2%

¹ The PVNB capitalisation factors are calculated as follows: (PVNB - single premiums)/annualised recurring premiums.

² Annualised recurring premiums differ from the amount disclosed in table 2.1.1. The difference of R488 million represents savings life APE sales sold by MFC.

³ 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	FY 2017					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation	VNB	VNB margin
South Africa	6,290	31,507	59,083	4.4	2,013	3.4%
Mass and Foundation Cluster	3,665	29	11,634	3.2	1,236	10.6%
Personal Finance	1,671	8,309	15,561	4.3	366	2.4%
Wealth and Investments	39	10,722	10,761	1.0	157	1.5%
Old Mutual Corporate	915	18,033	26,713	9.5	254	1.0%
Intra-group eliminations		(5,586)	(5,586)			
Rest of Africa	1,109	2,375	6,214	3.5	267	4.3%
Southern Africa	894	2,369	5,651	3.7	337	6.0%
East Africa	100	-	172	1.7	(38)	(22%)
West Africa	115	6	391	3.3	(32)	(8%)
Group	7,400	33,882	65,297	4.2	2,280	3.5%

5. Embedded Value (continued)

5.4 EXPERIENCE VARIANCES

Rm	FY 2018			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV
Persistence ¹	83	(413)	(330)	139	(501)	(362)
Risk ²	(22)	36	14	78	81	159
Expenses ³	383	83	466	254	99	353
Other ⁴	165	(3)	162	88	(179)	(91)
Experience variances	609	(297)	312	559	(500)	59

- ¹ Persistence losses in 2018 were impacted by unfavourable experience in Old Mutual Corporate, mainly due to a large scheme reviewing its investment strategy.
- ² Claims experience deteriorated in 2018 due to poor mortality and morbidity experience in Personal Finance in H1 2018 and continued poor group morbidity experience in Old Mutual Corporate
- ³ Expense profits in 2018 reflect good expense management across the business and increased expense relief.
- ⁴ Other experience items improved from FY 2017, as a result of higher than expected premium and cover increases in the Mass and Foundation Cluster and the favourable impact of prior year assumption changes impacting the variance.

5.5 ASSUMPTION AND MODEL CHANGES

Rm	FY 2018			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV
Persistence ¹	(50)	(630)	(680)	(3)	(247)	(250)
Risk	–	(56)	(56)	339	(10)	329
Expenses ²	108	(60)	48	464	(37)	427
Model and other changes ³	(158)	986	828	(367)	403	36
Assumption and model changes	(100)	240	140	433	109	542

- ¹ In light of the higher benefit payments on the Corporate savings business in 2018, and the position in the current economic cycle, a further provision has been established to allow for higher expected investment benefit outflows in the short term.
- ² Unit costs within Old Mutual Corporate were rebased and an inflation margin in Mass and Foundation Cluster removed. This was partly offset by the strengthening of the expense assumptions in Rest of Africa.
- ³ Model changes in 2018 include the release of the Life and Savings central expense provision following such expenses moving to Other Group Activities, removal of dividend withholding tax from the embedded value calculations as a result of Managed Separation restructuring, partly offset by the impact of aligning embedded value capital to the Prudential Standards and updates to premium projection methodology in Old Mutual Corporate.

5.6 ECONOMIC VARIANCES

Rm	FY 2018			FY 2017		
	ANW	VIF	EV	ANW	VIF	EV
Investment variance on in-force business ¹	602	(1,988)	(1,386)	559	397	956
Investment variance on adjusted net worth ²	(517)	–	(517)	1,035	–	1,035
Impact of economic assumption changes ³	(1)	(132)	(133)	177	435	612
Economic variances	84	(2,120)	(2,036)	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 partly offset by better than expected returns in Rest of Africa.
- ³ The overall negative impact from economic assumption changes in 2018 is mostly due to bond yield curve changes implying a reduction in expected inflation reducing future premium and cover increases.

5. Embedded Value (continued)

5.7 EMBEDDED VALUE RECONCILIATIONS

5.7.1 Reconciliation of IFRS equity to embedded value

Rm	FY 2018	FY 2017
IFRS equity attributable to operating segments¹	45,979	43,281
Less IFRS equity value for non-covered business	(17,119)	(16,086)
IFRS equity for covered business	28,860	27,195
Adjustment to include long term business ²	(1,083)	(894)
Inclusion of Group equity and debt instruments held in life funds	7,052	4,517
Other ³	(287)	(852)
Adjusted net worth attributable to ordinary equity holders of the parent	34,542	29,966
Value of in-force business	31,856	33,695
Embedded Value	66,398	63,661

¹ Excludes IFRS equity attributable to Residual plc, assets held for sale or distribution, associated undertakings and consolidation of funds.

² The adjustment reflects removing deferred acquisition costs and deferred tax differences.

³ Adjustment to allow for non-controlling interest in Zimbabwe.

5.7.2 Reconciliation of adjusted headline earnings to total embedded value earnings

Rm	FY 2018	FY 2017 ¹
Adjusted Headline Earnings after tax and non-controlling interest	11,512	12,947
Less AHE after tax and non-controlling interest related to non-covered business	(4,619)	(4,429)
Life and Savings AHE after tax and non-controlling interest²	6,893	8,518
Other adjustments ³	22	(105)
Adjusted net worth total earnings	6,915	8,413
Other value of in-force total earnings⁴	(974)	2,478
Covered business EV total earnings	5,941	10,891

¹ FY2017 was re-presented due to the reallocation of central expenses in South Africa.

² The reduction in Life and Savings AHE compared to FY 2017 is mainly due to lower equity returns on shareholder funds, lower assumption and model changes.

³ Other adjustments in 2018 comprise of the exclusion of non covered life operations in China and changes to intangible assets, partly offset by restructuring costs not included in AHE.

⁴ The reduction in VIF total earnings compared to FY 2017 largely reflects the impact of adverse economic variances.

5.8 EXPECTED RETURN FOR THE FOLLOWING PERIOD

The following table sets out the expected existing business contribution for the year ending 31 December 2019, based on the 31 December 2018 closing MCEV.

Rm	Year ended 31 December 2019				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	EV
Expected existing business contribution (reference rate)	733	1,503	2,236	3,172	5,408
Expected existing business contribution (in excess of reference rate)	75	292	367	268	635

5. Embedded Value (continued)

5.9 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	FY 2018		
	EV	VIF	VNB
Central assumptions	66,398	31,856	2,167
Value given changes in:			
Economic assumptions 100bps increase ¹	66,375	31,828	2,049
Economic assumptions 100bps decrease ¹	66,093	31,557	2,313
Equity/property market value 10% increase ²	68,623	33,264	2,167
Equity/property market value 10% decrease ²	64,147	30,408	2,167
10 bps increase of liquidity spreads ³	66,557	32,015	2,178
50 bps contraction on corporate bond spreads ⁴	66,781	31,856	2,178
25% increase in equity/property implied volatilities ⁵	65,112	30,570	2,167
25% increase in swaption implied volatilities ⁶	66,338	31,796	2,167
10% decrease in discontinuance rates ⁷	68,003	33,461	2,754
10% decrease in maintenance expenses ⁸	68,297	33,756	2,338
5% decrease in mortality/morbidity rates ⁹	69,175	34,634	2,410
5% decrease in annuitant mortality assumption ¹⁰	66,110	31,568	2,142
VNB: 10% increase in acquisition expenses ¹¹	66,398	31,856	1,985
VNB: closing economic assumptions ¹²	66,398	31,856	2,110

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.

3 10 bps 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.

4 50 bps contraction on corporate bond spreads

5 25% increase in equity/property implied volatilities: 25% multiplicative increase in implied volatilities.

6 25% increase in swaption implied volatilities: 25% multiplicative increase in implied volatilities.

7 10% decrease in discontinuance rate

8 10% decrease in maintenance expenses: Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges.

9 5% decrease in mortality/morbidity rates: Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges.

10 5% decrease in annuitant mortality assumption: Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges.

11 VNB 10% increase in acquisition expenses: For value of new business, acquisition expenses other than commission and commission-related expenses increasing by 10%, with no corresponding increase in policy charges.

12 VNB on closing economic assumptions: Value of new business calculated on economic assumptions at the end of the reporting period.

5.10 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS

The methodology used to calculate embedded value and the manner of determining embedded value assumptions at 31 December 2018 is consistent with 31 December 2017 unless explicitly noted in this disclosure.

5.10.1 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.

5. Embedded Value (continued)

Apart from Principle 14 the Principles have been **materially complied with** in the preparation of MCEV information at 31 December 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 (based on the Prudential Standards) 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 the Prudential Standards 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 on covered business. The ANW consists of the free surplus and the required capital to support the business. The VIF on 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 cost of non-hedgeable risk (CNHR).

The ANW is the market value of shareholder assets with respect to covered business after allowing for liabilities on an adjusted IFRS basis after the removal of intangibles. 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. Required capital is calculated using the Prudential Standards basis using the Group's preferred methodology where methodological choices are available. These are in the process of being reviewed by the regulator.

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.

5. Embedded Value (continued)

5.10 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 R25,668 million at December 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 standalone 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.

5.10.2 Assumptions

5.10.2.1 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 Prudential Authority 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.

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.

5. Embedded Value (continued)

5.10 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS (continued)

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 31 December 2018	At 31 December 2017
South African risk free reference spot yields¹ and expense inflation		
Risk free (based on bond curve)		
1 year	7.6%	7.3%
5 years	8.6%	8.1%
10 years	9.8%	9.3%
20 years	10.6%	10.5%
Expense inflation (based on bond curve)		
1 year	5.3%	5.6%
5 years	5.7%	6.0%
10 years	6.5%	7.0%
20 years	7.2%	8.1%

	31 December 2018	31 December 2017
Pre-tax real world economic assumptions		
Personal Finance illiquidity premium ²	0.7%	0.8%
Old Mutual Corporate illiquidity premium (inflation linked annuities) ²	0.5%	0.5%
Old Mutual Corporate illiquidity premium (non-profit annuities) ²	1.2%	3.7%
Equity risk premium	3.7%	3.7%
Property risk premium	1.5%	1.5%
Weighted average effective tax rate ³	27.4%	29.0%

¹ Excluding illiquidity adjustments.

² 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.

³ 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.

5.10.2.2 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.

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. Return on Net Asset Value is pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information should be read in conjunction with the unmodified independent reporting accountants' report included on page 150 and 151.
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.
Group solvency ratio	Group eligible own funds (OF) divided by the solvency capital requirement (SCR) calculated on the Prudential Standards.
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.
Gross Written Premiums	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.