

OLDMUTUAL



# 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) <sup>1</sup>	4,848	318	7%	4,530	10,367
Adjusted Headline Earnings (AHE) <sup>1</sup>	5,393	34	1%	5,359	12,947
Return on Net Asset Value (RoNAV) (%) <sup>1</sup>	17.5%	–	(190 bps)	19.4%	22.9%
Free Surplus Generated from Operations <sup>1</sup>	3,471	165	5%	3,306	7,842
% of AHE converted to Free Surplus Generated <sup>1</sup>	64%	–	200 bps	62%	61%
Group Solvency ratio (%) <sup>2,3</sup>	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 <sup>1</sup>	91,563	8,221	10%	83,342	173,317
Life APE sales <sup>1</sup>	5,810	671	13%	5,139	11,512
NCCF (Rbn) <sup>1</sup>	9.4	7.8	>100%	1.6	5.6
FUM (Rbn) <sup>1,2</sup>	1,097.0	24.7	2%	1,033.6	1,072.3
VNB <sup>1</sup>	1,109	102	10%	1,007	2,280
VNB margin (%) <sup>1</sup>	3.3%	–	(10 bps)	3.4%	3.5%
<b>Banking and lending</b>					
Loans and advances <sup>2</sup>	27,638	4,327	19%	22,139	23,311
Net lending margin (%)	11.8%	–	(70 bps)	12.5%	13.8%
<b>Property and casualty</b>					
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)
<b>Results from Operations<sup>1</sup></b>	<b>4,848</b>	<b>318</b>	<b>7%</b>	<b>4,530</b>	<b>10,367</b>
Shareholder investment return	1,177	(692)	(37%)	1,869	4,920
Finance costs	(337)	(51)	(18%)	(286)	(622)
Income from associates <sup>2</sup>	1,379	343	33%	1,036	2,305
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	<b>7,067</b>	<b>(82)</b>	<b>(1%)</b>	<b>7,149</b>	<b>16,970</b>
Shareholder tax	(1,566)	34	2%	(1,600)	(3,535)
Non-controlling interests	(108)	82	43%	(190)	(488)
<b>Adjusted Headline Earnings</b>	<b>5,393</b>	<b>34</b>	<b>1%</b>	<b>5,359</b>	<b>12,947</b>

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

<sup>2</sup> Income from associates includes 19.9% stake in Nedbank and investment in China.

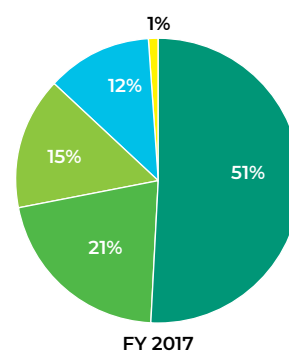
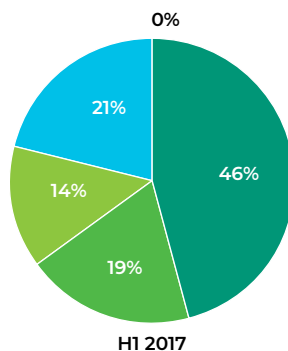
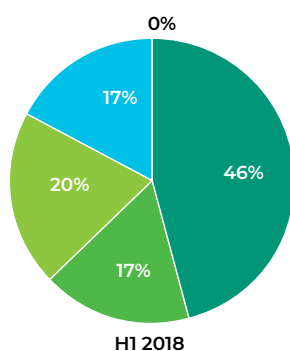
### 1.4 INVESTED SHAREHOLDER ASSETS

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

<sup>1</sup> 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	%		
<b>Total RoNAV (%)<sup>1,2</sup></b>	<b>17.5%</b>	–	(190 bps)	19.4%	22.9%
South Africa <sup>3</sup>	<b>18.5%</b>	–	40 bps	18.1%	21.0%
Rest of Africa	<b>13.2%</b>	–	(1,220 bps)	25.4%	31.1%
<b>Average Adjusted IFRS Equity (Rbn)<sup>1</sup></b>	<b>61.8</b>	5.3	9%	55.1	56.5
South Africa <sup>3</sup>	<b>49.6</b>	3.9	9%	45.1	45.7
Rest of Africa	<b>12.2</b>	1.4	13%	10.0	10.8
<b>Closing Adjusted IFRS Equity (Rbn)<sup>1</sup></b>	<b>63.9</b>	4.2	7%	57.1	59.7
South Africa <sup>4</sup>	<b>51.0</b>	2.8	6%	47.1	48.2
Rest of Africa	<b>12.9</b>	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 <sup>1</sup>	(400)	–	–	546	58%	(946)	–	–
<b>Free Surplus Generated from Operations</b>	<b>3,471</b>	<b>5,393</b>	<b>64%</b>	<b>165</b>	<b>5%</b>	<b>3,306</b>	<b>5,359</b>	<b>62%</b>

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 <sup>1</sup>	(1,998)	–	–
<b>Free Surplus Generated from Operations</b>	<b>7,842</b>	<b>12,947</b>	<b>61%</b>

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

## KEY METRICS (continued)

### 1.7 GROUP SOLVENCY POSITION<sup>1</sup>

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
<b>Nedbank at current holding</b>				
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%
<b>Nedbank on a post unbundling basis (19.9%)<sup>2</sup></b>				
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%

<sup>1</sup> 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.

<sup>2</sup> 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	%		
<b>Gearing<sup>1</sup></b>					
IFRS book value of subordinated debt <sup>2</sup>	6,495	2	–	5,945	6,495
IFRS equity attributable to operating segments <sup>3</sup>	47,594	4,313	10%	41,266	43,281
Gearing ratio (%)	12.0%		(100 bps)	12.6%	13.0%
<b>Interest cover<sup>4</sup></b>					
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

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Excludes equity attributable to Residual plc and assets held for sale and distribution.

<sup>4</sup> 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
<b>South Africa</b>	✓	✓	✓	✓	
<b>SADC</b>					
Botswana		✓	✓		
Malawi		✓		✓	
Namibia	✓	✓	✓	✓	
Swaziland		✓		✓	
Zimbabwe	✓	✓	✓	✓	
<b>East Africa</b>					
Kenya	✓	✓	✓	✓	
Rwanda			✓		
South Sudan		✓	✓		✓
Tanzania			✓		
Uganda		✓	✓		✓
<b>West Africa</b>					
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	%		
<b>Results from Operations</b>	<b>1,534</b>	228	17%	1,306	3,052
<b>Gross flows</b>	<b>6,532</b>	823	14%	5,709	12,022
<b>Life APE sales</b>	<b>2,142</b>	376	21%	1,766	4,091
Single premium	2	1	100%	1	3
Recurring premium	2,140	375	21%	1,765	4,088
<b>NCCF (Rbn)</b>	<b>3.1</b>	0.2	7%	2.9	6.1
<b>FUM (Rbn)<sup>1</sup></b>	<b>13.1</b>	0.7	6%	11.7	12.4
<b>VNB</b>	<b>655</b>	70v	12%	585	1,236
<b>VNB margin (%)</b>	<b>10.5%</b>	–	30 bps	10.2%	10.6%

<sup>1</sup> 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	%		
<b>Loans and advances<sup>1</sup></b>	<b>13,432</b>	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
<b>Balance sheet impairment provision<sup>1</sup></b>	<b>2,993</b>	425	17%	2,674	2,568
Performing	928	451	95%	534	477
Defaulted	2,065	(26)	(1%)	2,140	2,091
Impairment coverage ratio <sup>2</sup>	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%

<sup>1</sup> The % change has been calculated with reference to FY 2017.

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

<sup>1</sup> 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	%		
<b>Results from Operations</b>	<b>783</b>	145	23%	638	1,490
<b>Gross flows</b>	<b>45,114</b>	2,709	6%	42,405	88,250
<b>NCCF (Rbn)</b>	<b>10.9</b>	9.1	>100%	1.8	14.1
<b>Assets under management (AUM)<sup>1,2</sup> (Rbn)</b>	<b>741.9</b>	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) <sup>2</sup>	862.4	23.9	3%	793.1	838.5
Assets under administration	(120.5)	(18.6)	(18%)	(97.8)	(101.9)
<b>Total revenue</b>	<b>2,374</b>	90	4%	2,284	4,889
Annuity	2,151	–	–	2,151	4,358
Non-annuity	223	90	68%	133	531

<sup>1</sup> The % change has been calculated with reference to FY 2017.

<sup>2</sup> 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.

<sup>3</sup> AuMA is AUM including assets under administration.

<sup>4</sup> 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
<b>Wealth and Asset Management</b>	<b>456</b>	(41)	(8%)	497	952
Alternatives	150	174	>100%	(24)	144
Specialised Finance	177	12	7%	165	394
<b>Results from Operations (Rm)</b>	<b>783</b>	145	23%	638	1,490
Profit margin (%) <sup>1</sup>	0.21%	–	–	0.21%	0.22%

<sup>1</sup> 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
<b>Wealth and Asset Management</b>	<b>10.3</b>	8.4	>100%	1.9	13.0
Alternatives	0.6	0.7	>100%	(0.1)	1.1
<b>Wealth Investments</b>	<b>10.9</b>	9.1	>100%	1.8	14.1

## SEGMENT KEY PERFORMANCE INDICATORS (continued)

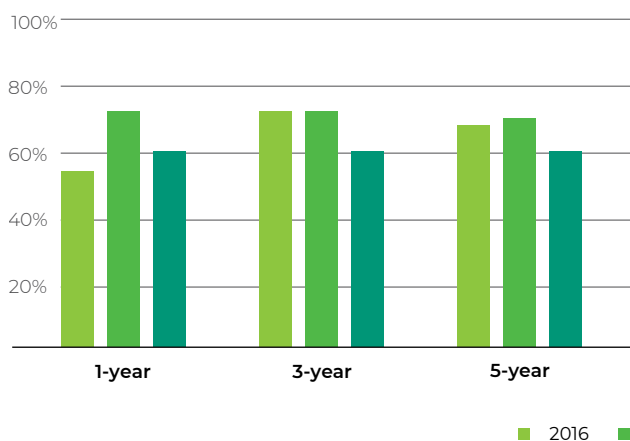
### 2.3.4 REVENUE

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

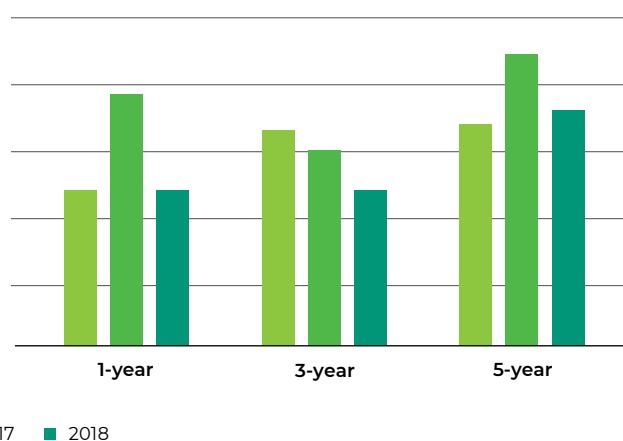
<sup>1</sup> Comparatives have been restated to reflect amounts gross of external management fees of R148 million in H1 2017 (FY 2017: R317 million).

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

<sup>1</sup> 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	%		
<b>Results from Operations</b>	<b>370</b>	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
<b>Underwriting result</b>	<b>270</b>	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 (%) <sup>1</sup>	59.8%	–	(410 bps)	63.9%	61.4%

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

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

<sup>2</sup> The % change has been calculated with reference to FY 2017.

<sup>3</sup> Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.

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

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

<sup>1</sup> The % change has been calculated with reference to FY 2017.

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

<sup>3</sup> 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	%		
<b>Results from Operations</b>	<b>(108)</b>	(59)	>(100%)	(49)	(67)
<b>Gross flows</b>	<b>1,466</b>	(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) <sup>1</sup>	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%)
<b>Banking and lending</b>					
Loans and advances <sup>1</sup>	2,392	318	15%	2,193	2,074
Net lending margin (%) <sup>2</sup>	11.3	–	(30 bps)	11.6%	12.8%
Credit loss ratio (%)	1.6%	–	100 bps	0.6%	1.3%
<b>Property and casualty</b>					
Gross written premiums	1,027	(105)	(9%)	1,132	2,145
Net earned premiums	773	(68)	(8%)	841	1,741
Underwriting margin (%) <sup>3</sup>	(8.5%)	–	(290 bps)	(5.6%)	(0.9%)

<sup>1</sup> The % change has been calculated with reference to FY 2017.

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

<sup>3</sup> 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	%		
<b>Results from Operations</b>	<b>(102)</b>	(1)	(1%)	(101)	(183)
<b>Gross flows</b>	<b>148</b>	–	–	148	280
Life APE sales	41	(21)	(34%)	62	116
NCCF (Rbn)	0.1	–	–	0.1	0.2
FUM (Rbn) <sup>1</sup>	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%)
<b>Property and casualty</b>					
Gross written premiums	73	(26)	(26%)	99	148
Net earned premiums	22	1	5%	21	43
Underwriting margin (%) <sup>2</sup>	(195.5%)	–	(6,690 bps)	(128.6%)	(104.7%)

<sup>1</sup> The % change has been calculated with reference to FY 2017.

<sup>2</sup> 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	-	-	-	-	-	-	-	-
<b>Life and savings RFO</b>	<b>3,302</b>	<b>140</b>	<b>3,442</b>	(116)	(3%)	3,451	107	3,558
<b>Asset Management RFO</b>	<b>394</b>	<b>143</b>	<b>537</b>	181	51%	248	108	356
<b>Banking and lending RFO</b>	<b>304</b>	<b>283</b>	<b>587</b>	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 <sup>1</sup>	(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 <sup>1</sup>	(784)	(479)	(1,263)	85	6%	(899)	(449)	(1,348)
Investment return on insurance funds	96	-	96	(11)	(10%)	107	-	107
<b>Property and casualty RFO</b>	<b>370</b>	<b>(88)</b>	<b>282</b>	141	100%	200	(59)	141
<b>RFO</b>	<b>4,370</b>	<b>478</b>	<b>4,848</b>	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 <sup>2</sup>	1,379	-	1,379	343	33%	1,036	-	1,036
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	<b>5,980</b>	<b>1,087</b>	<b>7,067</b>	(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)
<b>Adjusted Headline Earnings</b>	<b>4,587</b>	<b>806</b>	<b>5,393</b>	34	1%	4,087	1,272	5,359

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

<sup>2</sup> 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
<b>Life and savings RFO</b>	7,389	348	7,737
<b>Asset Management RFO</b>	673	212	885
<b>Banking and lending RFO</b>	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
<b>Property and casualty RFO</b>	525	(35)	490
<b>RFO</b>	9,286	1,081	10,367
Shareholder investment return	1,849	3,071	4,920
Finance costs	(622)	–	(622)
Income from associates <sup>1</sup>	2,305	–	2,305
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	12,818	4,152	16,970
Shareholder tax	(3,082)	(453)	(3,535)
Non-controlling interests	(144)	(344)	(488)
<b>Adjusted Headline Earnings</b>	9,592	3,355	12,947

<sup>1</sup> Income from associates includes the 19.9% stake in Nedbank and investment in China.



## OTHER DISCLOSURES AND RECONCILIATIONS (continued)

### 3.2 SOLO SOLVENCY POSITION<sup>1</sup>

Rbn	H1 2018	Change (H1 2018 vs FY 2017)		FY 2017
		Value	%	
<b>South Africa Life (OMLACSA) – solvency position</b>				
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%
<b>Old Mutual Insure – solvency position</b>				
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%

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

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	%		
<b>Adjusted Headline Earnings</b>	<b>5,393</b>	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 <sup>1</sup>	4,536	338	8%	4,198	8,870
Income from associates <sup>2</sup>	(1,398)	(349)	(33%)	(1,049)	(2,346)
Residual plc <sup>1</sup>	(901)	606	40%	(1,507)	(4,918)
<b>Headline earnings</b>	<b>7,800</b>	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
<b>Profit after tax for the financial period attributable to ordinary equity holders of the parent</b>	<b>10,648</b>	3,398	47%	7,250	14,119
Dividends on preferred securities	–	(253)	(100%)	253	253
<b>Profit after tax for the financial period attributable to equity holders of the parent</b>	<b>10,648</b>	3,145	42%	7,503	14,372

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>1</sup>	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)	–	–	–
<b>Group</b>	<b>91,563</b>	<b>83,342</b>	<b>173,317</b>	<b>5,810</b>	<b>5,139</b>	<b>11,512</b>	<b>9.4</b>	<b>1.6</b>	<b>5.6</b>	<b>1,097.0</b>	<b>1,033.6</b>	<b>1,072.3</b>	<b>1,109</b>	<b>1,007</b>	<b>2,280</b>

<sup>1</sup> 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 <sup>1</sup>	Previously reported <sup>2</sup>	Old Mutual Limited	Discontinued operations <sup>1</sup>	Previously reported <sup>3</sup>
Results from Operations (RFO) <sup>1</sup>	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

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

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

<sup>3</sup> 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	%	
<b>IFRS book value of subordinated debt<sup>1</sup></b>	<b>14,636</b>	422	3%	14,214
Term loans and revolving credit facilities	6,496	1,844	40%	4,652
<b>Total borrowed funds</b>	<b>21,132</b>	2,266	12%	18,866

<sup>1</sup> 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
<b>Adjusted IFRS equity</b>	<b>63.9</b>	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 <sup>1</sup>	(34)	(34)	n/a
<b>Residual plc Economic NAV<sup>2</sup></b>	<b>424</b>	<b>439</b>	n/a

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

<sup>2</sup> 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
<b>AOP before tax and non-controlling interest</b>	6,025	13,326
LatAm and Asia <sup>1</sup>	(323)	(609)
Long term investment return	(1,371)	(2,974)
Shareholder investment return <sup>2</sup>	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 <sup>3</sup>	1,036	2,305
<b>AHE before tax and non-controlling interests</b>	7,149	16,970
Shareholder tax	(1,600)	(3,535)
Non-controlling interests	(190)	(488)
<b>AHE</b>	5,359	12,947

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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	%		
<b>Exchange rates</b>					
<b>GBP:ZAR</b>					
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
<b>KES:ZAR</b>					
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
<b>USD:ZAR</b>					
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
<b>South African equity indices</b>					
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
<b>Rest of Africa equity indices</b>					
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
<b>Global equity indices</b>					
MSCI Emerging Markets Index (Net)	487	37	8%	450	521
<b>Interest-bearing indices</b>					
STEFI composite	397	27	7%	370	383
<b>FSV discount rate used (%)</b>	<b>9.2%</b>	-	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
<b>Adjusted net worth (ANW)</b>	<b>33,677</b>	29,575	29,966
Free surplus	9,409	7,907	7,090
Required capital <sup>1</sup>	24,268	21,668	22,876
<b>Value of in-force (VIF)</b>	<b>33,652</b>	32,245	33,695
Present value of future profits (PVFP)	40,535	38,280	39,949
Frictional costs <sup>2</sup>	(3,476)	(3,704)	(3,866)
Cost of residual non-hedgeable risks (CNHR) <sup>3</sup>	(3,407)	(2,331)	(2,388)
<b>Embedded value<sup>4</sup></b>	<b>67,329</b>	61,820	63,661

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

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

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

<sup>4</sup> 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	
<b>Opening EV</b>		<b>7,090</b>	<b>22,876</b>	<b>29,966</b>	<b>33,695</b>	<b>63,661</b>
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 <sup>1</sup>		(118)	–	(118)	–	(118)
Assumption and model changes	5.5	(725)	528	(197)	482	285
<b>Operating EV earnings</b>		<b>2,043</b>	<b>960</b>	<b>3,003</b>	<b>871</b>	<b>3,874</b>
Economic variances	5.6	(477)	173	(304)	(1,034)	(1,338)
Regulatory and tax changes		(5)	–	(5)	(1)	(6)
<b>Total EV earnings</b>		<b>1,561</b>	<b>1,133</b>	<b>2,694</b>	<b>(164)</b>	<b>2,530</b>
Closing adjustments		758	259	1,017	121	1,138
Capital and dividend flows <sup>2</sup>		415	–	415	–	415
Foreign exchange variance <sup>3</sup>		343	259	602	121	723
<b>Closing EV<sup>4</sup></b>		<b>9,409</b>	<b>24,268</b>	<b>33,677</b>	<b>33,652</b>	<b>67,329</b>
<b>Return on EV (RoEV)% per annum<sup>5</sup></b>						<b>11.7%</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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	
<b>Opening EV</b>		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)
<b>Operating EV earnings</b>		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)
<b>Total EV earnings</b>		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)
<b>Closing EV</b>		7,907	21,668	29,575	32,245	61,820
<b>Return on EV (RoEV)% per annum</b>						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
<b>Opening EV</b>		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
<b>Operating EV earnings</b>		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
<b>Total EV earnings</b>		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)
<b>Closing EV</b>		7,090	22,876	29,966	33,695	63,661
<b>Return on EV (RoEV)% per annum</b>						14.1%

### 5.3 NEW BUSINESS

#### 5.3.1 DRIVERS OF NEW BUSINESS PROFITABILITY

%	H1 2018	H1 2017	FY 2017
<b>VNB margin at the end of comparative reporting period</b>	<b>3.4</b>	3.5	3.4
Change in volume and new business expenses <sup>1</sup>	0.2	(0.3)	(0.2)
Change in country and product mix <sup>2</sup>	(0.6)	0.5	0.2
Change in assumptions and models <sup>3</sup>	0.3	(0.3)	0.1
Change in economic assumptions	–	–	–
Change in tax/regulation	–	–	–
<b>VNB margin at the end of the reporting period</b>	<b>3.3</b>	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 <sup>1</sup>	VNB	PVNB margin
<b>South Africa</b>	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 <sup>2</sup>		(2,717)	(2,717)			
<b>Rest of Africa</b>	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%)
<b>Group</b>	3,432	20,427	33,989	4.0	1,109	3.3%

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

<sup>2</sup> 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
<b>South Africa</b>	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)			
<b>Rest of Africa</b>	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%)
<b>Group</b>	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
<b>South Africa</b>	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)			
<b>Rest of Africa</b>	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%)
<b>Group</b>	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 <sup>1</sup>	44	(262)	(218)	48	(116)	(68)	139	(501)	(362)
Risk <sup>2</sup>	(48)	70	22	146	38	184	78	81	159
Expenses <sup>3</sup>	48	34	82	180	27	207	254	99	353
Other <sup>4</sup>	(69)	(33)	(102)	(75)	(134)	(209)	88	(179)	(91)
<b>Experience variances</b>	<b>(25)</b>	<b>(191)</b>	<b>(216)</b>	<b>299</b>	<b>(185)</b>	<b>114</b>	<b>559</b>	<b>(500)</b>	<b>59</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 <sup>1</sup>	(197)	482	285	42	(65)	(23)	(367)	403	36
<b>Assumption and model changes</b>	<b>(197)</b>	<b>482</b>	<b>285</b>	<b>42</b>	<b>(65)</b>	<b>(23)</b>	<b>433</b>	<b>109</b>	<b>542</b>

<sup>1</sup> 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 <sup>1</sup>	219	(1,113)	(894)	328	(219)	109	559	397	956
Investment variance on adjusted net worth <sup>2</sup>	(523)	-	(523)	122	-	122	1,035	-	1,035
Impact of economic assumption changes <sup>3</sup>	-	79	79	-	457	457	177	435	612
<b>Economic variances</b>	<b>(304)</b>	<b>(1,034)</b>	<b>(1,338)</b>	<b>450</b>	<b>238</b>	<b>688</b>	<b>1,771</b>	<b>832</b>	<b>2,603</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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
<b>IFRS equity attributable to operating segments<sup>1</sup></b>	<b>47,594</b>	41,266	43,281
Less IFRS equity value for non-covered business <sup>2</sup>	(16,075)	(13,783)	(16,086)
<b>IFRS equity for covered business</b>	<b>31,519</b>	27,483	27,195
Adjustment to include long term business on a statutory basis <sup>3</sup>	(979)	(854)	(894)
Inclusion of Group equity and debt instruments held in life funds	4,245	3,701	4,517
Other <sup>4</sup>	(1,108)	(755)	(852)
<b>Adjusted net worth attributable to ordinary equity holders of the parent</b>	<b>33,677</b>	29,575	29,966
<b>Value of in-force business</b>	<b>33,652</b>	32,245	33,695
<b>EV</b>	<b>67,329</b>	61,820	63,661

<sup>1</sup> Old Mutual Limited IFRS equity excluding Residual plc and discontinued operations.

<sup>2</sup> The net asset value for non-covered business has remained in-line with December 2017.

<sup>3</sup> The adjustment to include long term business on a statutory solvency basis reflects deferred acquisition costs and deferred tax differences.

<sup>4</sup> 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
<b>Adjusted Headline Earnings after tax and non-controlling interest</b>	<b>5,393</b>	5,359	12,947
Less AHE after tax and non-controlling interest on other lines of business	(2,472)	(1,808)	(4,604)
<b>Life and Savings AHE after tax and non-controlling interest<sup>1</sup></b>	<b>2,921</b>	3,551	8,343
Other adjustments <sup>2</sup>	(227)	(69)	70
<b>Adjusted net worth total earnings</b>	<b>2,694</b>	3,482	8,413
<b>Other value of in-force total earnings<sup>3</sup></b>	<b>(164)</b>	905	2,478
<b>Covered business EV total earnings</b>	<b>2,530</b>	4,387	10,891

<sup>1</sup> The reduction in Life and Savings AHE compared to H1 2017 is mainly due to lower equity returns on shareholder funds in Zimbabwe.

<sup>2</sup> Other adjustments in 2018 comprise mainly of restructuring costs not included in AHE.

<sup>3</sup> 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 <sup>1</sup>	67,233	33,550	1,054
Economic assumptions 100bps decrease <sup>1</sup>	67,162	33,491	1,176
10bps increase of liquidity spreads <sup>2</sup>	67,471	33,795	1,112

<sup>1</sup> 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.

<sup>2</sup> 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
<b>South African risk free reference spot yields<sup>3</sup> and expense inflation</b>			
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%
<b>Pre-tax real world economic assumptions</b>			
Personal Finance illiquidity premium <sup>1</sup>	0.65%	0.75%	0.75%
Old Mutual Corporate illiquidity premium <sup>1</sup>	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 <sup>2</sup>	27%	29%	29%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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

<b>Registered name:</b>	Old Mutual Limited
<b>Country of incorporation:</b>	South Africa
<b>Registration number:</b>	2017/235138/06
<b>Income tax reference number:</b>	9267358233
<b>Share code (JSE and LSE):</b>	OMU
<b>Share code (NSX):</b>	OMM

## Registered Office

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7405

## Internet address

[www.oldmutual.com](http://www.oldmutual.com)

## 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)