OLDMUTUAL

02

INTERIM RESULTS COMMENTARY

DO GREAT THINGS EVERY DAY

Interim Results Commentary

"The COVID-19 pandemic has had an unprecedented impact on our business and our lives. We are proud that we were able to ensure that the majority of our employees could work remotely during the crisis. Servicing our customers remained a top priority and through innovative digital solutions we ensured uninterrupted payment of claims and processing of transactions. We remained active in supporting our communities, with R67 million pledged towards COVID-19 relief efforts. We feel confident that our response to the crisis is sufficient in the short term and that it reflects our conscious choice to prioritise the future sustainability of the business. We extend our deepest condolences to the families of our 8 colleagues who have sadly passed away due to COVID-19, they will be missed dearly."

Iain Williamson: Chief Executive Officer

The COVID-19 pandemic has had an unprecedented impact on our business, our lives, on how we work and interact. Although the resultant lockdown adversely affected us, particularly the productivity of our physical distribution channels, we were agile and adapted to this new normal. We leveraged our digital capability and through the use of digital sales platforms and the provision of data and network access, we enabled most of our employees and certain of our advisers to work remotely.

There is still a considerable amount of uncertainty around what we can expect within the next 12 months. However, we believe we have taken sufficient actions to provide for the impact of the pandemic in the short term. We will continue to closely monitor the situation and make further provisions if necessary. We believe that the actions we have taken maintain our capacity and therefore will allow us to take advantage of opportunities in this environment and be in a position to accelerate activity as restrictions are lifted.

Despite the changes the pandemic has brought to the business, our focus remains unchanged. We continue to put customers first and simplify our business through digital transformation. With the scaling of Old Mutual Protect, we have implemented digitalised customer and intermediary service models with a large degree of straight-through processing. Continued use of robotics and artificial intelligence to service customers and process transactions has saved 8 million processing minutes to date. These initiatives not only provide a better experience for customers and intermediaries, but also simplify various business processes which lead to cost efficiencies. We continue to drive our cloud strategy via Amazon Web Services, with the first 85 workloads now live on the cloud. This has resulted in no unplanned downtime experience for customers and has allowed us to rapidly deploy solutions across the business.

We were conscious of our obligation to support the communities we operate in during these times of uncertainty and stress, evidenced by our support and positive contributions to causes with the most acute needs during the crisis. We provided R4 billion worth of free life cover to approximately 430 000 registered healthcare workers across South Africa. In Zimbabwe, we provided ZWL$2 billion worth of free life cover to healthcare workers involved in the fight against COVID-19. Across the Group, we pledged R67 million towards relief efforts that address educational needs, hygiene awareness, nutritional support, and access to personal protective equipment for essential service workers.

The safety, health and wellbeing of our employees was a top priority during this period. We rolled out virtual fitness and wellness sessions as well as engagements with healthcare professionals. We were deliberate about increased engagement with employees to keep them informed about our business operations and response to COVID-19. Employees required to work on-site were required to follow strict health and safety protocols to ensure their own safety and that of others.

As part of our efforts to help our customers to maintain and reach their financial goals during these challenging times, we implemented various relief initiatives to show our continuous support. Initiatives included automatic premium holidays, premium discounts and delays in annual rate increases as well as grace periods for loan repayments. Over the past few months, we have continued to effectively service our customers despite the majority of our employees and intermediaries working from home. In South Africa, we introduced new digital channels and functionality such as the use of additional email, USSD and WhatsApp platforms to service funeral claims and disinvestments. In our East Africa and Southern Africa regions, we introduced the Facebook Messenger Chatbot, which helps customers open an investment account, check and manage their accounts, and request withdrawals.

In responding to the crisis we have made a conscious choice to prioritise those actions that support the future sustainability of the business. During the second half we will focus on improving adviser productivity to normalised levels as rapidly as possible, improving customer access through increasing digitisation and finding opportunities for further cost efficiencies.

Strategic Update

When Old Mutual Limited listed in 2018, after the completion of the Managed Separation, we set medium term objectives that were referred to as our strategic battlegrounds. The battlegrounds provided a framework for measuring the outcomes we were driving in the short to medium term and were tactical in nature. During 2019, we commenced a series of strategy workshops with our Board to articulate our long term strategy. These workshops were completed in the first half of 2020, and this long term strategy is now being utilised throughout the organisation to shape our focus areas and drive prioritisation. Our strategic vision is to be our customer's first choice and our purpose is to champion mutually positive futures everyday. We have defined five strategic pillars, the delivery of which will allow us to achieve this vision and sustain, grow and protect the prosperity of the customers and communities we serve.

Appropriate and specific targets that will demonstrate progress against each of these pillars are being set and will be communicated at a later stage.

Old Mutual Cares

'Old Mutual Cares' is the external expression of what it means to be a responsible business. We will make this evident through the solutions and actions that support our customers, their families and communities. Our founder, John Fairbairn, was a philanthropist and a social activist that built our business on his dream of a society that cares for its members and those around them. This is part of our DNA and in the long term, we strive to further extend our reach as a good corporate citizen.

Always present first

Old Mutual is a trusted brand due to its presence and resonance. We have a strong physical distribution footprint, but with customers' preferences and expectations evolving, "being present" now also means being available via digital channels. We are committed to strengthen our presence through digital solutions that ensure customers have access to advice and our products, when they need them and through their platform of choice.

Rewarding digital engagement

Through the effective use of data, we want to be able to create meaningful and relevant "in the moment" interactions with customers, in order to offer them the right solution at the right time to help them fulfill their financial goals.

Engaged employees

Creating an environment where our high performing and engaged employees make meaningful contributions to the achievement of our vision, purposes and values. This will be demonstrated by a relentless focus on delivering meaningful customer experiences at every moment of the customer journey.

Solutions that lead

In order to meet the multiple financial needs of our customers, we need to provide unique and innovative solutions. These solutions should integrate across our digital platforms allowing customers to navigate between our various offerings in a seamless manner.

Operating Context

The outbreak of the COVID-19 pandemic and the related lockdowns that followed have had a significant impact on the global economy in H1 2020. In South Africa the number of COVID-19 related deaths accelerated rapidly from late June to late July, however have been steadily dropping during August. To date we have not seen any significant number of COVID-19 related deaths in our Rest of Africa territories and we continue to actively monitor this trend.

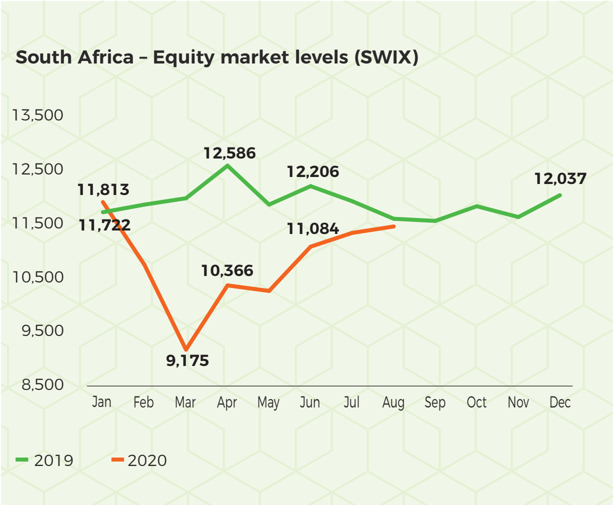
Global equity markets have recovered from lows in March as central banks and governments continue to provide stimulus packages to support the recovery of capital markets. The global outlook remains uncertain as many countries continue to battle potential second waves of the virus as lockdown restrictions are eased.

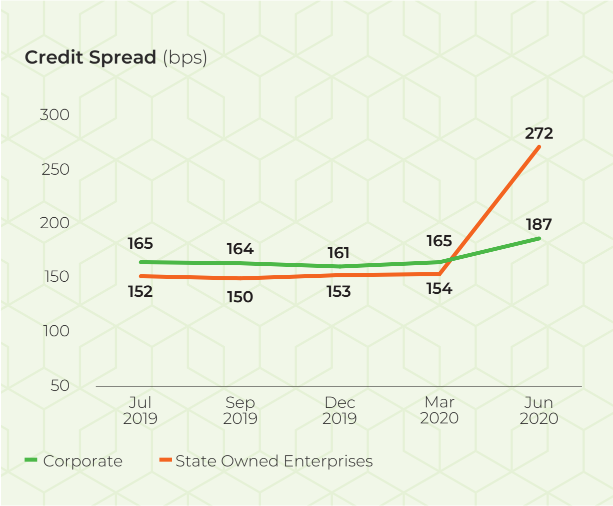
South African equity markets were 8% down since the start of the year, despite the recovery from a record decline in March, with average market levels being 10% lower than the prior period. The economy remains in a technical recession, with a third consecutive quarter of negative GDP growth in Q1 2020. Credit spreads increased by between 50bps and 100bps, higher than increases seen in the previous financial crisis. Government has secured borrowings from international financial institutions to fund the R500 billion stimulus package announced in April 2020, intended to provide social protection, support for small businesses and municipalities as well as health and frontline services.

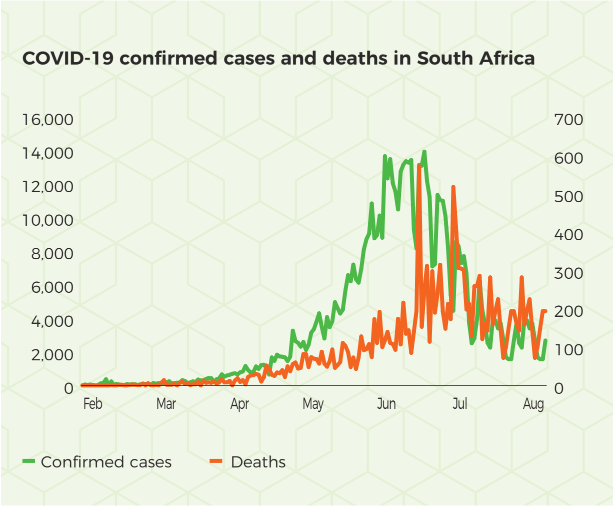
The Namibian economy was already under pressure even before the nationwide lockdown took effect with declining agricultural production and weaker global demand for diamonds.

The Kenyan economy remained resilient in the first quarter of the year on the back of robust agricultural production. However, the impact of COVID-19 is expected to show in Q2 GDP as containment measures have constrained the services sector.

In Zimbabwe, inflation continues to rise rapidly and is expected to be 700% at the end of 2020. Zimbabwe's currency weakened after introduction of the foreign currency auction facility. Trading on the ZSE was suspended in late June and recommenced on 3 August with the exception of dual listed shares, the Old Mutual Limited share being one of those. We continue to engage with the Zimbabwean regulator to agree an appropriate solution to this issue for our shareholders in Zimbabwe.







RESULTS PRESENTATION
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ADDITIONAL DISCLOSURES

Group Highlights

Rm (unless otherwise stated)	H1 2020	H1 2019	% change	FY 2019
Gross flows	**90,835**	79,801	14%	170,689
Life APE sales	**4,716**	5,814	(19%)	12,268
NCCF (Rbn)	**1.5**	1.4	7%	2.2
FUM (Rbn)[1]	**1,057.2**	1,080.9	1%	1,048.5
VNB	**125**	862	(85%)	1,865
Normalised Results from Operations (RFO)	**4,334**	4,512	(4%)	8,972
Results from Operations (RFO)	**1,541**	4,512	(66%)	8,972
Adjusted Headline Earnings (AHE)	**1,704**	5,211	(67%)	9,856
Adjusted Headline Earnings per share (cents)[2]	**37.3**	109.1	(66%)	209.3
Headline Earnings (HE)[3]	**4,215**	5,854	(28%)	10,641
Headline Earnings per share (HEPS)[3]	**96.3**	128.1	(25%)	236.1
Return on Net Asset Value (RoNAV) (%)	**5.2%**	16.4%	(1120 bps)	15.2%
Free Surplus Generated from Operations	**808**	3,739	(78%)	6,794
% of AHE converted to Free Surplus Generated	**47%**	72%	(2500 bps)	69%
(Loss)/Profit after tax attributable to equity holders of the parent[3]	**(5,621)**	5,817	(>100%)	9,386
Basic (loss)/earnings per share (cents)[3]	**(128.5)**	127.3	(>100%)	208.3
Group Solvency ratio (%)[1,3]	**182%**	166%	(700 bps)	189%
Dividend per share (cents)	**–**	45	(100%)	75

1 *The comparative and % change has been calculated with reference to FY 2019.*
2 *WANS used in the calculation of the Adjusted Headline earnings per share is 4,574 million (H1 2019: 4,774 million).*
3 *These metrics include the income or net asset value of our operations in Zimbabwe. All other key performance indicators exclude Zimbabwe.*

The outbreak of COVID-19 has had far reaching impacts on our business operations and consequently our earnings in the first half of 2020. Despite the impact to earnings, our business remains robust, with sufficient levels of liquidity and strong solvency positions in our regulated subsidiaries. We have performed stress tests to assess our liquidity and solvency position under various recovery scenarios. Our liquidity levels remain positive and our solvency ratio remains within our target range in all scenarios.

New business sales volumes were significantly lower than the prior year in South Africa due to the lockdown and related restrictions. In Mass and Foundation Cluster many of our tied advisers were unable to sell during the lockdown period due to the partial closure of the branch network and lack of access to customers' homes, worksites and branches. This led to a significant decline in life sales and slowed loan disbursements. Even though activity has increased as branches reopened, restrictions remain in place to ensure social distancing regulations are adhered to. In Personal Finance, the impact was less severe as we were able to enable remote working for a larger proportion of advisers. These factors have hindered productivity and new business acquisition significantly during H1 2020. The full impact of lower issued sales in H1 2020 will only emerge in Life APE sales in H2 2020 as reported numbers are based on confirmed sales.

Our customers experienced increased financial strain due to challenging economic environments in most countries we operate in. There were higher levels of retrenchments in the market as employers faced liquidity challenges resulting from lockdown restrictions, with the informal sector also affected leading to further pressure on the disposable income levels of our customers. These circumstances have contributed to the decline in sales activity and poor persistency experience, which adversely affected distribution efficiencies. Customers also opted for lower margin risk and investment products resulting in a significant decline in VNB compared to the prior year.

The decline in closing and average equity markets led to pressure on our asset based fees and resulted in unrealised mark to market losses in our equity portfolios. Initially lagging the equity markets, credit spreads widened in the second quarter as the crisis contributed to a weakening economic outlook. Credit spreads increased by between 50bps and 100bps, higher than increases seen in the previous financial crisis, resulting in significant mark to market losses in our unlisted credit portfolio. These market conditions led to negative unrealised mark to market movements of R698 million in the first half of the year in our Specialised Finance business. Investment returns in our shareholder portfolio were negatively impacted by the performance of South African equity markets, despite outperforming the market benchmark

due to our protected equity hedging strategy related to listed equities. Fair value losses on the unlisted equity portfolio further contributed to the decline, partially offset by an increase in investment return earned on higher average levels of interest bearing assets despite interest rate cuts during the period.

Changes in the macro environment including negative GDP growth forecasts and interest rate cuts, have resulted in depressed earnings forecasts for some of our unlisted equity portfolios and resulted in downward revaluations of certain assets.

We have presented certain direct COVID-19 impacts separately within our presentation of Results from Operations, in order to reflect the underlying results of our segments on a more comparable basis. Only items that are separately identifiable and reliably measurable have been presented in this line item. We have not made any pro forma adjustments for impacts such as the loss of earnings due to lower sales activity resulting from lockdown restrictions.

Supplementary Income Statement

Rm	Note	H1 2020	H1 2019	% change
Mass and Foundation Cluster		**650**	1,512	(57%)
Personal Finance and Wealth Management[1]	A	**1,718**	1,426	20%
Old Mutual Investments[1]	A	**489**	511	(4%)
Old Mutual Corporate		**883**	870	1%
Old Mutual Insure		**522**	141	>100%
Rest of Africa		**272**	214	27%
Net expenses from central functions	B	**(200)**	(162)	(23%)
Normalised Results from Operations	C	**4,334**	4,512	(4%)
Separately identifiable COVID-19 items	D	**(2,793)**	–	(100%)
Results from Operations		**1,541**	4,512	(66%)
Shareholder investment return	E	**680**	1,060	(36%)
Finance costs	F	**(244)**	(309)	21%
Income from associates[2]	G	**364**	1,431	(75%)
Adjusted Headline Earnings before tax and non-controlling interests		**2,341**	6,694	(65%)
Shareholder tax		**(678)**	(1,425)	52%
Non-controlling interests		**41**	(58)	>100%
Adjusted Headline Earnings		**1,704**	5,211	(67%)

1 *Segment composition has been revised following a change in management responsibility as outlined in note A. Comparatives have been re-presented to reflect this.*
2 *Reflects our share of earnings related to our investments in Nedbank and China.*

The following items have been excluded from Normalised Results from Operations to present our segment results on a more comparable basis with the prior year.

Rm	Life reserves	Business interruption and rescue	Unrealised Mark to Market	Forward looking information	Incremental net operating expenses	Total
Mass and Foundation Cluster	550			104	66	**720**
Personal Finance and Wealth Management	510				43	**553**
Old Mutual Investments			698		1	**699**
Old Mutual Corporate	228				6	**234**
Old Mutual Insure		464			15	**479**
Rest of Africa	51			21	23	**95**
Net expenses from central functions			(2)		15	**13**
Impact to Results from Operations	**1,339**	**464**	**696**	**125**	**169**	**2,793**

A Change in segment composition

Effective 1 January 2020, the Wealth Management business has been managed alongside the Personal Finance business by Kerrin Land, the MD of Personal Finance. Consequently, we have aligned the segmental reporting to reflect this operational change and the segment has been renamed Personal Finance and Wealth Management. The previous Wealth and Investments segment has been renamed Old Mutual Investments, and the segment comprises the Asset Management, Alternatives and Specialised Finance businesses. We have re-presented all comparative amounts to reflect this change.

B Net expenses from central functions

Central expenses of R200 million increased by 23% from R162 million in the prior year. In the prior year higher cash balances were held in central entities in preparation for share buybacks executed in 2019. Lower cash balances in the current year, coupled with interest rate cuts, have led to a decrease in interest income compared to the prior year. This was partially offset by the non repeat of one off costs incurred in the prior year including the finance restructure.

C Normalised Results from Operations

Normalised Results from Operations was down 4% from the prior year largely driven by a significant decrease in Mass and Foundation Cluster's profits due to lower sales volumes, poor persistency, and higher credit losses experienced in Old Mutual Finance due to the strengthening of our provisioning. This was mostly offset by the decrease in catastrophe losses in Old Mutual Insure and growth in profits of Personal Finance and Wealth Management due to improved mortality and a release of reserves following a change in the investment strategy for the closed annuity fund. Rest of Africa profits were up 27% mostly due to lower losses in West Africa and foreign exchange gains as the rand depreciated most notably against the Kenyan shilling and Malawian kwacha.

D Separately identifiable COVID-19 items

Life reserves

We raised additional short term provisions of R1,339 million in anticipation of worsening mortality claims experience particularly, but also worsening persistency and morbidity, in the second half of 2020. While there is still much uncertainty around the pandemic and the impact that it will have on our mortality experience, we observed an increase in mortality and morbidity claims towards the end of the second quarter, which has continued in the third quarter.

We noted an increase in retrenchment activity in our customer base during the second quarter and this trend is expected to worsen given the negative economic outlook for South Africa and that many businesses are struggling to recover after the devastating effects of the pandemic.

These provisions are intended to allow for expected short term variances to our long term assumptions. We will continue to monitor the trends we are seeing as more data becomes available. This may result in a change in our actuarial basis in December if a longer term deterioration becomes evident.

Business interruption and rescue

Net claims, including an increase in IBNR reserve, of R464 million were recognised in H1 2020.

During the various levels of lockdown imposed in South Africa since March this year, most businesses were closed to the public. Despite these restrictions since being lifted for certain sectors, many businesses have remained closed due to the nature of their services or due to travel restrictions and social distancing regulations still in place. This led to a significant increase in business interruption (BI) and business rescue claims in Old Mutual Insure.

Claims were assessed against policy wording, specifically whether the policy in question had an infectious disease clause or not. Old Mutual Insure further obtained legal advice on the infectious disease wording in affected policies and the current legal view is that the general widespread occurrence of COVID-19 or any steps taken by government, as an example, to limit the spread of COVID-19 nationally, will not constitute an interruption or interference of the business under the infectious disease extension. Despite the legal interpretation, as part of our ongoing relief initiatives to customers during difficult times, a decision was made to settle BI claims of certain qualifying SME customers, to enable them to continue operating. This settlement applies to all our qualifying SME customers who had the infectious disease extension at the time of loss. We continue to settle claims, where customers can demonstrate that their businesses were interrupted by COVID-19, with either employees or customers at their premises testing positive or where their policy wordings sufficiently cover the specific losses incurred.

Unrealised mark to market losses

Net negative unrealised fair value losses of R696 million are included in our RFO, reflecting the impact of significant volatility in capital markets during H1 2020.

In Specialised Finance, the valuation of our unlisted equity portfolio decreased by R309 million, taking into account the decline in multiples of comparable listed peers. Initially lagging the equity markets, during the second quarter the credit markets started to price in the impact of the crisis and weaker economic outlook, with spreads increasing by between 50bps and 100bps depending on the tenor and counterparty. This led to a decrease of R389 million in our credit portfolio, reflecting the mark to market impact of the observed spread widening.

The small mark to market net gain in net expenses from central functions arose from fair value losses on unlisted equity which was more than offset by gains on interest rate swaps, managed centrally by the Middle Manager.

Forward looking information

This item reflects an increase of R125 million in the expected credit loss provision to take into account forward looking economic information and the expected correlated deterioration in the credit environment in South Africa and Namibia. We will continue to monitor forward looking scenarios as the situation unfolds in the second half of the year.

Incremental net operating expenses

Incremental net operating expenses of R169 million were incurred in H1 2020 as a direct result of the pandemic. These costs included IT and data costs incurred to enable our employees and tied advisors to work from home, costs incurred to implement COVID-19 safety measures in our offices and branches, and spend on initiatives to aid customers and intermediaries in the current environment. Central savings related to reduced travel and lower discretionary spend were also taken into account.

E Shareholder investment return

Shareholder investment return of R680 million decreased by 36% from R1,060 million in the prior period. In South Africa, shareholder investment returns were lower than the prior year, a function of South African equity markets being down 8% year to date. Fair value losses on our listed equity holdings were offset by portfolio hedges in place resulting in a relatively flat hedged equity return although lower than the prior year. The valuation of our unlisted equity portfolio decreased significantly, reflecting a decline in economic growth forecasts and lower comparable listed peers referenced in valuations. This was partially offset by higher investment returns on average levels of interest bearing assets than the prior year, despite interest rate cuts.

Shareholder investment return in Rest of Africa increased by 18% largely due to the non repeat of negative fair value loses on investment properties in East Africa included in the prior period. This was partially offset by higher fair value losses in Namibia compared to the prior year, driven by negative returns in the listed and unlisted equity portfolios.

F Finance costs

Finance costs decreased by 21% to R244 million from R309 million in the prior period. The decrease was largely due to fair value gains on interest rate swaps as the repo rate decreased during the period. Old Mutual Life Assurance Company South Africa (OMLACSA) repaid R962 million of its unsecured subordinated debt in March 2020, which further contributed to the decrease in finance costs.

G Income from associates

Income from associates decreased by 75% to R364 million from R1,431 million in the prior year, largely due to a significant decrease in earnings from Nedbank. The decline was driven by a significant increase in credit loss provisions, the negative impact of lower interest rates on endowment income, a slowdown in retail lending and transactional activity, and negative revaluations to unrealised private equity investments. This was partially offset by good expense management.

Our business in China reported a loss of R57 million compared to a profit of R47 million in the prior period. This was largely due to lower sales volumes as a result of the pandemic and losses on financial assets caused by a significant decline in equity markets in Shanghai in the first quarter. Despite a turnaround in the second quarter, negative equity market growth was recorded for the first half of the year.

Reconciliation of AHE to IFRS Profit After Tax

Rm	Note	H1 2020	H1 2019	% change
Adjusted Headline Earnings		**1,704**	5,211	(67%)
Investment return for Group equity and debt instruments in life funds		**1,335**	(214)	>100%
Impact of restructuring	A	**512**	(114)	>100%
Discontinued operations		**–**	74	(100%)
Operations in hyperinflationary economies	B	**411**	594	(31%)
Residual plc	C	**253**	303	(17%)
Headline earnings		**4,215**	5,854	(28%)
Impairment of goodwill, other intangible assets and property, plant and equipment	D	**(1,139)**	(62)	(>100%)
Impairment of associated undertakings	D	**(8,697)**	–	(100%)
Profit on disposal of subsidiaries, associated undertakings and strategic investments		**–**	25	(100%)
(Loss)/Profit after tax for the financial period attributable to ordinary equity holders of the parent		**(5,621)**	5,817	(>100%)

A Impact of restructuring

With the completion of the key migrations of the IT platform and administration processes of Old Mutual International from Quilter to ourselves in 2019, we raised a data provision to cover potential data differences between the accounting and administration systems. During H1 2020 we released a portion of this data provision following the resolution of certain data differences. The release of the data provision has been excluded from the Group's profit measures, consistent with the treatment of the expense when the provision was raised in FY 2019.

B Operations in hyperinflationary economies

Due to the volatility that hyperinflation continues to cause on the economic outlook in Zimbabwe and the barriers to access capital by way of dividends, we continue to exclude the results of our Zimbabwe business from Adjusted Headline Earnings, consistent with our treatment in 2019.

During the current period, the profits in Zimbabwe decreased by 31% to R411 million due to higher claims and lower banking income, partially offset by significant investment returns following growth on the ZSE of over 600% in H1 2020.

The net asset value decreased to R192 million, reflecting the impact of the significant depreciation in the Zimbabwe dollar versus the rand during the period. This impact was partially offset by the profits earned during the period.

The results and position of Zimbabwe were translated at a rate of 6.37 Zimbabwe dollars to the rand. During the period the interbank facility introduced in 2019 was suspended by the Reserve Bank of Zimbabwe and replaced with a pegged rate. Although an auction facility was introduced just before the period end, the volumes that are traded via this mechanism are still small. Therefore a rate was estimated on a similar basis to the rate estimated for the purposes of 2018 reporting.

C Residual plc

Residual plc reported a profit of R253 million, a decrease of 17% from the prior year. Fair value losses on residual investments and securities and running costs, were more than offset by a tax refund received by Old Mutual Netherlands BV in respect of withholdings tax previously paid. Running costs for these entities have declined reflecting the progress in streamlining and simplifying the balance sheets of the remaining operating companies.

D Impairments

During the period we recognised an impairment of goodwill in respect of our investment in Old Mutual Finance. This was largely driven by the decline in GDP growth outlook for South Africa. We also recognised an impairment in respect of our investment in Nedbank, triggered by the significant decline in the Nedbank share price. We performed a range of valuations assuming several different earnings and economic recovery scenarios and, although in certain scenarios a higher value could be supported, greater weight was given to the downside scenarios given the increased uncertainty around forward looking information in the current environment. The value of this investment will be reassessed for December 2020 reporting.

Free Surplus Generated from Operations

	H1 2020			H1 2019		
Rm	Free Surplus Generated	AHE	%	Free Surplus Generated	AHE	%
Gross operating segments	**1,342**	**1,283**	**105%**	3,862	3,823	101%
Capital requirements	**(534)**	**–**	**–**	(817)	–	–
Net operating segments	**808**	**1,283**	**63%**	3,045	3,823	80%
Nedbank	**–**	**421**	**–**	694	1,388	50%
Free Surplus Generated from Operations	**808**	**1,704**	**47%**	3,739	5,211	72%

Operating segments generated gross free surplus of R1,342 million, representing 105% of AHE for the period. The conversion rate exceeds 100% of AHE due to the exclusion of amortisation related to intangible assets which are non cash items. Despite the decline in earnings from the prior year, our operating segments continue to generate high levels of cash earnings.

Lower earnings resulted in lower capital requirements compared to the prior year, however capital requirements as a proportion of profits have increased from the prior year. This is largely due to an increase in reserves held for expected business interruption and rescue claims and a decrease in loss absorbency of deferred tax assets in the Property and Casualty business in South Africa.

The Nedbank board did not declare an interim ordinary dividend for the period ended 30 June 2020, following the SARB Guidance Note 4/2020. This results in no free surplus generated from Nedbank in the current period, which contributed to a conversion ratio of 47% compared to 72% in the prior year.

Capital Management

In light of the crisis, we have monitored the liquidity levels of OMLACSA, the Group as well as our guaranteed product portfolios on a daily basis. We performed various stress and scenario tests to assess our liquidity position under multiple recovery scenarios and liquidity levels remain positive under all of these. Our liquidity position is stable, with our guaranteed product liquidity further strengthening as market levels continue to recover. We continue to identify pockets of liquidity and ensure that mechanisms are in place to allow efficient access to liquidity sources. We are also focused on identifying the potential longer term impacts that COVID-19 could have on our business operations across the Group and planning how best to mitigate these potential risks.

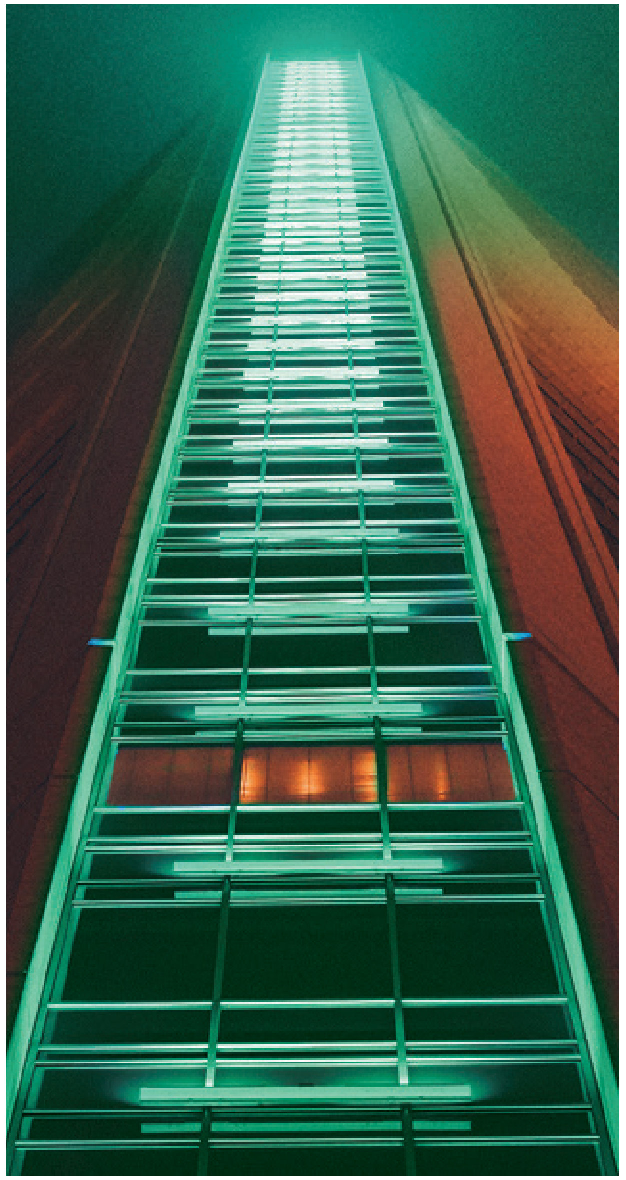
Due to the significant level of uncertainty in the current environment we have deferred our decision to declare an interim dividend. We believe this action is necessary in a period of heightened uncertainty and we will revisit this decision for the full year dividend declaration when we have more clarity on the shape of possible economic recovery scenarios.

During the year, the Prudential Authority designated Old Mutual Limited as the controlling company of the insurance group. The designation clarifies the scope of entities that are included within the insurance group and confirms that the investment in Nedbank should be treated as an equity investment and not included on a Basel III basis. The treatment of Nedbank had a positive impact to the Group solvency ratio.

The Board approved the addition of authorised preference shares to the memorandums of incorporation of OMLACSA and Old Mutual Limited. Preference shares will provide access to a different type of investor base, and will lower the cost of capital by providing a source of capital other than equity or debt.

A multi-issuer Domestic Medium Term Note (DMTN) programme to the value of R25 billion was registered in March 2020, with Old Mutual Limited, OMLACSA and Old Mutual Insure as issuers. Old Mutual Limited will have the option to issue both senior and subordinated notes, whilst OMLACSA and Old Mutual Insure can only issue subordinated notes. The notes issued under the previous Old Mutual Insure R1 billion programme and the OMLACSA R10 billion programme were transferred to the DMTN programme. The alignment of the terms and conditions across subordinated debt issuances and the introduction of Old Mutual Limited as an issuer are the main benefits of the new programme. All future issuances will be under the new programme.

We implemented the Three Manager Model framework effective from 1 January 2020. Under this framework we have consolidated related risks to improve risk management and resource allocation. The Middle Manager function, reported as part of Other Group Activities, manages market and liquidity risk for OMLACSA's guaranteed products and does not aim to generate profit but rather to mitigate the risk as effectively as possible, with no material market risk impact expected due to the existing hedging programs in place. Both the Middle Manager and Specialised Finance in the Old Mutual Investments segment took over responsibility for managing assets previously managed by the Old Mutual Corporate and Personal Finance segments. The segments earned a fund transfer pricing rate in H1 2020 and this resulted in lower investment return reported in their RFO compared to the prior year. Mark to market losses on these assets were recorded in RFO of Other Group Activities and Specialised Finance. We have included the unrealised mark to market losses in the separate line item reflecting separately identifiable COVID-19 items, given the significant volatility the pandemic caused in capital markets in H1 2020.



Balance Sheet Metrics

Rbn (unless otherwise stated)	Note	H1 2020	H1 2019	FY 2019	% change (H1 2020 vs H1 2019)
Operating Segments[1,2]		**48.4**	46.1	48.3	0.2%
Non-core operations[1,3]		**3.4**	4.6	3.0	13%
Investment in Associates[1]		**15.6**	25.2	24.3	(36%)
Operations in hyperinflationary economies[1]		**0.2**	1.4	0.4	(50%)
Consolidation adjustments[1,4]		**(0.7)**	(1.5)	(1.2)	42%
Equity attributable to ordinary shareholders of the parent[1]		**66.9**	75.8	74.8	(11%)
South Africa		**39.1**	38.6	39.9	1%
Rest of Africa		**9.3**	7.5	8.4	24%
Equity attributable to operating segments		**48.4**	46.1	48.3	5%
Nedbank		**15.6**	19.1	19.2	(18%)
Closing Adjusted IFRS Equity		**64.0**	65.2	67.5	(2%)
South Africa		**56.9**	56.2	57.2	1%
Rest of Africa		**8.8**	7.5	7.8	17%
Average Adjusted IFRS Equity		**65.7**	63.7	65.0	3%
South Africa		**5.8%**	17.3%	16.3%	(1150 bps)
Rest of Africa		**1.2%**	9.2%	6.6%	(800 bps)
RoNAV	A	**5.2%**	16.4%	15.2%	(1120 bps)
South Africa		**27.4**	27.1	29.5	(7%)
Rest of Africa		**8.9**	7.8	8.0	11%
Invested Shareholder Assets[1]	B	**36.3**	34.9	37.5	(3%)
Gearing ratio[1,5]	C	**12.1%**	15.8%	13.6%	(150 bps)
Interest cover (times)		**10.6**	22.7	18.5	(53%)

1 *The % change has been calculated with reference to FY 2019.*
2 *Comprises of the net asset value of the operating segments of the Group. This net asset value forms the basis for key balance sheet metrics on which the Group is managed from a capital perspective, and is the same perimeter on which AHE is presented.*
3 *Comprises mostly of the net asset value of Residual plc of R2.8 billion at 30 June 2020 (31 December 2019: R3.0 billion) and Old Mutual Bermuda of R41 million at 30 June 2020 (31 December 2019: R33 million).*
4 *Consolidation adjustments reflect own shares held by consolidated investment funds, which are treated as treasury shares under IFRS.*
5 *Gearing ratios are calculated based on the IFRS equity attributable to operating segments.*

A RoNAV

RoNAV decreased by 1120 bps to 5.2% from 16.4% in H1 2019, driven mainly by the decline in AHE. RoNAV in South Africa decreased by 1150 bps to 5.8% from 17.3% in the prior year. AHE attributable to South Africa decreased due to the decline in RFO, lower shareholder investment return and a significant decrease in associate earnings. Average Adjusted IFRS Equity was flat when compared to H1 2019, with the impact of a higher opening balance being offset by the impact of the impairment of our stake in Nedbank decreasing the closing balance.

RoNAV in Rest of Africa decreased by 800 bps to 1.2% from 9.2% in the prior year. AHE for Rest of Africa decreased by 85% due to lower RFO and a significant increase in shareholder tax, as a result of the reversal of deferred tax assets in holding companies in East Africa. The increase of 17% in Average Adjusted IFRS Equity was due to a higher opening balance in H1 2020 driven by the impact of retained profits and a capital injection in 2019. The increase in the Closing Adjusted IFRS equity compared to H1 2019 resulted from foreign exchange movements following the significant depreciation of the rand against most of the currencies in Rest of Africa, most notably the Kenyan shilling and Malawian kwacha.

B Invested shareholder assets

Invested shareholder assets of R36.3 billion decreased by 3% from R37.5 billion in FY2019. In South Africa the decrease of R2.1 billion or 7% during the period was mainly attributable to lower investment returns earned compared to the prior year and a decline in the balance of short term interest bearing assets held. Short term interest bearing assets were liquidated in order to fund the FY 2019 dividend payment and repay subordinated debt in OMLACSA during H1 2020.

Invested shareholder assets of R8.9 billion for Rest of Africa, increased by 11% from the prior year as a result of favourable foreign exchange movements, following the significant depreciation of the Rand against most of the currencies in Rest of Africa and improved shareholder investment return.

For South African listed equities in the shareholder portfolio, excluding Nedbank, we aim to limit capital losses using a hedged equity strategy. The hedging strategies are executed primarily in the form of zero cost collars where the exposure to losses is limited to 5% – 15% of the investment value whilst underlying equities track the SWIX40 total return index. The interest bearing assets aim to outperform the STEFi composite index.

C Gearing

The gearing ratio of the Group is calculated with reference to IFRS equity attributable to operating segments.
IFRS equity attributable to operating segments increased marginally largely due to foreign exchange gains as the rand depreciated against currencies in Rest of Africa, mostly offset by a decrease in equity in South Africa due to the impairment of our investment in Nedbank and lower retained profits compared to H1 2019. The gearing ratio decreased by 150 bps to 12.1% mainly as a result of the repayment of subordinated debt in OMLACSA. Relative to H1 2019, interest cover decreased by 53% to 10.6 times from H1 2019 mainly due to the decline in AHE.

Embedded Value

Rm (unless otherwise stated)	H1 2020	H1 2019	FY 2019	% change (H1 2020 vs FY 2019)
Adjusted net worth (ANW)	**36,316**	35,945	38,248	(5%)
Value in force (VIF)	**31,506**	32,452	34,049	(7%)
Embedded value	**67,822**	68,397	72,297	(6%)
Operating EV earnings[1]	**1,665**	3,701	8,115	(55%)
Return on embedded value[1] (%)	**6.4%**	11.7%	12.7%	(530 bps)
Value of new business[1]	**125**	862	1,865	(85%)

1 The % change has been calculated with reference to H1 2019.

The return on embedded value of 6.4% decreased by 530bps, largely due to significantly lower Operating EV earnings of R1,665 million, a decrease of 55% from the prior year. New business value at notably lower levels than in the prior year and short term provisions raised for the expected impact of COVID-19, were the main reasons for the decline.

The value of new business reduced due to a sharp decline in sales volumes and a shift to a less profitable mix of business as the current economic environment further constrained our customers. Experience assumption changes, largely related to short term provisions raised to cover expected worsening of mortality, morbidity and persistency experience in the second half of the year as a result of the impacts of the COVID-19 pandemic, also materially reduced Operating EV earnings.

The overall decrease in embedded value of 6% also reflects negative economic variances. Negative economic variances were due to worse than expected market performance resulting in lower asset based fee income on most investment products, as well as lower than expected shareholder investment return. Increased market volatility and changes in the yield curves reduced our discretionary margins held on top of our Investment Guarantee Reserves, further contributing to the negative economic variances.

Solvency

Rbn (unless otherwise stated)	Optimal target range	H1 2020	Re-presented FY 2019[1]	Reported FY 2019[2]	% change H1 2020 vs Re-presented FY2019
OMLACSA[3]					
Eligible own funds		**68,311**		79,556	(14%)
Solvency capital requirement (SCR)		**32,794**		36,518	(10%)
Solvency ratio (%)	>200%	**208%**		218%	(1000 bps)
Group					
Eligible own funds		**91,724**	98,755	98,488	(7%)
Solvency capital requirement (SCR)		**50,404**	52,194	61,009	(3%)
Solvency ratio (%)	155% to 175%	**182%**	189%	161%	(700 bps)

1 We have re-presented the December 2019 solvency position in line with the final Group designation by the Prudential Authority.
2 These amounts reflect the submission to the Prudential Authority and differs from previously reported.
3 % change has been calculated with reference to reported FY 2019.

During the year, the Prudential Authority designated Old Mutual Limited as the controlling company of the insurance group. The designation clarifies the scope of entities that are included within the insurance group and confirms that our investment in Nedbank should be treated as an equity investment in the calculation of the Group solvency position. Previously Nedbank was included on a Basel III basis. The designation has no impact on the preparation of the solo position for OMLACSA, as Nedbank has always been treated as an equity investment in the calculation of the solo solvency position. For comparability, the December 2019 Group solvency ratio has been presented to reflect the impact of the designation, this results in an increase from 161%

as previously reported to 189%. This increase is primarily due to the change in treatment of our stake in Nedbank, partially offset by the impact of using the Deduction and Aggregation method for parts of the Group calculation where the accounting consolidation method was previously used. A reconciliation of the Group solvency ratio as previously disclosed to the re-presented basis has been included in the Additional Disclosure Supplement. The Group continues to engage with the Prudential Authority on various methodology approvals.

The solvency ratio for OMLACSA decreased to 208% from 218% in December 2019, mainly due to the decrease in the Nedbank share price, which reduces the weight of the positive contribution of Nedbank to the OMLACSA cover ratio, and the impact of the redemption of subordinated debt in OMLACSA. These negative movements were partially offset by a reduction in the policyholder participations adjustment.

The Group solvency ratio of 182% reflects a decrease from the 189% largely due to the decrease in the OMLACSA solvency ratio, partially offset by some positive movements in certain non-regulated entities. The Group regularly models the impact of an extreme, but plausible sequence of events leading to a “Perfect Storm” economic scenario (1- in- 200 year event) on our solvency capital and liquidity positions, and these stress tests have shown we remain sufficiently capitalised with appropriate liquidity. As at 30 June 2020, Old Mutual Ltd was financially sound on the Prudential Standards basis and is expected to remain financially sound for the foreseeable future.

Outlook

Resurgences in infection rates, particularly in Europe, and the threat of a second wave of the pandemic in various countries continues to cause uncertainty and pressure on global economic recovery. The pandemic has, and will continue to have, a fundamental impact on the macroeconomic environment globally and in each of the geographies where we operate. In South Africa, strict restrictions and a prolonged period of lockdown have had a devastating impact on growth, with the latest forecasts estimating negative growth for 2020. Proposed SOE financial bailouts, persistent disruptions to power supply and growing debt levels place further pressure on economic recovery. Faster economic recovery remains dependent on the resolution of power supply issues, increased job creation and effective steps taken to eradicate corruption and mismanagement of SOEs. The appropriate allocation of the R500 billion stimulus package will also be key in determining the economic recovery in South Africa. In Sub Saharan Africa, economic activity is expected to contract due to uncertainty associated with COVID-19 and a weaker economic environment constrained by disruption of production, impact of the decrease in global growth and a decline in commodity prices.

The increased level of forecast risk and observed variability in possible recovery scenarios has made it increasingly difficult to provide guidance around and achieve our previously disclosed medium term targets. In light of this, we are withdrawing our guidance in respect of these medium term targets and replacing them with new targets more appropriate for measuring our progress as we transition the business out of the crisis. These targets will be reviewed and supplemented or enhanced as we have more certainty on possible economic recovery scenarios. Further guidance on expected outcomes for the full year 2020 will follow once we have greater certainty on expected impacts of COVID-19 in the second half of the year. These targets focus on the maintenance of appropriate levels of liquidity and solvency and improving the efficiency of our business given the pressures on revenues that COVID-19 introduces.

Focus area	Target
Maintain solvency and liquidity	OML solvency ratio 155% –175%
Improve efficiency	Deliver R750m of pre-tax run rate savings by end 2022

Trading Statement

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, shareholders are advised that we expect HEPS and EPS for the year ended 31 December 2020 to be more than 20% lower than the reported HEPS and EPS for the comparable period (FY 2019 HEPS: 236.1 cents, FY 2019 EPS: 208.3 cents) due to the significant impact COVID-19 has had on our results. We will publish a further update once there is more certainty on the probable ranges of the expected decrease in HEPS and EPS.

SEGMENT REVIEWS

DO GREAT THINGS EVERY DAY

MASS AND FOUNDATION CLUSTER

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

The outbreak of COVID-19 had devastating effects on our customers that were already financially constrained in a contracting economy with high unemployment rates. The pandemic significantly impacted our distribution channels and the productivity levels of our tied adviser force. Most of our branches were closed during level five of lockdown in South Africa, with low levels of activity in branches that remained open. Even though activity has increased as branches reopened, limited headcount is allowed to ensure social distancing regulations are adhered to. Field advisers had no access to worksites during this time. Access to worksites remained constrained as lockdown restrictions lifted, and continued to hamper productivity levels throughout the second quarter. Digital sales have been largely unaffected during this period.

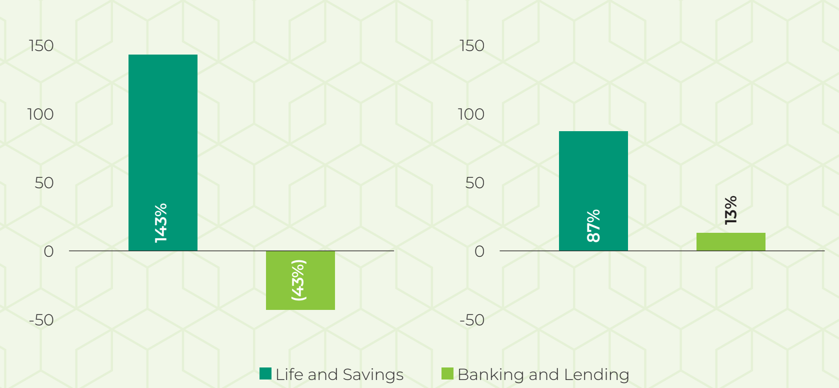
As part of our continuous effort to help our customers maintain their financial goals during these challenging times, we implemented various relief initiatives to show our continuous support. In addition to providing additional premium relief to certain customers, we also saw an increase in take-up of the premium holiday features across both risk and savings policies with claims being paid out fully whilst a policy is in this state. Old Mutual Finance launched a customer collection incentive whereby customers get an interest cashback for paying consecutive loan instalments. The incentive starts after customers have made three consecutive payments and rewards increase as more payments are made, with active Money Account customers entitled to double the % cash back. During lockdown level five, we also provided additional relief to our sales force in recognition of the difficulties they experienced in generating revenue during this period.

Rm (unless otherwise stated)	H1 2020	H1 2019	% change
Normalised RFO	650	1,512	(57%)
Gross flows	6,651	6,478	3%
Life APE sales[1]	1,366	1,917	(29%)
NCCF (Rbn)	3.8	3.4	12%
FUM (Rbn)[2]	14.2	13.3	7%
VNB	(48)	579	(>100%)
VNB margin (%)	(1.3%)	9.2%	(1050 bps)
Loans and advances[2]	16,834	18,491	(9%)
Net lending margin (%)	5.3%	11.5%	(620 bps)
Credit loss ratio (%)	14.2%	7.9%	630 bps

1 *In H2 2019 we identified a portion of our book where cancellations were not treated in line with our Group policies. Life APE sales for H1 2019 has been adjusted to reflect this.*

2 *The comparative amount references FY 2019.*

H1 2020 – RFO by LOB (%) **H1 2019 – RFO by LOB** (%)



PERFORMANCE HIGHLIGHTS

Gross flows of R6,651 million increased by 3% from the prior year largely due to growth in the life in-force book following annual premium increases. This was partially offset by lower sales volumes and the adverse impact of worse persistency and premium holidays granted as part of relief initiatives. Growth in gross flows and lower disinvestments and surrenders during lockdown contributed to positive NCCF of R3.8 billion, an increase of 12% from the prior year.

Life APE sales of R1,366 million decreased by 29% due to lower sales volumes in a contracting economy even prior to the outbreak of COVID-19 coupled with competitive pressures in the risk space. Lockdown measures imposed in South Africa towards the end of the first quarter resulted in most advisers being unable to sell during this period. This had a significant impact to issued sales in the second quarter, which will only fully emerge in Life APE sales in the second half of the year as reported numbers are based on confirmed sales. Management actions taken in the prior year to slow down growth in the loan book, have adversely affected credit life sales volumes compared to the prior year.

Gross loans and advances declined by 9% to R16,834 million. Price increases implemented in the second half of the prior year and the further tightening of credit criteria, to mitigate the impact of deteriorating credit experience in the current economic environment, are the main reasons for the decline.

Net lending margin of 5.3% decreased by 620 bps from the prior year, due to the slowdown in the growth of disbursements and continued credit deterioration of certain cohorts of customers as the book matures. As a result, our credit loss ratio has increased by 630 bps to 14.2%, with modelling enhancements contributing to an increase in the expected credit loss provision as we continue to strengthen provisioning.

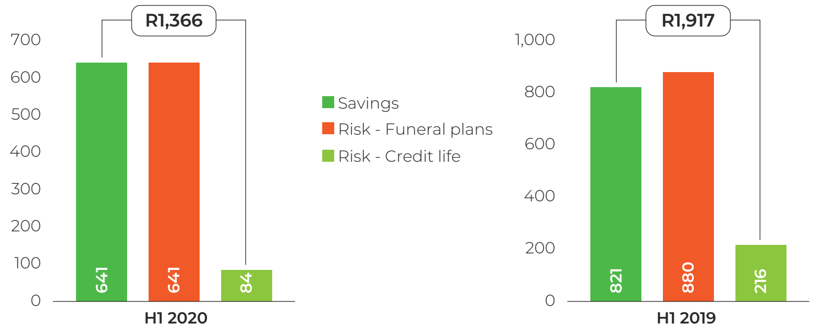
RFO of R650 million decreased by 57% from the prior year. Life and Savings profits declined by 29% due to significantly lower sales volumes against a relatively fixed cost base, which negatively affected distribution efficiencies. Persistency worsened, despite a release of a short-term

Segment Reviews

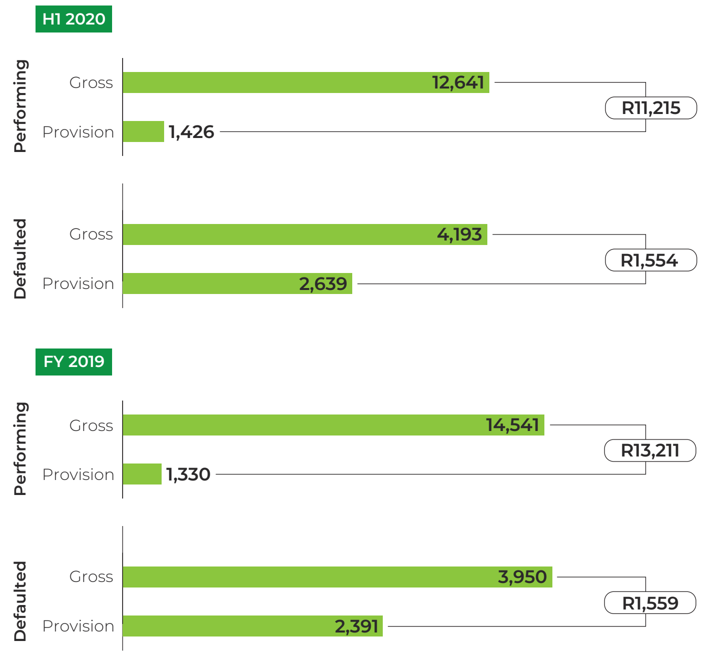
provision raised at the end of 2019, as worse economic conditions before and during the pandemic negatively affected affordability. Specific premium relief initiatives launched in H1 2020 are potentially delaying lapses on certain policies to the second half of the year and we have partially allowed for this in our results. Mortality profits are currently higher than prior year, however, we expect a material worsening of experience during the third quarter as confirmed cases peak and increased pressure on the health system could negatively affect our customers. Our Banking and Lending business recorded losses compared to a profit in the prior year, largely attributable to increased credit losses and IFRS 9 modelling enhancements of R200 million to strengthen provisioning.

VNB declined to a negative R48 million with a negative VNB margin of 1.3%. The decrease in margin is attributable to the significant decrease in issued sales volumes relative to a largely fixed distribution costs. While there has been an improvement in issued sales since the easing of lockdown, the sales volumes for the first half of the year were too low to cover the largely fixed initial expenses, and hence new business was not profitable.

Life APE Sales by Product (R million)

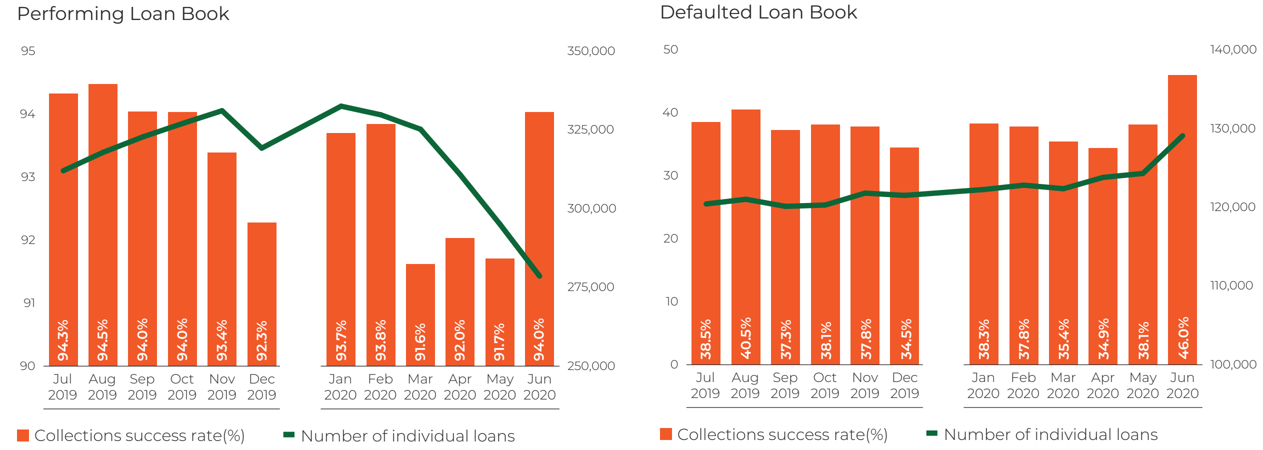


Loans and Advances (R million)



12 Month Rolling Collection (%)

Performing Loan Book | Defaulted Loan Book



OUTLOOK FOR 2020

Even though adviser productivity has recovered from significantly low levels experienced during the second quarter, it remains muted versus prior year levels. We expect productivity to improve during the second half of the year as the economy reopens and access to worksites improves.

Mortality experience is expected to materially worsen during the third quarter and then gradually start improving towards more normalised levels at the start of 2021. Overall experience to date has been in line with these expectations. The take up of premium holiday features are starting to stabilise again and our risk lapse experience has not yet worsened further from H1 2020 experience levels.

Various initiatives are in place to deliver cost savings in the short term as well as shape future spend. These include lower costs associated with working from home which deliver travel and discretionary spend savings, and we will continue to be selective about the skillsets recruited to our business.

Credit losses will start to benefit from the tightening of credit criteria over the last 10 months, but private sector collections in particular will remain under pressure. As a result, we will block credit extension to customers from certain employers if we feel the economic risk remains too high. We will remain cautious in our overall pricing approach and will continue shifting the book to a lower risk profile that is more resilient to the current economic shocks.

PERSONAL FINANCE AND WEALTH MANAGEMENT

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

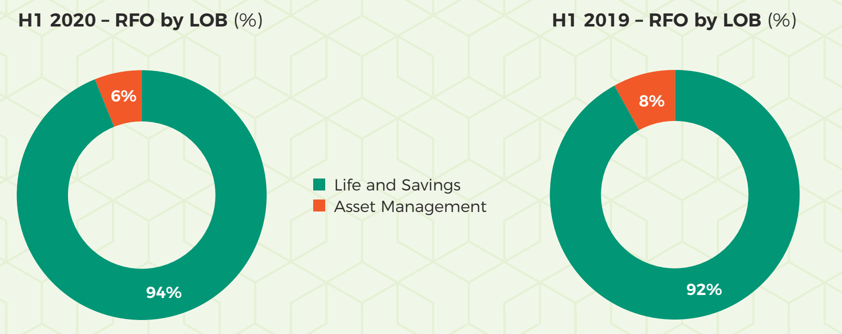
A tough economic environment, worsened by the COVID-19 pandemic, continues to place our customers under severe financial pressure. The pandemic had an adverse effect on adviser productivity in Personal Finance as activity levels dropped significantly across all of our channels when lockdown started. This led to a sharp decline in issued sales from April onwards and although there has been improvement as the lockdown restrictions eased, economic activity slowly resuming and as customers and advisers adjust, sales remain behind the prior year. Wealth Management similarly saw a decline in inflows, while outflows increased as customers accessed their investments for financial support.

In response to the financial strain experienced by customers, we offered premium holidays. For Greenlight policyholders, this was a 3 month premium holiday with simple reinstatement of premium and cover at the end of the period, and we have committed to pay out 25% of the sum assured (not exceeding R3 million) as an ex-gratia payment, a benefit not normally provided during a premium holiday. This is different to standard contract provisions where cover ceases when a premium is not paid and some underwriting is required to reinstate the cover. For our Max Invest policyholders, we have extended the allowable period of missed premiums before conversion to paid up status from 3 months to 6 months. Our Wealth Management business deferred platform fee increases to aid customers while they are under financial pressure.

In an effort to support our intermediaries in Personal Finance, many of whom also support the Wealth Management platform, we paid support allowances during April and May where current year earnings were below average earnings in 2019. These allowances were made available to all tied advisers, broker consultants, franchise principals and franchise agents, but proportionately focused on lower earning advisers. We waived the seat cost that advisers pay for access to branches while branches were closed in an effort to relieve pressure during a period of low sales activity. We have also delayed commission clawbacks to all advisers as a further support measure.

Rm (unless otherwise stated)	H1 2020	H1 2019	% change
Normalised RFO	1,718	1,426	20%
Personal Finance	1,409	1,227	15%
Wealth Management	309	199	55%
Gross flows[1]	32,541	34,174	(5%)
Life APE sales	1,539	1,771	(13%)
NCCF (Rbn)[1]	(2.4)	0.5	(>100%)
FUM (Rbn)[1,2]	513.9	518.6	(1%)
VNB	91	151	(40%)
VNB margin (%)	0.8%	1.2%	(40 bps)

1 *Includes a group elimination for duplicate flows recognised where products of a particular business are sold by advisers or through a platform of another business.*
2 *The comparative amount references FY 2019.*



PERFORMANCE HIGHLIGHTS

Gross flows decreased by 5% to R32,541 million largely due to a slowdown in flows on local platforms in the Wealth Management business in the second quarter, despite holding up well in the first quarter. This was partially offset by inflows in our Old Mutual International business which held up well in rand terms against the prior year as the rand deteriorated against major currencies. Gross flows in Personal Finance were marginally ahead of the prior year, which is a credible result in the current environment.

Life APE sales of R1,539 million decreased by 13% from the prior year due to lower single and recurring premium savings sales, coupled with a decline in recurring premium risk sales. This was partially offset by strong single premium annuity sales in Personal Finance which were up 43% from the prior year. Savings volumes saw a steep decline in the second quarter as advisers were hamstrung by lockdown restrictions, with the deterioration in savings sales worse than risk sales. Life APE sales are reported on confirmed basis, and therefore the decline in issued sales is not yet fully visible in the results.

NCCF decreased by R2.9 billion from the prior year due to significant outflows in the Wealth Management business, specifically in Treasury Advisory and Old Mutual International, as customers sought liquidity and realised profits taking advantage of the weakening of the rand. This was partially offset by improved NCCF in Personal Finance on both the legacy book and new generation products. Legacy NCCF of negative R3.5 billion was R0.8 billion better than the prior year due to lower disinvestments and maturities. NCCF of R3.0 billion related to new generation products was R0.2 billion better than the prior year as a result of higher inflows and lower disinvestments.

FUM of R513.9 billion was down 1% from December 2019. FUM in Personal Finance was down by 2% as markets recovered from the crash during March. A significant portion of FUM is invested in Smoothed Bonus Funds, which are designed to absorb market volatility. The Wealth Management FUM decreased by a more subdued 0.4% as it benefited from exposure to international markets particularly in Old Mutual International,

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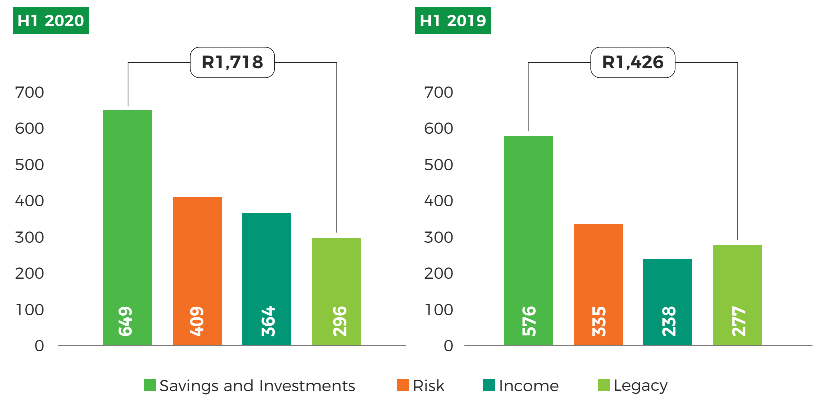
where the weaking rand buffered negative market movements.

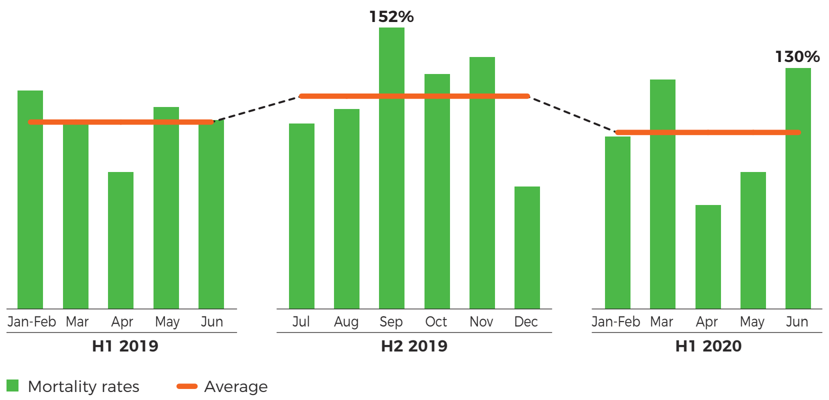
RFO of R1,718 million increased by 20%. While this was largely due to a release of reserves of R211 million following a change in the investment strategy for the closed annuity fund, and significant savings on expenses further supported the result. Improved mortality experience compared to the prior year, especially over April and May while the country was in lockdown, contributed positively. However, experience has worsened in June, with signs of excess mortality observed, likely due to COVID-19. The positive mortality experience in Q2 was partially offset by worsening morbidity experience resulting from some large disability claims and poor persistency experience in light of the challenging economic environment, especially in the risk business. Personal Finance also earned lower asset based fees due to lower average asset levels during the period, despite partial recovery in equity markets since March. The implementation of the Three Manager Model framework has resulted in lower investment returns earned on credit assets than in the prior year. Wealth Management profits increased from the prior year mainly due to positive revaluation gains in Old Mutual International and cost saving initiatives, partially offset by lower asset based fees earned due to lower average market levels.

VNB of R91 million decreased by 40% and margin reduced by 40 bps. VNB for Personal Finance was negatively affected by lower sales volumes, reducing contributions towards fixed expenses, and a worse mix of risk and investment products sold. VNB for Wealth management decreased due to a change in the mix of business reflecting lower life sales and a change in underlying asset mix.

RFO split by product (R million)



Personal Finance – Claims experience (%)[1]



1 Calculated as actual claims over expected claims in absolute values.

OUTLOOK FOR 2020

In Personal Finance, adviser activity levels started improving towards the end of the second quarter and into the third quarter, although still being below levels in the first quarter. We remain concerned regarding the macro economic environment as a recovery in consumer confidence and spending power requires a recovery in employment. This will affect the pace at which we see a recovery in sales to more normal levels. Mortality experience has started to worsen as significant excess claims on Greenlight is observed, consistent with the excess deaths being reported in South Africa. In H2 2020, we expect worsened mortality experience and higher lapses in the absence of a stronger economic recovery. To the extent that customers who took up premium relief have not recovered financially, we expect additional lapses to occur. We have developed models to aid us with forming expectations around the effect of COVID-19 on claims and lapse experience and are monitoring experience closely.

In response to the pressure on the Personal Finance business we have realised cost savings in H1 2020 which are expected to continue in the second half of the year, even though the business will return to more normal activity levels. We continue to focus on initiatives to support adviser productivity, and after low levels of adviser recruitment during the crisis we are planning to return to normal levels.

In Wealth Management, we have observed inflows across the distribution businesses starting to stabilise and show early signs of recovering against the prior year. We continue to see increasing outflows on local platforms while seeing signs of recovery on a total basis. This likely points to customers remaining under significant pressure to access investments for liquidity. We expect this trend to continue in H2 2020 as the effects of the weak economy, unemployment and lower levels of business activity influence customer needs.

Segment Reviews

OLD MUTUAL INVESTMENTS

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

During the first half of 2020 we have witnessed significant volatility in local and global capital markets. In Q1 2020, local equity markets fell as much as 37%, significantly reducing the market values of our Assets under Management. Although local and global equity markets have recovered in the second quarter, the JSE SWIX was down 8% year to date and average equity market levels were 10% lower than the prior year. This has placed pressure on our ability to grow our asset based annuity revenue, although foreign based fees have benefited from the weaker Rand. COVID-19 has significantly impacted credit spreads, which initially lagged equity markets, however, during the second quarter we saw credit spreads widening between 50 bps and 100 bps, more than increases observed in previous market crises. Revenue was significantly impacted by the associated negative mark to market movements on credit and unlisted equity assets in the Specialised Finance portfolio. The impact of these mark to market movements has been excluded from segment results below, and disclosed separately as part of the COVID-19 impacts to the Group profit measures.

The COVID-19 crisis and related lockdown restrictions has meant that we have had to radically rethink our ways of working and we successfully enabled all our employees to work from home before the lockdown was implemented, with minimal disruption or significant cost to the business. We remained focused on our customers and their needs ensuring that we communicated consistently, across all available channels and the efficiency of online meetings has enabled us to keep in contact with a wide range of customers across multiple geographies.

Rm (unless otherwise stated)	H1 2020	H1 2019	% change
Normalised RFO	489	511	(4%)
Gross flows	21,186	16,949	25%
NCCF (Rbn)	(4.1)	0.1	(>100%)
Assets under management (AUM)[1,2](Rbn)	639.8	680.5	(6%)
FUM	205.4	203.2	1%
Intergroup assets	434.4	477.3	(9%)
Total revenue	1,291	1,299	(1%)
Annuity	1,113	1,084	3%
Non-annuity	178	215	(17%)

1 The comparative amount references FY 2019.

2 AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM for these respective segments.

H1 2020 – RFO by LOB (%) **H1 2019 – RFO by LOB** (%)

PERFORMANCE HIGHLIGHTS

The impact of lower equity markets and negative NCCF have contributed to AUM decreasing by 6% from the prior year, however, the most significant driver was the transfer of funds to the Middle Manager function in terms of the Three Manager Model framework. This accounts for 4% of the decline.

Gross flows of R21,186 million improved by 25% from the prior year benefitting from both new mandates secured and continued investments from our existing clients. Despite higher gross flows, two significant low margin outflows in our fixed income businesses resulted in negative NCCF of R4.1 billion.

Investment performance was solid in a challenging environment and our investment teams navigated the first half of this year commendably, with no outsize risk events reported. Our core fundamental investment teams however went into the COVID-19 crisis with portfolios ill-suited to the effects of the pandemic given that they were positioned for a recovery in South Africa and weighted towards local assets, resulting in performance lagging benchmarks.

Annuity revenue increased by 3%, despite lower average asset levels, mainly due to increased portfolio margin emerging in Specialised Finance under the Three Manager Model, a resilient and in some instances, uncorrelated asset base in the Alternatives business, and the benefit of foreign currency denominated fees.

Non-annuity revenue decreased by 17%, largely due to Specialised Finance recording lower origination income given the significant reduction in activity and a more prudent approach to the deployment of new capital in the current environment combined with positive portfolio returns in the prior year that have not repeated. This was partially offset by final performance fees earned by Specialised Finance on products closed as part of the transition to the Three Manager Model framework as well as profits realised on an asset sale.

RFO of R489 million decreased by 4% from the prior year. This was largely due to the decrease in non-annuity revenue and a marginal increase in expenses, partially offset by higher annuity income.

Asset Management

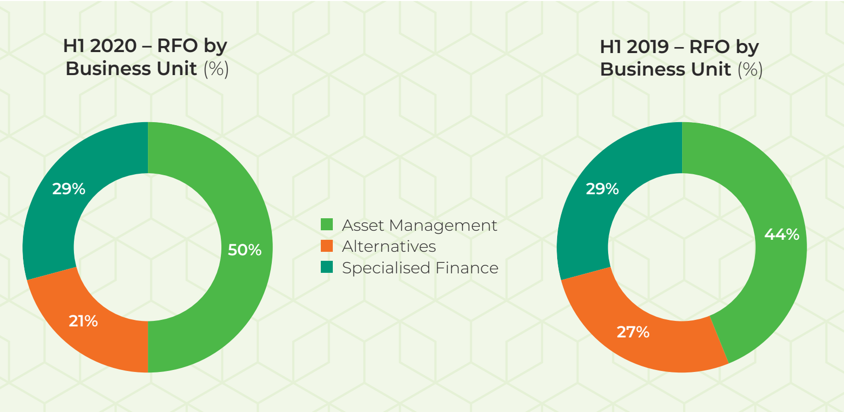
A solid performance in the environment with RFO marginally above the prior year due to revenue benefiting from foreign currency denominated fees earned on offshore portfolios offsetting the lower fees earned on local equity portfolios. Expenses, which were marginally down from the prior year, were tightly managed despite the impact of weak rand and the inflationary impact on the expense base. Whilst the two significant outflows in our fixed income businesses resulted in negative NCCF, we had positive growth in NCCF across our other boutiques, including a significant flow into our ESG Indexation fund. During H1 2020 we launched an actively managed South African ESG fund, the first of its kind in the local market, affirming our commitment to being a leader in the ESG space.

Alternatives

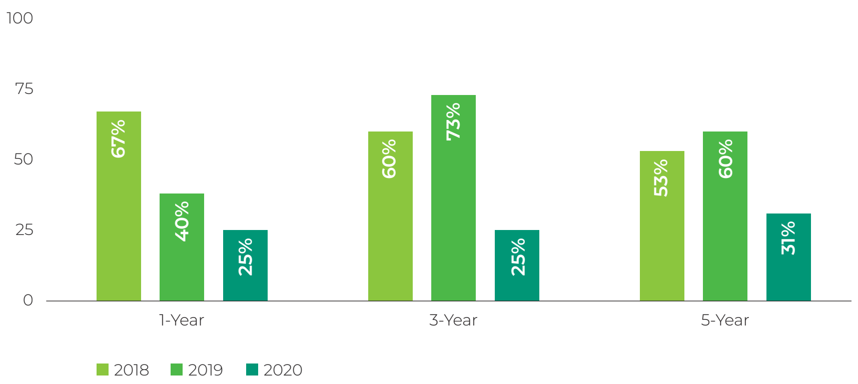
Annuity revenue is marginally down on the prior year with lower base fees in local Private Equity funds being offset by higher dollar denominated fees in International Private Equity and Infrastructure funds. Lower performance fees, coupled with higher expenses led to a 27% decrease in RFO from the prior year. We made significant progress in growing our asset base, with R7.5 billion of capital committed during the period and over R4 billion deployed.

Specialised Finance

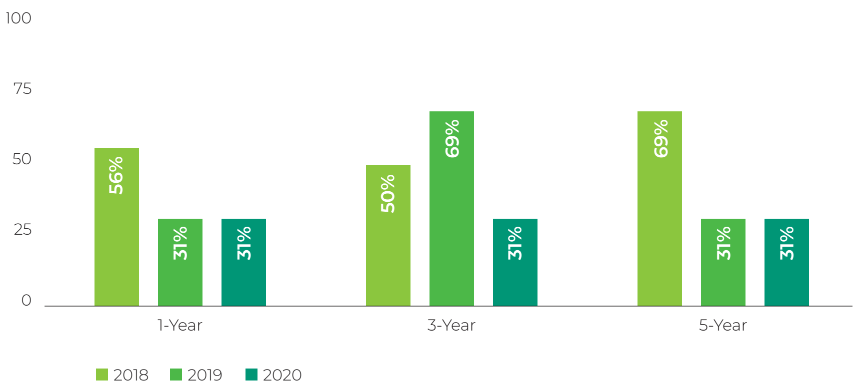
RFO decreased by 2% mainly driven by lower origination income given the significant reduction in activity and a more prudent approach to the deployment of new capital in the current environment combined with positive portfolio returns in H1 2019 which have not repeated in H1 2020. This was partially offset by gains on the sale of an asset and final performance fees related to the closure of the Term Certain Annuity product and the transition into the Three Manager model as well as expense savings.



Funds Above Median – 30 June 2020 (%)



Funds Above Benchmark – 30 June 2020 (%)



OUTLOOK FOR 2020

The challenging macroeconomic environment will likely continue to put pressure on institutional and individuals' savings levels and intensify the competition for flows. Our focus will remain on proactively managing key business risks, cost containment, progressing key strategic deliverables and building a strong pipeline.

OLD MUTUAL CORPORATE

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

Lower average equity market levels and weak bond markets during the first half of the year placed significant pressure on our asset based revenue. Following the severe market downturn in March 2020, the Bonus Smoothing Reserve levels of the Absolute Growth Portfolios (AGP), our flagship smoothed bonus portfolios, fell below -15%. We exercised our right of discretion to declare a less severe negative bonus of -5% in April 2020 on our AGP Smooth and AGP Stable portfolios in order to protect benefit payments to customers. This was the first time in the history of this product that a negative bonus has been declared. Our smoothed bonus funds have been well managed during this period of volatility and the Bonus Smoothing Reserve levels have since recovered considerably in line with the partial recovery in markets. To limit excessive cross-subsidisation between new and existing customers, a new bonus series was opened and all new business was directed to this series from April 2020. Through this we engaged extensively with consultants, intermediaries and customers and did not lose any customers as a direct result of the negative bonus declaration.

We have implemented a number of actions to ensure that our business continues to operate effectively through the COVID-19 pandemic and the related lockdown restrictions, with priority given to the safety of our employees and ensuring that service to our customers was uninterrupted. Comprehensive operational and change management enabled our staff to work from home seamlessly across all areas of our business.

We implemented multiple customer relief options to alleviate financial stress during this difficult time. These actions included giving participating employers in our SuperFund umbrella fund the option of reducing retirement fund contributions and offering relief on Group Life Assurance premiums. We also delayed the SuperFund annual rate and fee review for a period of three months. However, we did review the pricing of our Group Assurance products to manage the increased risks posed by the COVID-19 pandemic.

Rm (unless otherwise stated)	H1 2020	H1 2019	% change
Normalised RFO	**883**	870	1%
Gross flows	**17,454**	17,910	(3%)
Life APE sales	**1,262**	1,793	(30%)
NCCF (Rbn)	**(2.4)**	(2.3)	(4%)
FUM (Rbn)[1]	**261.5**	267.3	(2%)
VNB	**102**	109	(6%)
VNB margin (%)	**1.0%**	0.6%	40 bps

1 *The comparative amount references FY 2019.*

PERFORMANCE HIGHLIGHTS

Gross flows decreased by 3% to R17,454 million mainly due to a decline in single premiums, partially offset by premium growth on the in-force book driven by inflation linked salary increases. Life APE sales declined by 30% to R1,262 million due to lower single premium retail platform flows and recurring premium umbrella fund sales when compared to the prior period which included some large deals, This was partly offset by a strong performance in group risk sales that included a large deal.

Negative NCCF of R2.4 billion is largely in line with prior period. This is due to lower single premiums, partly offset by lower terminations and the increase in salary inflation linked recurring premiums. FUM of R261.5 billion declined by 2% from December 2019 mainly due to lower local equity and bond market levels and the impact of the negative NCCF, partly offset by currency movements on the offshore assets in our portfolio.

VNB decreased by 6% to R102 million whilst VNB margin improved by 40 bps to 1.0%. The improvement in VNB margin is attributable to a favourable change in the mix of business sold during the first half of 2020.

RFO of R883 million was marginally higher than the prior period. The positive impact of a basis change to incorporate an illiquidity premium on certain non-profit portfolios, was offset by lower asset based revenue due to lower average market levels in the first half of the year. Although Group Income Protection underwriting experience benefited from price increases, there was a deterioration of Group Life Assurance underwriting experience due to an increase in the number and average size of claims. We continue to strengthen our Group Risk underwriting, pricing and claims management processes to improve underwriting performance. The implementation of the Three Manager Model framework resulted in investment profits on Non-profit Annuity and Group Income Protection claims in payment portfolios being transferred to Specialised Finance in Old Mutual Investments. Prior year RFO includes the full investment profits on credit assets, whereas in the current year our profit includes the fund transfer pricing rate earned on these assets, with the excess investment result emerging in Specialised Finance.

OUTLOOK FOR 2020

There is significant uncertainty about the ultimate impact that COVID-19, ongoing lockdown restrictions and the weak economic outlook will have on business outcomes.

Maintaining new business sales and building a pipeline of future deals in the current recessionary environment is challenging where decision makers are distracted by the impact of COVID-19 and the related lockdown on their own businesses as well as a decline in general business activity. As a result, we have seen a significant decline in tender activity for some products. Work from home restrictions are also hampering certain customer interactions, but we have implemented alternative digital engagements to ensure that we provide ongoing support to our customers.

A third consecutive quarter of negative GDP growth in Q1 2020, with further downside predicted as a result of severe lockdown restrictions in Q2 2020, is placing severe pressure on our customers. Although we did not see a material impact from retrenchments or liquidations during the first half of the year, we do expect NCCF to be impacted by such events in the second half of the year given the extended recessionary environment. We are also likely to see an increased demand for cash withdrawals rather than opting for the preservation of retirement savings. In anticipation of this trend, we are rolling out debt management and cross-segment retrenchment assistance in the second half of the year.

Strong cost containment is a key focus for management to partly mitigate the impacts of the poor economic outlook.

OLD MUTUAL INSURE

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

Lockdown restrictions related to COVID-19 had a significant impact with many of our customers in our commercial and CGIC divisions unable to fully operate their businesses during this period. This, coupled with an already weak economic environment, with three consecutive quarters of negative GDP growth by the end of Q1 2020 led to an environment of low growth and limited business activity.

We have rolled out a comprehensive plan to support our customers most impacted by COVID-19 and the related lockdown restrictions. We have made a provision of R1,126 million for business interruption and business rescue support, in the form of gross claims, IBNR reserves and commercial settlements to Small Medium Enterprise (SME) customers. The impact of business interruption and business rescue claims have been excluded from the segment results below, and disclosed separately as part of the COVID-19 impacts to the Group profit measures.

These SMEs have been amongst the most impacted by the severe restrictions in place and the least likely to have the financial resources to ensure their businesses survive the extended period of reduced activity. We have a customer relief programme of R300 million in place to provide assistance to our customers through the deferral of premiums, leniency on missed debit orders, premium reductions through allowing customers to amend cover temporarily and discounts for three months for our iWYZE motor insurance customers. Capital of R50 million has been made available to provide financing to qualifying SMEs to allow these businesses to remain solvent.

PERFORMANCE HIGHLIGHTS

Gross written premiums have remained consistent with prior year at R7,199 million, despite the impact of COVID-19 relief actions, lower average premiums and lower volumes. There was moderate positive growth in most divisions, partially offset by a decline in the Crop division, where we have taken the decision to exit the market and therefore are no longer writing new business.

The gross underwriting result of R1,145 million is 94% ahead of the prior year mainly due to a significant reduction in claims volumes, with reduced large loss experience and improved attritional losses across most business lines. Higher gross underwriting profit in the Specialty division evidenced the result of continued remediation of this book. The decision to exit the crop market resulted in lower underwriting losses in our Crop division.

The net underwriting result has significantly improved from the prior year due to a significant reduction in claims volumes and the absence of catastrophe losses below the reinsurance threshold which impacted the prior year result. The changes in the reinsurance structures in Personal lines and CGIC further supported the improvement in the net result, although the reduced net earned premium adds pressure to our margin. The net underwriting margin improved to 8.9% from 0.2% in the prior year. We expect underwriting experience to worsen potentially in H2 2020 as claims volumes in Personal lines increase when economic and consumer activity resumes to more normalised levels.

RFO of R522 million increased from the prior year due to a significantly improved underwriting result. This was partly offset by lower investment returns on insurance funds due to a reduction in net outstanding claims liabilities following lower claims, resulting in a decrease in the level of assets required to back these liabilities.

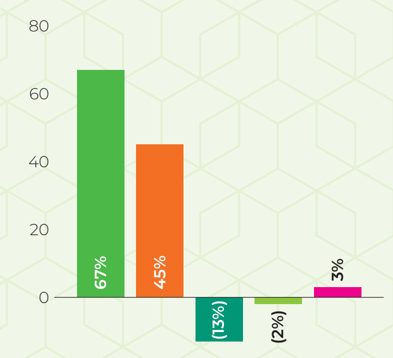
Our Personal division recorded growth in gross written premiums of 5% in a very challenging economic environment. The significant increase in net underwriting result compared to the prior year mostly reflects a reduction in claims volumes.

Commercial lines including Agriculture reported negative growth in gross written premiums of 4% where continued muted growth is experienced in the intermediated sector. Premium growth was further impacted by the change in the Crop strategy with a positive impact on profitability. Crop losses in excess of R50m were reported in the prior year, with a marginal loss in H1 2020 due to the run off in claims. Both large losses and attritional losses are well below the 10-year average loss ratios recorded for our business, being 2.9% and 11.6% below average respectively. A benign weather related environment in H1 2020, compared to weather related catastrophe claims in H1 2019 in excess of R130m, supported the significantly improved net underwriting result.

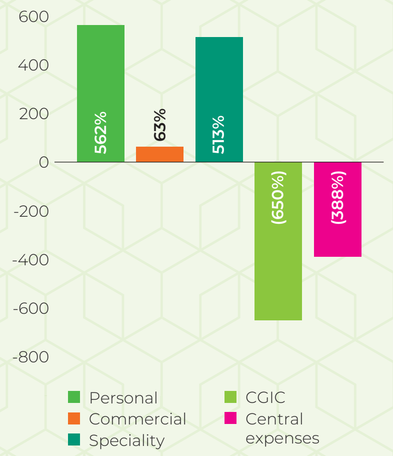
Our Specialty division recorded gross written premium growth of 3%, demonstrating the benefit of our strategic partnerships in mitigating concentration to the property industry. The improved large losses experience within the corporate property portfolio resulted in an improved gross underwriting margin of 20.3% compared to 16.3% in the prior year. This was offset by lower reinsurance recoveries which increased the cost of reinsurance significantly in the current year, resulting in the net underwriting margin decreasing to a negative 12.4%, from 9.4% in the prior year.

CGIC reported premium growth of 1.8%, notably lower than the average of 7% reported in the normal course of business which is a clear reflection of the impact of the COVID-19 pandemic on the economy. Excluding the large losses that are considered COVID-19 related, the net underwriting result remains negative although showing some improvement when compared to the prior year. Remedial actions have gained significant traction in H1 2020 with further actions, including reducing risk exposure and pricing adjustments, planned for the remainder of the year. CGIC, with a strong market presence underpinned with a history of experience and skill continues to outperform competitors in the market.

H1 2020 – Net underwriting results (%)



H1 2019 – Net underwriting results (%)



Rm (unless otherwise stated)	H1 2020	H1 2019	% change
Gross written premiums	7,199	7,198	–
Net earned premiums	4,649	4,914	(5%)
Gross underwriting result	1,145	590	94%
Personal	322	84	>100%
Commercial	332	35	>100%
Specialty	505	394	28%
CGIC	(26)	(13)	(100%)
Net central expenses[1]	12	90	(87%)
Personal	280	45	>100%
Commercial	185	5	>100%
Speciality	(53)	41	(>100%)
CGIC	(10)	(52)	81%
Net central expenses[1]	13	(31)	>100%
Net underwriting result	415	8	>100%
Investment return on insurance funds	114	138	(17%)
Other income and expenses	(7)	(5)	(40%)
Normalised RFO	522	141	>100%
Gross underwriting margin (%)	15.9%	8.2%	770 bps
Net underwriting margin (%)	8.9%	0.2%	870 bps
Insurance margin (%)	11.2%	2.9%	830 bps

1 *Represents unallocated central expenses. Changes from the prior year largely due to the refinement of allocations across the business lines.*

OUTLOOK FOR 2020

During the July month we experienced a further increase in business interruption claims of R71 million on a net basis and an increase in IBNR claims in CGIC to the value of R7 million. We further expect underwriting experience to worsen in H2 2020 as claims volumes in Personal lines increase when economic and consumer activity returns to more normalised levels.

Organisational excellence remains a key priority, the journey of organisational transformation has begun with focused execution planned for the second half of 2020. Cost containment remains a key focus for management to part mitigate the impacts of poor economic outlook. Cost containment initiatives focus on business process redesign and the alignment of our processes, systems and employees towards achieving maximum efficiencies, and are planned to be executed over the next three years.

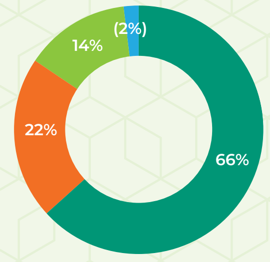
REST OF AFRICA (EXCLUDING ZIMBABWE)

THE IMPACT OF COVID-19 ON OUR BUSINESS AND OUR RESPONSE

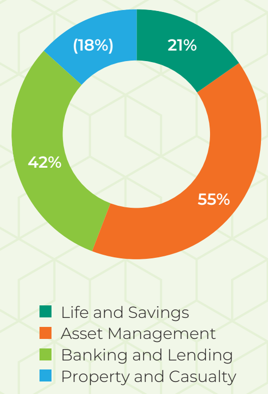
Governments worldwide imposed restrictions on the movement of people and goods as the principal means of limiting the spread of COVID-19. This has had a significant impact on the markets in which we operate as they depend on global trade to enable the key economic pillars of mining, agriculture and tourism. In our markets, these restrictions have led to branch closures, negatively affected our intermediaries' ability to acquire new business in our insurance businesses and led to a slowdown in loan disbursements.

In response to these lockdown restrictions, we have enhanced our digital channels to engage advisers and enable customers to access products and services through alternative service channels such as USSD, WhatsApp and toll free lines. We provided connectivity support to enable intermediaries to work remotely, which led to increased operating expenses. To alleviate the financial stress on our customers, we have offered various relief initiatives including premium holidays where provided for in terms of the policy conditions, as well as allowing customers to adjust their risk covers leading to lower premiums. In our banking business, we have rescheduled loan instalments for qualifying customers in the short term.

H1 2020 – RFO by LOB (%)



H1 2019 – RFO by LOB (%)



Rm (unless otherwise stated)	H1 2020 (Reported)	H1 2020 (Constant Currency)	% change (Reported)	% change (Constant currency)	H1 2019
Normalised RFO[1]	272	263	27%	23%	214
Gross flows	13,912	12,887	75%	62%	7,936
Life APE sales	506	471	12%	4%	451
NCCF (Rbn)	5.3	4.8	>100%	>100%	1.8
FUM (Rbn)[2]	91.5	82.7	15%	4%	79.5
VNB	(20)	(17)	(>100%)	(>100%)	23
VNB margin (%)	(0.9%)	(0.9%)	(200 bps)	(200 bps)	1.1%
Loans and advances[2,3]	4,984	4,421	14%	1%	4,358
Net lending margin (%)[3]	10.6%	10.6%	(180 bps)	(180 bps)	12.4%
Gross written premiums	2,119	1,898	26%	13%	1,682
Underwriting margin (%)	(0.3%)	(0.3%)	280 bps	280 bps	(3.1%)

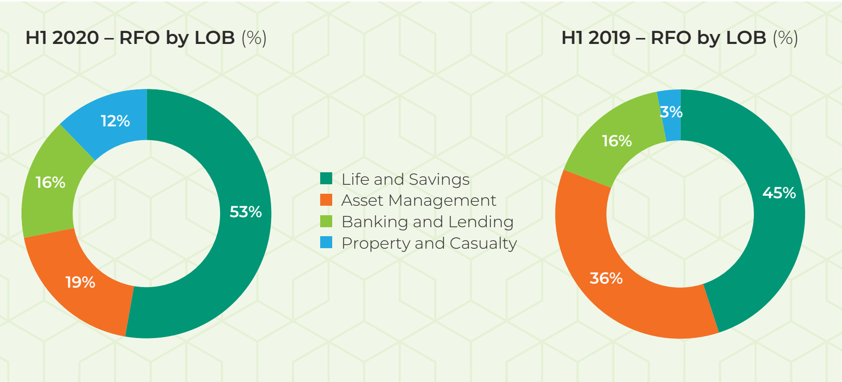
1 *Results from Operations at a total RoA level includes central regional expenses and was adjusted for directly attributable COVID-19 items. These items have not been reflected in the regional disclosures tables.*
2 *The comparative amount references FY 2019.*
3 *FY2019 Loans and advances have been represented from previously disclosed amounts, to include accrued interest. Net lending margin and credit loss ratio were also represented.*

RESULTS PRESENTATION
INTERIM RESULTS COMMENTARY
SEGMENT REVIEWS
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ADDITIONAL DISCLOSURES

Southern Africa (excl. Zimbabwe)

Rm (unless otherwise indicated)	H1 2020 (Reported)	H1 2020 (Constant Currency)	% change (Reported)	% change (Constant currency)	H1 2019
Results from Operations	351	328	(3%)	(9%)	362
Gross flows	7,925	7,662	38%	33%	5,747
Life APE sales	344	328	2%	(3%)	338
NCCF (Rbn)	1.6	1.6	45%	45%	1.1
FUM (Rbn)[1]	52.6	50.1	6%	1%	49.5
VNB	22	20	(63%)	(67%)	60
VNB margin (%)	1.3%	1.3%	(180 bps)	(180 bps)	3.1%
Loans and advances[1]	1,335	1,335	4%	4%	1,285
Net lending margin (%)	13.9%	13.9%	(180 bps)	(180 bps)	15.7%
Gross written premiums	494	482	7%	5%	460
Underwriting margin (%)	12.9%	12.9%	980 bps	980 bps	3.1%

1 *The comparative amount references FY 2019.*



	LIFE AND SAVINGS	ASSET MANAGEMENT	BANKING AND LENDING	PROPERTY AND CASUALTY
Botswana	✓			✓
Malawi	✓	✓		
Namibia	✓	✓	✓	✓
eSwatini	✓	✓		

PERFORMANCE HIGHLIGHTS

The financial performance commentary below is based on the constant currency % change period over period.

Gross flows increased by 33% to R7,662 million mainly from the securing of an equity mandate from a key client in eSwatini and good money market flows in Malawi. Higher gross flows were the main driver of increased NCCF, partially offset by significant retail and corporate outflows from unit trusts in Namibia as customers seek liquidity to withstand financial pressures exacerbated by the pandemic.

Life APE sales decreased by 3% to R328 million due to a decline in single premium sales in Namibia compared to the prior year, partially offset by strong sales in the corporate business in Malawi. VNB declined by 67% to R20 million primarily due to lower volumes and a decrease in high margin AGP smoothed bonus products sold in Namibia.

Although loans and advances increased by 4% to R1, 335 million, we experienced slower growth in disbursements than the prior year, largely driven by lockdown restrictions. Net lending margin decreased by 180 bps due to higher credit losses as the Namibian economy remains in recession, further worsened by the impact of COVID-19, which continues to place pressure on levels of disposable income.

Gross written premiums increased by 5% to R482 million due to higher renewal experience in Namibia and an increase in risk finance sales in Botswana. Underwriting margin increased by 980 bps to 12.9%, due to higher written premiums in Namibia and better claims experience in Botswana resulting from lower activity brought on by lockdown restrictions and also due to lower volumes of commercial claims.

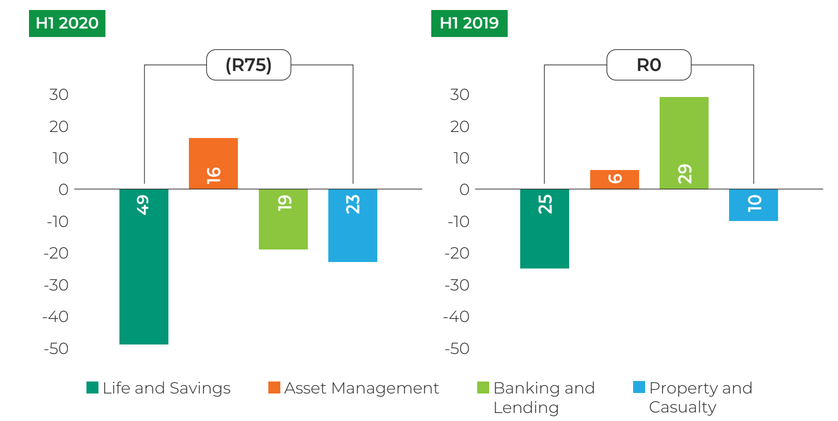
RFO decreased by 9% to R328 million largely due to property revaluation gains in the prior year in our Asset Management business in Malawi not repeated in the current year and worse performance in our Life and Savings business. In Namibia, life profits were impacted by lower retail and corporate sales volumes coupled with worse persistency experience. This was partially offset by strong underwriting profits in Malawi's life business due to favourable mortality experience in the Group Life assurance book. Our Property and Casualty business contributed positively to RFO, largely due to better underwriting results.

East Africa

Rm (unless otherwise indicated)	H1 2020 (Reported)	H1 2020 (Constant Currency)	% change (Reported)	% change (Constant currency)	H1 2019
Results from Operations	(75)	(66)	(100%)	(100%)	–
Gross flows	5,681	4,949	>100%	>100%	1,987
Life APE sales	58	50	(2%)	(15%)	59
NCCF (Rbn)	3.5	3.0	>100%	>100%	0.6
FUM (Rbn)[1]	37.5	31.7	29%	9%	29.0
VNB	(24)	(21)	(>100%)	(>100%)	(7)
VNB margin (%)	(19.1%)	(19.1%)	(1250 bps)	(1250 bps)	(6.6%)
Loans and advances[1,2]	3,648	3,085	19%	0.4%	3,073
Net lending margin (%)[2]	8.2%	8.2%	(300 bps)	(300 bps)	11.2%
Gross written premiums	1,560	1,359	32%	15%	1,178
Underwriting margin (%)	(2.1%)	(2.1%)	(100 bps)	(100 bps)	(1.1%)

1 *The comparative amount references FY 2019.*
2 *FY2019 loans and advances have been represented from previously disclosed amounts, to include accrued interest. Net lending margin and credit loss ratio were also represented.*

RFO split by LOB (R million)



	LIFE AND SAVINGS	ASSET MANAGEMENT	BANKING AND LENDING	PROPERTY AND CASUALTY
Kenya	✓	✓	✓	✓
Rwanda				✓
South Sudan	✓	✓		✓
Tanzania				✓
Uganda	✓	✓		✓

PERFORMANCE HIGHLIGHTS

The financial performance commentary below is based on the constant currency % change period over period.

Gross flows increased to R4,949 million from the prior year, driven by significant inflows in the asset management businesses in Kenya and Uganda where large corporate deals were secured. These inflows contributed to growth in NCCF, which increased to R3.0 billion in the current year. This was partially offset by higher outflows from unit trusts in Uganda, higher pension fund withdrawals, as well as higher surrenders of endowment policies in Kenya's life business. Life APE sales were 15% below the prior year due to a decline in new business retail sales in Kenya as a result of COVID-19 related restrictions.

Gross written premiums increased by 15% to R1,359 million due to strong new business acquisition and good renewal rates in the general and medical insurance businesses. The increase was as a result of concerted efforts to improve broker relationships that has yielded positive results. The underwriting margin deteriorated, despite improved top line and better claims experience, due to increased central expenses.

Loans and advances of R3,085 million were marginally flat due to a slowdown in disbursements driven by COVID-19 related restrictions. Net lending margin decreased by 300 bps to 8.2%, driven by increased financial pressure on customers in the current economic environment which led to higher credit losses.

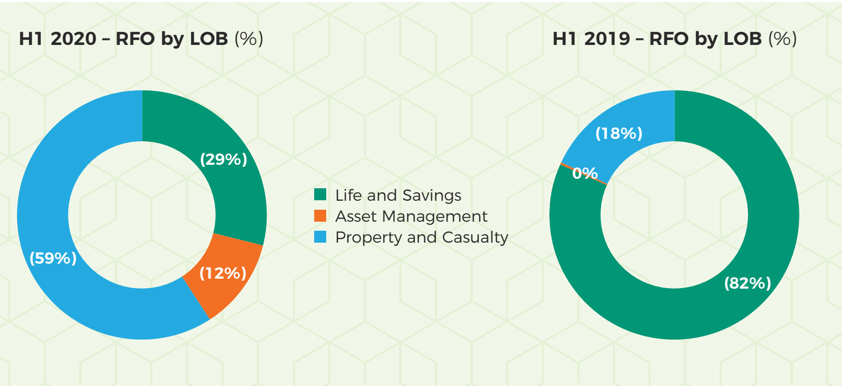
East Africa recorded a loss of R66 million as profits declined across most of our lines of business. The Life and Savings business experienced lower life sales, poor persistency and a decrease in asset based fees earned due to lower average equity market levels. The decline in RFO of the Banking and Lending business was driven by the deteriorating credit loss ratio. Property and Casualty RFO was negatively impacted by increased central expenses. Central expenses increased due to higher staff and IT related costs, and the adoption of a more equitable share of group costs. These losses were partially offset by an increase in fees earned on a higher average asset base, despite lower average equity markets levels, due to NCCF growth in the Asset Management business.

Negative VNB and VNB margin worsened due to lower new business volumes not sufficient to cover higher initial expenses on retail products in Kenya and Uganda.

West Africa

Rm (unless otherwise indicated)	H1 2020 (Reported)	H1 2020 (Constant Currency)	% change (Reported)	% change (Constant currency)	H1 2019
Results from Operations	**(45)**	**(40)**	52%	57%	(94)
Gross flows	**306**	**276**	51%	37%	202
Life APE sales	**104**	**93**	93%	72%	54
NCCF (Rbn)	**0.2**	**0.2**	100%	100%	0.1
FUM (Rbn)[1]	**1.4**	**1.2**	40%	20%	1.0
VNB	**(18)**	**(16)**	40%	47%	(30)
VNB margin (%)	**(4.1%)**	**(4.1%)**	1 780 bps	1 780 bps	(21.9%)
Gross written premiums	**65**	**57**	48%	30%	44
Underwriting margin (%)	**(138.0%)**	**(138.0%)**	(2370 bps)	(2370 bps)	(114.3%)

1 *The comparative amount references FY 2019.*



	LIFE AND SAVINGS	ASSET MANAGEMENT	PROPERTY AND CASUALTY
Ghana	✓	✓	
Nigeria	✓		✓

PERFORMANCE HIGHLIGHTS

The financial performance commentary below is based on the constant currency % change period over period.

Gross flows increased by 37% to R276 million due to higher new business acquisitions and better renewals, driven by improved intermediary productivity in Nigeria and strong corporate sales in Ghana. Life APE sales increased by 72% to R93 million, driven by higher recurring premium corporate sales and strong bancassurance sales in Nigeria. The increase in NCCF was a function of the higher inflows.

Gross written premiums increased by 30% to R57 million due to higher value premium written in Nigeria. Underwriting margin worsened to negative 138.0% compared to the prior year largely due to the release of a long outstanding claims reserve in the prior year, not repeated in the current year. We have commenced writing specialist aviation and oil and gas business, however due to COVID-19 related restrictions it has not been significant.

West Africa's RFO loss decreased by 57% to a R40 million loss due to improved performance in the Life and Savings business in Nigeria and Ghana. This improvement was driven by higher sales volumes and lower reinsurance costs in Nigeria, as well as good corporate sales, better persistency and prudent expense management in Ghana. The improved performance in our Life and Savings business was partially offset by the weaker underwriting result in the Property and Casualty business in Nigeria.

Negative VNB reduced to R16 million, an improvement of 47% from the prior year, due to a better mix of more profitable Group Life Assurance products sold in Nigeria and prudent expense management in Ghana.

OUTLOOK FOR 2020

Output is expected to contract sharply in most of the Rest of Africa markets as the impact of the various government restrictions to manage the spread of the COVID-19 outbreak has set off the first recession in the Sub-Saharan Africa region in 25 years. In Southern Africa, our key market in Namibia is expected to be the hardest hit as it was vulnerable prior to the onset of the COVID-19 pandemic. In East Africa and Ghana, we expect economic growth to stagnate. The impact on Nigeria is expected to be exacerbated by low oil prices. In spite of these economic headwinds, we expect our businesses to be resilient.

We expect our insurance products to benefit from renewed awareness of the need for protection against risk events. We, however anticipate continued pressure on our savings offerings as customers' needs for liquidity in the current environment may motivate them to hold on to cash savings. We expect a continuing negative trend in credit losses in our banking businesses as most economies will continue to struggle from the after effects of the pandemic. In response to these potential challenges we will be implementing various initiatives, which include increased productivity through our digital channels, continued focus on the optimisation of our cost structures across all lines of business, tightening of credit criteria and a balance sheet restructure in East Africa to reduce foreign denominated liabilities.

The strategic review has been completed, and the refreshed strategy is in the process of being rolled out to our markets. The refreshed customer led strategy is focused on profitable top line growth enabled by amongst others, relevant solutions, integrated financial services and the effective use of data.

Notes:

OLDMUTUAL

04

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DO GREAT THINGS EVERY DAY

Contents

PREPARATION AND SUPERVISION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the requirements of the Companies Act of South Africa under the supervision of the Chief Financial Officer C.G. Troskie CA(SA).

Condensed consolidated income statement

For the six months ended 30 June 2020

Rm	Notes	2020 (Unaudited)	2019 (Re-presented)[1]
Continuing operations			
Revenue			
Gross insurance premium revenue		**39,738**	38,652
Outward reinsurance		**(4,404)**	(3,855)
Net earned premiums		**35,334**	34,797
Investment return (non-banking)		**(758)**	57,065
Banking interest and similar income		**2,072**	2,414
Banking trading, investment and similar income		**212**	212
Fee and commission income, and income from service activities		**5,282**	5,100
Other income		**965**	629
Total revenue and other income		**43,107**	100,217
Expenses			
Gross claims and benefits (including change in insurance contract provisions)		**(33,149)**	(52,061)
Reinsurance recoveries		**3,947**	2,492
Net claims and benefits incurred		**(29,202)**	(49,569)
Change in investment contract liabilities[1]		**3,971**	(19,379)
Credit impairment charges		**(1,599)**	(1,224)
Finance costs		**(244)**	(309)
Banking interest payable and similar expenses		**(574)**	(601)
Fee and commission expenses, and other acquisition costs[1]		**(4,904)**	(4,884)
Change in third-party interest in consolidated funds		**2,919**	(7,455)
Other operating and administrative expenses		**(11,745)**	(11,099)
Total expenses		**(41,378)**	(94,520)
Share of gains of associated undertakings and joint ventures after tax		**241**	1,533
Impairment of investments in associated undertakings		**(8,547)**	–
Loss on disposal of subsidiaries and associated undertakings		**–**	(5)
(Loss)/profit before tax		**(6,577)**	7,225
Income tax credit/(expense)		**579**	(1,377)
(Loss)/profit after tax from continuing operations		**(5,998)**	5,848
Discontinued operations			
Profit after tax from discontinued operations		**–**	104
(Loss)/profit after tax for the financial period		**(5,998)**	5,952
Attributable to			
Equity holders of the parent		**(5,621)**	5,817
Non-controlling interests			
Ordinary shares		**(377)**	135
(Loss)/profit after tax for the financial period		**(5,998)**	5,952
(Loss)/earnings per ordinary share			
Basic (loss)/earnings per share – continuing operations (cents)		**(128.5)**	125.0
Basic earnings per share – discontinued operations (cents)		**–**	2.3
Basic (loss)/earnings per ordinary share (cents)	C1(a)	**(128.5)**	127.3
Diluted (loss)/earnings per share – continuing operations (cents)		**(125.9)**	122.9
Diluted earnings per share – discontinued operations (cents)		**–**	2.2
Diluted (loss)/earnings per ordinary share (cents)	C1(b)	**(125.9)**	125.1

1 *During the period ended 30 June 2020, the Group reviewed the classification of certain expenses included in the consolidated income statement. As a result of this review certain expenses relating to investment contracts were reclassified from fee and commission expenses, and other acquisition costs to change in investment contract liabilities (R302 million) to better reflect the nature of these costs and align the treatment of these expenses in accordance with the nature of the contract.*

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2020

Rm	2020 (Unaudited)	2019 (Reviewed)
Continuing operations		
(Loss)/profit after tax for the financial period	**(5,998)**	5,952
Other comprehensive income for the financial period		
Items that will not be reclassified to profit or loss		
Gains/(losses) on property revaluations	**280**	(26)
Remeasurement gains on defined benefit plans	**134**	67
Fair value movements related to credit risk on borrowed funds[1]	**64**	(34)
Share of other comprehensive income from associated undertakings and joint ventures	**125**	21
Shadow accounting[2]	**(136)**	6
Income tax on items that will not be reclassified to profit or loss	**(47)**	(22)
	420	12
Items that may be reclassified to profit or loss		
Currency translation differences on translating foreign operations	**675**	(1,930)
Exchange differences recycled to profit or loss on disposal of businesses	**–**	(135)
Share of other comprehensive income/(loss) from associated undertakings and joint ventures	**204**	(247)
	879	(2,312)
Total other comprehensive income/(loss) for the financial period from continuing operations	**1,299**	(2,300)
Discontinued operations		
Total other comprehensive income for the financial period from discontinued operations after tax	**–**	98
Total other comprehensive income/(loss) for the financial period	**1,299**	(2,202)
Total comprehensive (loss)/income for the financial period	**(4,699)**	3,750
Attributable to		
Equity holders of the parent	**(4,651)**	3,749
Non-controlling interests		
Ordinary shares	**(48)**	1
Total comprehensive (loss)/income for the financial period	**(4,699)**	3,750

1 *Amounts relating to own credit risk are released through equity when the financial liability is derecognised.*
2 *Shadow accounting is applied to policyholder liabilities where the underlying measurement of the policyholder liability depends directly on the fair value of the Group's owner occupied properties. Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on assets that have a direct effect on the measurement of the related insurance assets and liabilities.*

Condensed consolidated supplementary income statement

For the six months ended 30 June 2020

Rm	Notes	2020 (Unaudited)	2019 (Re-presented)[1]
Mass and Foundation Cluster	B1	**(70)**	1,512
Personal Finance and Wealth Management[1]	B1	**1,165**	1,426
Old Mutual Investments[1]	B1	**(210)**	511
Old Mutual Corporate	B1	**649**	870
Old Mutual Insure	B1	**43**	141
Rest of Africa	B1	**177**	214
Central expenses	B1	**(213)**	(162)
Results from Operations		**1,541**	4,512
Shareholder investment return		**680**	1,060
Finance costs		**(244)**	(309)
Share of gains of associated undertakings and joint ventures after tax		**364**	1,431
Adjusted Headline Earnings before tax and non-controlling interests		**2,341**	6,694
Shareholder tax		**(678)**	(1,425)
Non-controlling interests		**41**	(58)
Adjusted Headline Earnings after tax and non-controlling interests[2]		**1,704**	5,211
Adjusted weighted average number of ordinary shares (millions)	C1(a)	**4,574**	4,774
Adjusted Headline Earnings per share (cents)		**37.3**	109.1

Reconciliation of Adjusted Headline Earnings to IFRS profit after tax

Rm	Notes	2020 (Unaudited)	2019 (Reviewed)
Adjusted Headline Earnings after tax and non-controlling interests		**1,704**	5,211
Investment return on group equity and debt instruments held in policyholder funds	A1.5(a)	**1,335**	(214)
Impact of restructuring	A1.5(b)	**512**	(114)
Discontinued operations	A1.5(c)	**–**	74
Operations in hyperinflationary economies	A1.5(d)	**411**	594
Non-core operations	A1.5(e)	**253**	303
Headline Earnings		**4,215**	5,854
Impairment of goodwill and other intangible assets and property, plant and equipment and other Headline Earnings adjustments	C1(c)	**(1,139)**	(62)
Impairment of associated undertakings		**(8,697)**	–
Profit on disposal of subsidiaries and associated undertakings		**–**	25
(Loss)/profit after tax for the financial period attributable to equity holders of the parent		**(5,621)**	5,817

1 *Effective 1 January 2020, the Wealth Management business has been managed alongside the Personal Finance business by the same managing director. Consequently, the Group has aligned the segmental reporting to align to this operational change and the Personal Finance segment has been renamed as Personal Finance and Wealth Management to reflect this change. The previous Wealth and Investments segment has been renamed to Old Mutual Investments, and the segment comprises the Asset Management, Alternatives and Specialised Finance businesses. Consequently, comparative information has been re-presented to reflect this change. This adjustment had no impact on total expenses, profit after tax for the period or net assets of the Group.*
2 *Refer to note A1.5 for more information on the basis of preparation of Adjusted Headline Earnings (AHE) and the adjustments applied in the determination of AHE.*

Condensed consolidated statement of financial position

At 30 June 2020

Rm	Notes[1]	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Assets			
Goodwill and other intangible assets	A2.1(a)	**5,288**	6,276
Mandatory reserve deposits with central banks		**150**	141
Property, plant and equipment		**9,245**	9,892
Investment property		**34,931**	34,992
Deferred tax assets		**1,425**	1,155
Investments in associated undertakings and joint ventures		**17,584**	26,251
Deferred acquisition costs		**1,998**	1,978
Loans and advances		**18,973**	21,007
Investments and securities		**739,391**	744,965
Reinsurers share of policyholder liabilities	F1	**9,616**	8,385
Current tax receivable		**267**	309
Trade, other receivables and other assets		**20,920**	21,082
Derivative financial instruments		**7,722**	3,221
Cash and cash equivalents		**31,219**	30,474
Assets held for sale		**777**	774
Total assets		**899,506**	910,902
Liabilities			
Life insurance contract liabilities	F1	**138,617**	141,156
Investment contract liabilities with discretionary participating features	F1	**194,906**	198,483
Investment contract liabilities	F1	**317,516**	314,071
Property and Casualty liabilities	F1	**10,706**	8,860
Third-party interests in consolidated funds		**70,429**	80,814
Borrowed funds	F2	**17,794**	18,989
Provisions and accruals		**2,158**	2,060
Deferred revenue		**477**	513
Deferred tax liabilities		**2,856**	4,134
Current tax payable		**774**	1,635
Trade, other payables and other liabilities		**59,713**	52,520
Amounts owed to bank depositors		**4,779**	4,908
Derivative financial instruments		**9,202**	4,834
Total liabilities		**829,927**	832,977
Net assets		**69,579**	77,925
Shareholders' equity			
Equity attributable to equity holders of the parent		**66,932**	74,763
Non-controlling interests			
Ordinary shares		**2,647**	3,162
Total non-controlling interests		**2,647**	3,162
Total equity		**69,579**	77,925

1 Refer to note A2 for more information on the impact of COVID-19 on the assets and liabilities of the Group.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2020

Rm	Notes	2020 (Unaudited)	2019 (Reviewed)
Cash flows from operating activities			
(Loss)/profit before tax		**(6,577)**	7,225
Non-cash movements in profit before tax		**31,869**	(6,166)
Net changes in working capital		**(15,932)**	13,629
Taxation paid		**(1,884)**	(2,505)
Net cash inflow from operating activities – continuing operations		**7,476**	12,183
Cash flows from investing activities			
Acquisition of financial investments		**(1,827)**	(10,768)
Acquisition of investment properties		**(158)**	(653)
Proceeds from disposal of investment properties		**34**	6
Dividends received from associated undertakings		**763**	747
Acquisition of property, plant and equipment		**(336)**	(502)
Proceeds from disposal of property, plant and equipment		**37**	53
Acquisition of intangible assets		**(599)**	(306)
Acquisition of interests in subsidiaries, associated undertakings and joint ventures		**–**	(26)
Proceeds from the disposal of interests in subsidiaries, associated undertakings and joint ventures		**–**	4,258
Net cash outflow from investing activities – continuing operations		**(2,086)**	(7,191)
Cash flows from financing activities			
Dividends paid to			
Ordinary equity holders of the Company	C4	**(3,340)**	(3,334)
Non-controlling interests and preferred security interests		**(68)**	(98)
Interest paid (excluding banking interest paid)		**(371)**	(321)
Net disposal of treasury shares – ordinary shares		**800**	52
Share buy-back transactions		**–**	(2,500)
Proceeds from issue of subordinated and other debt		**161**	4,883
Subordinated and other debt repaid		**(1,751)**	(1,472)
Net cash outflow from financing activities – continuing operations		**(4,569)**	(2,790)
Net cash inflow – continuing operations		**821**	2,202
Net cash outflow from discontinued operations		**–**	(394)
Effects of exchange rate changes on cash and cash equivalents		**(67)**	(232)
Cash and cash equivalents at beginning of the period		**30,615**	32,878
Cash and cash equivalents at end of the period		**31,369**	34,454
Comprising			
Mandatory reserve deposits with central banks		**150**	136
Cash and cash equivalents		**31,219**	34,318
Total		**31,369**	34,454

Cash and cash equivalents comprise of cash balances and highly liquid short term funds, mandatory reserve deposits held with central banks, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents subject to the consolidation of funds.

Except for mandatory reserve deposits with central banks of R150 million (June 2019: R136 million) and cash and cash equivalents consolidated as part of the consolidation of funds of R8,162 million (June 2019: R8,405 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

Six months ended 30 June 2020 (Unaudited) Rm	Notes	Millions Number of shares issued and fully paid	Share capital	Merger reserve	Fair-value reserve[3]	Property revaluation reserve	Share-based payments reserve	Liability credit reserve[1]	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Shareholders' equity at beginning of the period		**4,709**	**85**	**–**	**(80)**	**615**	**763**	**(180)**	**(7,404)**	**80,964**	**74,763**	**3,162**	**77,925**
Total comprehensive income for the financial period													
Loss after tax for the financial period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,621)**	**(5,621)**	**(377)**	**(5,998)**
Other comprehensive income		**–**	**–**	**–**	**53**	**116**	**–**	**86**	**515**	**200**	**970**	**329**	**1,299**
Total comprehensive income/(loss) for the financial period		**–**	**–**	**–**	**53**	**116**	**–**	**86**	**515**	**(5,421)**	**(4,651)**	**(48)**	**(4,699)**
Transactions with the owners of the Company													
Contributions and distributions													
Dividends for the period	C4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,340)**	**(3,340)**	**(68)**	**(3,408)**
Share-based payment reserve movements		**–**	**–**	**–**	**–**	**–**	**77**	**–**	**–**	**–**	**77**	**–**	**77**
Transfer between reserves		**–**	**–**	**–**	**–**	**24**	**(20)**	**–**	**–**	**393**	**397**	**(397)**	**–**
Other movements in share capital[2]		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(314)**	**(314)**	**(2)**	**(316)**
Total contributions and distributions		**–**	**–**	**–**	**–**	**24**	**57**	**–**	**–**	**(3,261)**	**(3,180)**	**(467)**	**(3,647)**
Changes in ownership and capital structure													
Change in participation in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total changes in ownership and capital structure		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with the owners of the Company		**–**	**–**	**–**	**–**	**24**	**57**	**–**	**–**	**(3,261)**	**(3,180)**	**(467)**	**(3,647)**
Shareholders' equity at end of the period		**4,709**	**85**	**–**	**(27)**	**755**	**820**	**(94)**	**(6,889)**	**72,282**	**66,932**	**2,647**	**69,579**

1 *In the liability credit reserve, the Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The balance of the total fair value gains and losses on these instruments is recognised in profit or loss. The Group released R22 million of the liability credit reserve directly to retained earnings on the repayment of the R962 million unsecured subordinated debt. Refer to note F2 for more information.*

2 *Other movements in share capital includes a movement in retained earnings of R313 million relating to own shares held by consolidated investment funds, employee share trusts and policyholder funds. These shares are treated as treasury shares in the consolidated financial statements.*

3 *The fair value reserve comprises of all fair value adjustments relating to investments in debt and equity instruments of equity accounted associated undertakings that are subsequently measured at FVOCI within the financial statements of these associated undertakings.*

Six months ended 30 June 2019 (Reviewed) Rm	Notes	Millions Number of shares issued and fully paid	Share capital	Merger reserve	Fair-value reserve	Property revaluation reserve	Share-based payments reserve	Other reserves[1]	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Shareholders' equity at beginning of the period		4,942	89	1,133	14	758	1,162	(690)	(3,608)	79,163	78,021	3,399	81,420
Total comprehensive income for the financial period											–		–
Profit after tax for the financial period		–	–	–	–	–	–	–	–	5,817	5,817	135	5,952
Other comprehensive income		–	–	–	(133)	(2)	–	270	(1,947)	(256)	(2,068)	(134)	(2,202)
Total comprehensive income/(loss) for the financial period		–	–	–	(133)	(2)	–	270	(1,947)	5,561	3,749	1	3,750
Transactions with the owners of the Company											–		–
Contributions and distributions											–		–
Dividends for the period	C4	–	–	–	–	–	–	–	–	(3,334)	(3,334)	(98)	(3,432)
Equity share-based payment transactions		–	–	–	–	–	64	–	–	–	64	–	64
Transfer between reserves		–	–	–	1	(222)	(34)	248	221	(214)	–	–	–
Merger reserve transferred from sale of Latin American businesses		–	–	(1,133)	–	–	–	–	–	1,133	–	–	–
Share buy-back transactions		(111)	(2)	–	–	–	–	–	–	(2,498)	(2,500)	–	(2,500)
Other movements in share capital		–	–	–	–	–	–	–	–	(86)	(86)	(9)	(95)
Total contributions and distributions		(111)	(2)	(1,133)	1	(222)	30	248	221	(4,999)	(5,856)	(107)	(5,963)
Changes in ownership and capital structure													
Change in participation in subsidiaries		–	–	–	–	–	–	–	–	(78)	(78)	78	–
Total changes in ownership and capital structure		–	–	–	–	–	–	–	–	(78)	(78)	78	–
Total transactions with the owners of the Company		(111)	(2)	(1,133)	1	(222)	30	248	221	(5,077)	(5,934)	(29)	(5,963)
Shareholders' equity at end of the period		4,831	87	–	(118)	534	1,192	(172)	(5,334)	79,647	75,836	3,371	79,207

1 *Included in the closing balance for other reserves is R172 million liability credit reserve on borrowed funds. The Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The balance of the total fair value gains and losses on these instruments is recognised in profit or loss.*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

A: Significant accounting policies

A1: Basis of preparation

1.1 Statement of compliance

Old Mutual Limited (the Company) is a company incorporated in South Africa.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 (interim financial statements) consolidate the results of the Company and its subsidiaries (together the Group) and equity account the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds which are accounted for as investments at fair value through profit or loss).

The interim financial statements comprise the condensed consolidated statement of financial position at 30 June 2020, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated supplementary income statement, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2020 and selected explanatory notes. The interim financial statements have been prepared under the supervision of C.G. Troskie CA(SA) (Chief Financial Officer) on a going concern basis, which the Directors believe is appropriate. The Directors of the Group take full responsibility for the preparation of this report and have reviewed and approved the interim financial statements on 31 August 2020.

The interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies and method of computation applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) as issued by the IASB and are consistent with those applied in the preparation of the Group's 2019 consolidated financial statements. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's interim financial statements.

These interim financial statements do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Group audited consolidated financial statements for the year ended 31 December 2019.

1.2 Going concern

The Group has performed a detailed going concern assessment in order to support the 2020 interim reporting process.

During May 2020 the Directors were presented with a revised Business Plan that considered the global market volatility brought on by COVID-19. This plan considered the expected impact of COVID-19 on the Group, including the impact to profitability and solvency over a three year time horizon under three potential economic scenarios. The range of scenarios considered the degree to which the economy would recover as well as the expected level of COVID-19 infections. In all scenarios the solvency position of the Group remains strong. Further downside scenario analyses including a '1 in 200 perfect storm' scenario have been undertaken to specifically review solvency and liquidity. The outcomes have consistently shown that the Group remains sufficiently capitalised with appropriate levels of liquidity.

During the interim reporting period, an updated projection process was performed over the same time horizon. The outcome of the assessment concluded that no material uncertainty in relation to going concern was identified.

During July 2020, the Group also performed an out of cycle Own Risk and Solvency Assessment (ORSA) that was presented and reviewed by the Group Risk Committee.

Based on the reviews performed, the directors consider that it is appropriate to prepare the interim financial statements on a going concern basis.

1.3 External review and comparative information

These interim financial statements have not been reviewed or audited by the Group's independent auditors KPMG Inc. and Deloitte & Touche. Comparative information for the six months ended 30 June 2019 was reviewed, with the exception of certain reclassifications as detailed elsewhere in the interim financial statements. Comparative information presented at and for the year ended 31 December 2019 within these financial statements has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2019.

1.4 Foreign currency translation

Translation of foreign operations into the Group's presentation currency

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency, using the period-end exchange rates and their income and expenses using the average exchange rates for the year. Cumulative translation gains and losses up to 1 January 2015, being the effective date of the Group's conversion to IFRS, were reset to zero. Other than in respect of cumulative translation gains and losses up to 1 January 2015, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries, the cumulative amount of exchange differences post 1 January 2015, deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss. The accounting for Zimbabwe as a hyperinflationary economy is excluded from this policy and is explained in note A2.2 below.

The exchange rates used to translate the operating results, assets and liabilities of key foreign businesses to Rand are:

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Reviewed)		Year ended 31 December 2019 (Audited)
	Income statement (average rate)	**Statement of financial position (closing rate)**	Income statement (average rate)	Statement of financial position (closing rate)	Statement of financial position (closing rate)
Pound sterling	**21.2852**	**21.5169**	18.3693	17.8847	18.5598
Kenyan shilling	**0.1613**	**0.1628**	0.1405	0.1377	0.1381
Zimbabwe Dollar (ZWL$)	**0.1569**	**0.1569**	3.8321	2.1273	0.8347

1.5 Basis of preparation of Adjusted Headline Earnings

Purpose of Adjusted Headline Earnings

Adjusted Headline Earnings (AHE) is an alternative non-IFRS profit measure used alongside IFRS profit to assess performance of the Group. It is one of a range of measures used to assess management performance and performance based remuneration outcomes. In addition, it is used in setting the dividend to be paid to shareholders. Non-IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

Due to the long term nature of the Group's operating businesses, management considers that AHE is an appropriate alternative basis by which to assess the operating results of the Group and that it enhances the comparability and understanding of the financial performance of the Group. It is calculated as headline earnings in accordance with JSE Listing Requirements and SAICA circular 01/2019 adjusted for items that are not considered reflective of the long term economic performance of the Group. AHE is presented to show separately the Results from Operations, which measure the operational performance of the Group from items such as investment return, finance costs and income from associated undertakings. The adjustments from headline earnings to AHE are explained below.

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

The adjustments applied in the determination of AHE are:

(a) Investment return on group equity and debt instruments held in policyholder funds

Represents the investment returns on policyholder investments in Group equity and debt instruments held by the Group's policyholder funds. This includes investments in the Company's ordinary shares and the subordinated debt and ordinary shares issued by subsidiaries of the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are added back in the calculation of AHE. This ensures consistency with the measurement of the related policyholder liability.

(b) Impact of restructuring

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

(c) Discontinued operations

Represents the removal of the profit after tax associated with discontinued operations. These businesses are not considered part of the Group's principal operations due to the fact they have been or are in the process of being sold or distributed and therefore will not form part of the Group going forward. The profit attributable to these businesses, included the profit or loss recognised on the ultimate distribution or disposal of the business, is removed from AHE. The comparative period includes the profit attributable to Latin America and Old Mutual Bermuda.

(d) Operations in hyperinflationary economies

Until such time as we are able to access capital by way of dividends from the business in Zimbabwe, we will manage it on a ring fenced basis and exclude its results from AHE. The lack of ability to access capital by way of dividends is exacerbated by the volatility that a hyperinflationary economy and the reporting thereof introduces. This adjustment has been applied from 1 January 2019.

(e) Non-core operations

Represents the elimination of the results of businesses or operations classified as non-core. This adjustment represents the net losses associated with the operations of the Residual plc. Residual plc is not considered part of the Group's principal operations due to the fact that it is in the process of winding down and therefore the associated costs are removed from AHE.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

A: Significant accounting policies

A1: Basis of preparation

1.6 Basis of preparation of other non IFRS measures

The Group uses AHE in the calculation of various other non-IFRS measures which are used by management, alongside IFRS metrics, to assess performance. Non IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities. The basis of preparation of each is outlined below.

(a) Return on Adjusted Net Asset Value (RoNAV)

RoNAV (expressed as a percentage), is calculated as AHE divided by the average of the opening and closing balances of Adjusted IFRS equity. Adjusted IFRS equity is calculated as IFRS equity attributable to operating segments before adjustments related to the consolidation of funds. It excludes equity related to the Residual plc, discontinued operations and operations in hyperinflationary economies. A reconciliation is presented in note C3.

RoNAV is used to assess and measure the capital efficiency of the Group and it is one of a range of measures by which management performance and remuneration is assessed. The adjustments made to Adjusted IFRS equity mirror those made in AHE to ensure consistency of the numerator and denominator in the calculation of RoNAV.

(b) AHE per share

AHE per share is calculated as AHE divided by the Adjusted weighted average number of shares. The weighted average number of shares is adjusted to reflect the Group's BEE shares and the shares 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 for more information.

AHE per share is used alongside IFRS earnings, to assess performance of the Group. It is also used in assessing and setting the dividend to be paid to shareholders.

A2: Significant accounting estimates and judgements

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

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of Old Mutual Limited for the year ended 31 December 2019, with the exception of certain judgements made in respect of accounting matters related to Zimbabwe. Due to the impact that COVID-19 has had on the economy, additional disclosure on the valuation impacts and sensitivities thereto of the Group's assets and liabilities has been provided below.

2.1 Impact of COVID-19 on the assets and liabilities of the Group

In the preparation of interim financial statements, disclosures for significant accounting estimates and judgements are not generally required if these have not materially changed subsequent to the publication of the previous annual financial statements. However, as the impact of the COVID-19 pandemic has resulted in a sharp economic downturn and has caused increased volatility in financial markets, the valuation and measurement of material assets and liabilities on the Group's balance sheet require significant judgement at 30 June 2020. This section sets out the key considerations in the valuation and measurement of these assets and liabilities.

(a) Goodwill and other intangible assets

In accordance with IFRS, goodwill and other intangible assets are generally tested annually for impairment. However, due to the negative economic impact caused by the coronavirus pandemic, this has triggered the requirement for the Group to test the goodwill and other intangible assets for impairment. At 30 June 2020, the total goodwill and other intangible assets balance is R5,288 million (December 2019: R6,276 million), with goodwill comprising R1,550 million and the remaining balance relating to other intangible assets.

(i) Goodwill impairment testing and results

In the performance of the goodwill testing, the Group's cash generating units (CGU's) mostly used discounted cash flow models. This incorporated planned business performance, factoring into account the impact of COVID-19, with a risk-adjusted discounted rate reflecting cost of equity as appropriate for the CGU.

An impairment charge of R1,503 million relating to the Old Mutual Finance CGU has been recognised for the 30 June 2020 period. This impairment is reflective of the challenging economic environment in which we are operating. The value in use for Old Mutual Finance has been determined using a weighted valuation incorporating discounted cash flows, price to earnings and price to book valuations.

- For the discounted cash flow valuation, cashflow projections have been based on the planned business performance and have considered the impact of COVID-19. The terminal growth rate used in the current valuation has decreased since the year end as a consequence of the economic conditions.
- For the price to earnings and price to book ratio valuations, a size discount has been factored into both valuations.

The impairment of goodwill has been allocated to equity holders of the parent (R1,127 million) and non-controlling interests (R376 million). The remaining goodwill impairment reviews indicated that there is sufficient headroom to maintain these balances, with no impairments required.

(ii) Other intangible assets

The majority of other intangible assets comprises capitalised costs associated with the multi year information technology refresh. These assets have come into use during the second half of 2020. The impairment and sensitivity tests for these assets have indicated that there is sufficient headroom and that no impairments are required.

(b) Property assets

The Group has exposure to property assets through its investments in investment property and owner occupied properties in South Africa, Rest of Africa and Eastern Europe with a large portion of the property assets backing policyholder liabilities. The property assets of the Group are measured at fair value and these have been subject to independent or desktop valuations for the 30 June 2020 reporting period. Methodologies used to determine and assess the fair value of property assets include discounted cash flow, income capitalisation and term and reversion models. The fair value of each property asset is determined based on the most appropriate valuation methodology applicable to the specific market and economy in which it is invested and the particulars of the property itself. Due to the significant judgement involved in valuing these assets, they are classified as level 3 in the fair value hierarchy.

The Group has exposure to all property sectors within South Africa, Europe and Africa, with a significant portion of the portfolio exposed to the retail property sector through investments in shopping centres. The total property assets at 30 June 2020 totalled R42,145 million, compared to R43,447 million at 31 December 2019. Of the R42,145 million, R34,931 million has been recognised as investment property with the remaining R7,214 million recognised as owner occupied property. The unaudited sector allocation of the Group's property assets at 30 June 2020 is as follows:

Sector	At 30 June 2020 (Unaudited)	At 31 December 2019 (Unaudited)
Retail	**52%**	54%
Office	**41%**	39%
Other[1]	**7%**	7%

1 Other predominantly comprises of land and industrial properties

Overall, there has been a decrease in the property assets balance. This was largely attributable to fair value losses, partially offset by foreign exchange gains due to the weakening of the rand to the euro and US dollar.

This fair value decrease is largely attributable to the South African property portfolio, which accounts for 66.2% of total property assets and is predominantly exposed to the retail property sector. COVID-19 has had a negative impact on the ability for retailers to trade, particularly during the lockdown period, impacting current period rentals, growth assumptions applied in the property valuations as well as the period of time required to lease space. Due to the uncertainty inherent in the current economic climate, the property valuers have applied prudence with higher discount and capitalisation rate assumptions, resulting in lower property valuations.

Due to the uncertainty of the impact of COVID-19 on the circumstances on which judgements are based, the Group's valuers have reported on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

The following range of unobservable inputs have been considered in the property valuations:

At 30 June 2020 (Unaudited)

Sector	Capitalisation rate	Discount rate	Vacancy rate
Retail	**6.8% to 16.0%**	**12.3% to 14.3%**	**0.0% to 25.9%**
Office	**4.0% to 17.0%**	**8.8% to 13.5%**	**0.0% to 25.0%**
Other	**5.0% to 12.0%**	**13.3% to 16.0%**	**0% to 100.0%**

At 31 December 2019 (Unaudited)

Sector	Capitalisation rate	Discount rate	Vacancy rate
Retail	6.5% to 10.5%	12.5% to 15.5%	0.0% to 59.5%
Office	7.0% to 8.0%	7.23% to 18.7%	0.0% to 2.8%
Other	8.3% to 10.5%	14.0% to 16.0%	0.0% to 10.9%

A: Significant accounting policies

A2: Significant accounting estimates and judgements

2.1 Impact of COVID-19 on the assets and liabilities of the Group

(b) Property assets

The tables below indicate the sensitivity of the aggregate property market values for a movement in discount rates and market rentals:

Rm	At 30 June 2020 (Unaudited)	At 31 December 2019 (Unaudited)
An increase of 1% in discount rates would decrease the fair value by:	(1,793)	(2,460)
A decrease of 1% in discount rates would increase the fair value by:	2,262	3,516
An increase of 10% in market rentals per m^2 would increase the fair value by:	2,381	3,306
A decrease of 10% in market rentals per m^2 would decrease the fair value by:	(2,243)	(2,595)

(c) Investment in Nedbank Group Limited

Of the R17,584 million investments in associated undertakings and joint ventures, the majority of this balance relates to the Group's investment in Nedbank.

Following the unbundling of Nedbank Group Limited (Nedbank), the Group retained a strategic interest of 19.9%. The 19.9% investment in Nedbank has been accounted for in terms of the equity accounting method and has been classified as an investment in an associated undertaking. In light of COVID-19 and related decrease in the Nedbank share price during 2020, the Group has performed an impairment review of the value of our equity accounted investment.

The impairment test compares the estimated recoverable amount and carrying value of the investment. The recoverable amount is the higher of its fair value less costs of disposal or its value in use. At 30 June 2020, the fair value of the Group's stake was R10,044 million.

In assessing the value in use, the Group valued the expected dividend stream from Nedbank. The calculation of the value is subject to significant judgement as it is based on estimates of economic recovery and macro economic assumptions.

The value of the dividend from Nedbank was determined using a dividend discount model. In accordance with Reserve Bank guidance, the model has assumed that the Group will not receive a dividend from Nedbank for the current financial year, with projected dividends assumed to recover to the average dividend payout ratio over the past five years. This payout ratio has been used in the calculation of the final year dividend and terminal value.

Due to the complexity of the current economic environment, multiple valuations were performed assuming a range of earnings and economic recovery scenarios. The final value in use has been calculated as an average of these calculations, with appropriate weighting applied to potential downside scenarios.

The total value in use was calculated as R15,562 million. Whilst the value in use is higher than the fair value, it is lower than the carrying amount and accordingly we have recognised impairment to the value of R8,620 million. Although the Group has recognised an impairment, the current value in use is 11% lower than the Group's share of Nedbank's reported net asset value as at 30 June 2020.

The table below shows the sensitivity of the value in use to changes in the earnings recovery used to project to the terminal value and the long term growth assumption:

Sensitivity analysis

Rm (Unaudited)	Alternative	Positive impact	Negative impact
Earnings recovery	+/- 10%	17,151	13,974
Long term growth rate	+/- 1%	18,257	13,577

(d) Investments and securities

The Group has exposure to listed and unlisted investments, with a large portion of these investments backing policyholder liabilities. All investments and securities for which fair value is measured are categorised as either level 1, 2 or 3 financial assets. At 30 June 2020, 57% of the total investments and securities balance related to listed instruments (level 1), with level 2 and 3 instruments comprising 38% and 5% respectively of the total balance. Due to the nature of level 2 and 3 financial assets, the valuation of these investments requires judgement, particularly level 3 assets where the valuation techniques require significant unobservable inputs which are impacted by the current uncertainty in the economy.

(i) Level 1 investment and securities

The Group's level 1 investments and securities decreased from R420,313 million at 31 December 2019 to R417,260 million at 30 June 2020. Through our listed securities, we have exposure to Rand and US denominated securities. Although the JSE All Share Index has decreased by 8% during the period, this has partially been offset by foreign exchange gains due to the weakening of the Rand to the US dollar.

(ii) Level 2 investment and securities

Level 2 assets comprise mainly of pooled investments that are not listed on an exchange, but are valued using market observable prices. Pooled investments represent the Group's holdings of shares or units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles which are not consolidated.

Other assets classified as level 2 include unlisted corporate debt, floating rate notes, money market instruments, listed debt securities that were not actively traded during the period and cash balances that are treated as short term funds. The level 2 instruments are valued based on discounted projected cash flows, relative yields, or cost basis with reference to market related inputs. Main inputs used for level 2 valuations include bond curves, interbank swap interest rate curves, and the forecast consumer price index.

Included within Level 2 investments and securities is unlisted corporate debt. Despite an abatement of the extreme volatility that beset the bond and credit market following the COVID-19 lockdown in March, unlisted credit spreads as at 30 June 2020 continued to be impacted by heightened market uncertainty in the context of a very weak financial and economic environment. Initially lagging the equity markets, credit spreads widened in the second quarter as the crisis contributed to a weakening economic outlook. Credit spreads increased by between 50bps and 100bps, higher than increases seen in the previous financial crisis, resulting in significant mark to market losses in the Group's unlisted credit portfolio. These market conditions led to negative unrealised mark to market movements in the first half of the year.

(iii) Level 3 investment and securities

The valuation techniques used for level 3 assets are determined per asset, with techniques ranging from discounted cash flow (DCF), price to earnings multiples (PE) and adjusted net asset value. The level 3 balance decreased during the current period, from R38,430 million at 31 December 2019 to R35,943 million at 30 June 2020.

Fair value losses of R2,386 million were recognised on Level 3 assets during the period. The loss is attributable to the conservative approach followed in performing the valuations due to the high levels of uncertainty in respect of the economic outlook and due to the function of lower comparable multiples. In addition, the Group has investment exposure to industries directly impacted by the lockdown, including the tourism industry.

The economic uncertainty created by COVID-19 has had an impact on valuation inputs for assets that rely on either unobservable forward looking assumptions or comparable market transactions. The following table sets out information on significant unobservable inputs used in measuring financial instruments classified as Level 3.

Valuation technique	Significant unobservable input	Range of unobservable inputs 30 June 2020 (Unaudited)	Range of unobservable inputs 31 December 2019 (Audited)
Discounted cash flow (DCF)	Risk adjusted discount rate:		
	– Equity risk premium	3.0% – 20.0%	3.0% – 7.0%
	– Liquidity discount rate	5.0% – 30.0%	5.0% – 30.0%
	– Nominal risk free rate	5.0% – 13.0%	6.7% – 9.7%
	– Credit spreads	1.3% – 12.0%	0.1% – 6.6%
Price earnings (PE) model/multiple/ embedded value	PE ratio/multiple	3.0 – 15.0 times	1.2 – 11.2 times
Sum of parts	PE ratio and DCF	See PE ratio and DCF	See PE ratio and DCF

Where possible, the Group tests the sensitivity of the fair values of level 3 investments and securities to changes in unobservable inputs to reasonable possible alternatives. Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

There has been no change to the nature of the key unobservable inputs to Level 3 financial instruments and the inter-relationships therein. These are detailed in the financial statements for the year ended 31 December 2019. For the purposes of the sensitivity analysis, the most significant unobservable input used to value level 3 investments and securities has been increased/decreased by 10%.

A: Significant accounting policies

A2: Significant accounting estimates and judgements

2.1 Impact of COVID-19 on the assets and liabilities of the Group

(d) Investments and securities

(iii) Level 3 investment and securities

Rm Types of financial instruments	Fair values At 30 June 2020 (Unaudited)	At 31 December 2019 (Re-presented)[1]	Valuation techniques used	Most significant unobservable input	Fair value measurement sensitivity to unobservable inputs At 30 June 2020 (Unaudited)	At 31 December 2019 (Re-presented)[1]
Assets						
Investments and securities	**35,943**	38,430	Discounted cash flows (DCF) EBITDA multiples Price earnings ratios Adjusted net asset values	Discount rate Credit spreads Price earnings ratio/ multiple Marketability discount rate Net asset value of underlying investments	**Favourable: 3,790** **Unfavourable: 3,376**	Favourable: 2,265 Unfavourable: 2,036

1 During the period, the Group further refined its consolidation of funds process due to the availability of more observable data. As a result, the comparative information has been re-presented to better reflect the underlying fair value hierarchy of the consolidated investment funds.

The table below shows the sensitivity of the fair value of investment and securities per type of instrument at 30 June 2020 to changes in unobservable inputs to a reasonable alternative:

Level 3 Investment and securities	30 June 2020 Fair Value Rm (Unaudited)	Most significant unobservable input	Sensitivities Favourable impact (Unaudited)	Unfavourable impact (Unaudited)
Debt securities, preference shares and debentures	12,202	Discount rate Credit spreads	351	341
Unlisted equity securities	21,696	Discount rate Price earnings ratio/multiple Marketability discount rate	2,845	2,468
Pooled investments and other	2,045	Net asset value of underlying investments	594	567
Total	**35,943**		**3,790**	**3,376**

The details of Level 3 investments and securities can be found in note E2.

(e) Loans and advances

The expected credit loss expense increased to R 4,926 million for the six months ended 30 June 2020 from R3,663 million for the comparable period in 2019. This has primarily been driven by the effects of deteriorating macro-economic factors used in the modelling or where specific impairments are attributable to COVID-19 related factors. Included in this increase is an additional expected credit loss provisions of R125 million for the impact the Group expects COVID-19 to have on the loan books across the business for the remainder of 2020, taking current collection experience and book concentration into consideration. The Group continues to monitor forward looking scenarios as the situation unfolds in the second half of the year.

The expected credit loss ratio has increased to 21% at 30 June 2020 from 15% at 31 December 2019, predominantly due to the Mass and Foundation Cluster.

Stage 1 and stage 2 impairments decreased by 8% from December 2019. Stage 1 impairments decreased 26 %, reflecting the impact of stage migration of advances (primarily from stage 1 to stage 2) and model refinements.

Stage 2 balance sheet impairments increased by 26%. impacted by increased downside risk in the forward-looking information (FLI),

(f) Policyholder liabilities

Due to the impact that coronavirus has had, the Group has granted policyholders relief from the payment of premiums on certain products (i.e. a premium holiday). The impact of the premium holidays on the cash flows per product category has been assessed in the measurement of the policyholder liabilities.

Life assurance policyholder liabilities

The Group raised additional short term provisions of R1,339 million in anticipation of worsening mortality claims experience and persistency in the second half of 2020. While there is still much uncertainty around the pandemic and the impact that it will have on mortality experience. The Group observed an increase in mortality and morbidity claims experience towards the end of the reporting period and also noted an increase in retrenchment activity in its customer base during the second quarter. This trend is expected to worsen given the negative economic outlook for South Africa and that many businesses are struggling to recover after the devastating effects of the pandemic.

These reserves are intended to allow for expected short term variances to the Group's long term assumptions. The Group will continue to monitor the current trends as more data becomes available. This may result in a change in the actuarial basis in December.

An analysis of insurance and investment contracts is disclosed in note F1.

Sensitivity analysis – life assurance policyholder liabilities

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

The table shows the impacts of applying the sensitivity over the full remaining duration of the policyholder contracts, which would be significantly higher than a single year's change in experience. The results are also shown before allowing for any management actions likely to be applied (e.g. premium rate reviews or changes in discretionary margins), and therefore do not necessarily translate directly into an impact on profits.

Six months ended 30 June Rm	Change in assumption percentage 2020 and 2019	Increase in liabilities (before management actions) 30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assumption			
Increase in mortality and morbidity rates – assurance	10	6,559	5,947
Decrease in mortality rates – annuities (longevity)	(10)	939	1,052
Discontinuance rates (lapses and surrenders)	10	147	238
Expenses (maintenance)	10	1,327	1,228
Valuation discount rate	(1)	181	161

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group complies with South African professional actuarial guidance (SAP 104 guidance note), with the reference rate selected as the South African debt market bond yield curve.

It should be noted that where the assets and liabilities of a product are closely matched (e.g. non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

Property and Casualty liabilities

Net claims, including an increase in IBNR reserve, of R464 million were recognised for the six months ended 30 June 2020.

During the various levels of lockdown imposed in South Africa since March this year, most businesses were closed to the public. Despite these restrictions since being lifted for certain sectors, many businesses have remained closed until recently, due to the nature of their services or due to travel restrictions and social distancing regulations still in place. This led to a significant increase in business interruption (BI) and business rescue Claims in Old Mutual Insure. Claims were assessed against policy wording, specifically whether the policy in question contained an infectious disease clause or not. Old Mutual Insure further obtained legal advice on the infectious disease wording in affected policies and the current legal view is that the general widespread occurrence of COVID-19 or any steps taken by government, as an example, to limit the spread of COVID-19 nationally, will not constitute an interruption or interference of the business under the infectious disease extension. Despite the legal interpretation, as part of ongoing relief initiatives to customers during difficult times, a decision was made to settle BI claims of certain qualifying SME customers, to enable them to continue operating. This settlement applies to all qualifying SME customers who had the infectious disease extension at the time of loss. The Group continues to settle BI claims, where customers can demonstrate that their businesses were interrupted by COVID-19, with either employees or customers at their premises testing positive or where their policy wordings sufficiently cover the specific losses incurred.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

A: Significant accounting policies

A2: Significant accounting estimates and judgements

2.2 Accounting matters relating to Zimbabwe

Zimbabwe as a hyperinflationary economy

During the first half of 2019 the Group concluded that Zimbabwe was a hyperinflationary economy. This decision was made after careful assessment of the relevant factors including the rapid increase in official inflation rates and fuel prices. The inflation rate during 2020 continued to increase and as such, Zimbabwe continues to be a hyperinflationary economy and continues to be accounted for as such in the half year results.

The results of our operations with a functional currency of ZWL$ have been prepared in accordance with IAS 29 – 'Financial Reporting in Hyperinflationary Economies' (IAS 29). Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI) of 1,445.21 at 30 June 2020 to restate amounts as CPI provides an official observable indication of the change in the price of goods and services.

The application of hyperinflation accounting has been applied consistently with the principles outlined in the 2019 financial statements. The impact of applying IAS 29 in the current period resulted in a decrease in net asset value and profit after tax of R34 million.

Exchange rate applied in translating the results, net assets and cash flows of the Group's businesses in Zimbabwe.

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) announced that the Zimbabwe Dollar (ZWL$) would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in ZWL$ with other currencies. For the year ended 31 December 2019, the Group applied this exchange rate in the translation of the financial results and position of the Zimbabwe business.

During March 2020, the RBZ suspended the inter-bank exchange rate system in order to provide for greater certainty in the pricing of goods and services in the Zimbabwe economy. In its place, the RBZ adopted a fixed exchange system at ZWL$ 25 to 1 US dollar. In June 2020, the RBZ implemented a formal market-based foreign exchange trading system (auction trading system), which was operational from 23 June 2020. The intention of this system is expected to bring transparency and efficiency in the trading of foreign currency in the economy.

As the auction trading system only came into operation at the end of the reporting period and the rate derived from this system may not appropriately reflect the rate for immediate delivery of foreign exchange, the Group has estimated an exchange rate for the ZWL$ that will more appropriately reflect observable differences between ZWL$ and US dollar values. For the purposes of 30 June 2020 reporting, a ZWL$ to US dollar exchange rate of 110 to 1 (ZWL rate) has been estimated.

The estimate has been calculated on a similar basis to the rate used in the 31 December 2018 financial statements. The inputs considered in the estimate include global relative fuel prices, the official inflation rate and the weighted average exchange rate calculated on the newly implemented formal market-based foreign exchange trading system.

In accordance with the provisions of IAS 21 – 'The Effects of Changes in Foreign Exchange Rates' the results, net assets and cash flows have been translated at the closing rate.

During the current period, the ZWL$ rate used for the current reporting period has depreciated by 81% to the Rand, resulting in a reduction of the net asset value of the business. This foreign exchange movement is recognised directly within equity and was partially offset by the profit earned during the period.

Valuation of assets within Zimbabwe

In light of the economic conditions within Zimbabwe, the valuation of assets requires significant judgement. The Group has exposure to property assets, unlisted and listed investments. Listed investments comprise equity shareholdings in companies listed on the Zimbabwe stock exchange and other international stock exchanges while our unlisted investment portfolio primarily comprises of private equity investments. All assets have applied valuation principles as outlined within IFRS.

Due to the subjective nature and complexity of the inputs used in the valuations, the Group has adjusted the valuation to account for uncertainty within these significant judgements.

Sensitivities

The table below illustrates the sensitivity of the condensed income statement and condensed statement of financial position to changes in the general price index:

Condensed income statement for the six months ended 30 June 2020 (Unaudited)

Rm	As reported	+100% (CPI)	+500% (CPI)	+1000% (CPI)
Total revenues	5,054	5,080	5,187	5,317
Total expenses	(4,592)	(4,616)	(4,721)	(4,850)
Profit after tax for the financial period	462	464	466	467

Condensed statement of financial position at 30 June 2020 (Unaudited)

Rm	As reported	+100% (CPI)	+500% (CPI)	+1000% (CPI)
Total assets	9,845	9,855	9,890	9,933
Total liabilities	9,629	9,638	9,672	9,714
Net assets	216	217	218	219

The table below illustrates the sensitivity of profit and equity attributable to equity holders of the parent to changes in the rate used to translate the financial results and position of the Zimbabwe business. The sensitivities include a depreciation of 50% and 75% to the existing rate. In addition the closing auction rate as at 30 June 2020 of ZWL$ 63.7442 to 1 US dollar, which equates to 1 ZWL$ to 0.27 ZAR has also been included.

Rm	As reported	1 ZWL$: 0.27 ZAR	1 ZWL$: 0.08 ZAR	1 ZWL$: 0.04 ZAR
Profit after tax attributable to equity holders of the parent	411	712	205	103
Equity attributable to the equity holders of the parent	192	333	96	48

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

B: Segment information

B1: Segmental income statement (Unaudited)

For the six months ended 30 June 2020 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Adjusted Headline Earnings	Consoli–dation of funds	Adjusting items and reclassi–fications	Total IFRS
Revenue											
Gross insurance premium revenue	6,545	7,420	–	14,124	7,307	4,531	(381)	39,546	–	192	39,738
Outward reinsurance	(19)	(648)	–	(501)	(2,658)	(570)	49	(4,347)	–	(57)	(4,404)
Net earned premiums	6,526	6,772	–	13,623	4,649	3,961	(332)	35,199	–	135	35,334
Investment return (non-banking)	(103)	(2,253)	(1,139)	(395)	114	353	(1,664)	(5,087)	(2,226)	6,555	(758)
Banking interest and similar income	1,836	–	–	–	–	487	–	2,323	–	(251)	2,072
Banking trading, investment and similar income	–	–	–	–	–	40	–	40	–	172	212
Fee and commission income, and income from service activities	263	3,387	1,066	177	482	505	(731)	5,149	–	133	5,282
Other income	122	166	32	291	(3)	93	(33)	668	18	279	965
Total revenue and other income	8,644	8,072	(41)	13,696	5,242	5,439	(2,760)	38,292	(2,208)	7,023	43,107
Expenses					–	–	–	–	–	–	–
Net claims and benefits (including change in insurance contract provisions)	(3,697)	(6,152)	–	(11,088)	(5,172)	(3,207)	76	(29,240)	–	(3,909)	(33,149)
Reinsurance recoveries	11	666	–	798	2,092	413	(42)	3,938	–	9	3,947
Net claims and benefits incurred	(3,686)	(5,486)	–	(10,290)	(3,080)	(2,794)	34	(25,302)	–	(3,900)	(29,202)
Change in investment contract liabilities	5	3,284	817	57	–	77	14	4,254	–	(283)	3,971
Credit impairment charges	(1,367)	(17)	–	(27)	–	(172)	8	(1,575)	–	(24)	(1,599)
Finance costs	–	–	–	–	–	–	–	–	–	(244)	(244)
Banking interest payable and similar expenses	(384)	–	–	–	–	(145)	–	(529)	–	(45)	(574)
Fee and commission expenses, and other acquisition costs	(1,317)	(2,047)	(214)	(222)	(1,196)	(435)	699	(4,732)	(118)	(54)	(4,904)
Change in third-party interest in consolidated funds	–	–	–	–	–	–	–	–	2,919	–	2,919
Other operating and administrative expenses	(2,068)	(3,182)	(766)	(2,940)	(923)	(1,744)	1,757	(9,866)	(593)	(1,286)	(11,745)
Policyholder tax	103	541	(6)	375	–	(49)	35	999	–	(999)	–
Total expenses	(8,714)	(6,907)	(169)	(13,047)	(5,199)	(5,262)	2,547	(36,751)	2,208	(6,835)	(41,378)
Share of gains of associated undertakings and joint ventures after tax	–	–	–	–	–	–	–	–	–	241	241
Impairment of investments in associated undertakings	–	–	–	–	–	–	–	–	–	(8,547)	(8,547)
Loss on disposal of subsidiaries and associates undertakings	–	–	–	–	–	–	–	–	–	–	–
Results from Operations	(70)	1,165	(210)	649	43	177	(213)	1,541	–	(8,118)	(6,577)
Shareholder investment return	–	–	–	–	75	124	481	680	–	(680)	–
Finance costs	–	–	–	–	(20)	(68)	(156)	(244)	–	244	–
Income from associated undertakings	–	–	–	–	–	–	364	364	–	(364)	–
Adjusted Headline Earnings before tax and non-controlling interests	(70)	1,165	(210)	649	98	233	476	2,341	–	(8,918)	(6,577)
Shareholder tax	(9)	(349)	44	(176)	(63)	(166)	41	(678)	–	1,257	579
Non-controlling interests	50	–	(15)	–	21	(15)	–	41	–	336	377
Adjusted Headline Earnings	(29)	816	(181)	473	56	52	517	1,704	–	(7,325)	(5,621)
Investment return adjustment for Group equity and debt instruments held in policy holder funds	9	26	–	87	–	90	1,123	1,335	–	(1,335)	–
Impact of restructuring	447	47	–	–	–	18	–	512	–	(512)	–
Operations in hyperinflationary economies	–	–	–	–	–	411	–	411	–	(411)	–
Non-core operations	–	–	–	–	–	–	253	253	–	(253)	–
Headline Earnings	427	889	(181)	560	56	571	1,893	4,215	–	(9,836)	(5,621)
Adjustments											
Impairment of goodwill and other intangibles assets and property plant and equipment and other Headline Earnings adjustments (note C1(c))	(1,127)	–	–	–	–	–	(12)	(1,139)	–	1,139	–
Impairment of associated undertakings	5	15	–	53	–	–	(8,770)	(8,697)	–	8,697	–
(Loss)/profit after tax for the financial year attributable to equity holders of the parent	(695)	904	(181)	613	56	571	(6,889)	(5,621)	–	–	(5,621)
(Loss)/profit for the financial period attributable to non-controlling interests	(427)	–	14	(7)	(22)	65	–	(377)	–	–	(377)
(Loss)/profit after tax for the financial period	(1,122)	904	(167)	606	34	636	(6,889)	(5,998)	–	–	(5,998)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

B: Segment information

B1: Segmental income statement (Re-presented)[1]

Six months ended 30 June 2019 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management (Re–presented)[1,2]	Old Mutual Investments (Re–presented)[1]	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassi–fications	Continuing Operations	Discontinued operations	Total IFRS[2]
Revenue													
Gross insurance premium revenue	6,009	6,721	–	13,996	7,198	4,346	–	38,270	–	382	38,652	–	38,652
Outward reinsurance	(19)	(626)	–	(413)	(2,284)	(465)	–	(3,807)	–	(48)	(3,855)	–	(3,855)
Net earned premiums	5,990	6,095	–	13,583	4,914	3,881	–	34,463	–	334	34,797	–	34,797
Investment return (non-banking)	1,180	20,971	3,343	18,253	156	2,241	(1,177)	44,967	8,334	3,764	57,065	–	57,065
Banking interest and similar income	1,836	–	–	–	–	392	–	2,228	–	186	2,414	–	2,414
Banking trading, investment and similar income	10	–	–	–	–	7	–	17	–	195	212	–	212
Fee and commission income, and income from service activities	302	3,547	1,137	163	437	388	(1,037)	4,937	–	163	5,100	–	5,100
Other income	66	162	77	280	1	60	(111)	535	11	83	629	–	629
Total revenue and other income	9,384	30,775	4,557	32,279	5,508	6,969	(2,325)	87,147	8,345	4,725	100,217	–	100,217
Expenses													
Net claims and benefits (including change in insurance contract provisions)	(3,662)	(10,520)	2	(26,641)	(4,518)	(4,567)	–	(49,906)	–	(2,155)	(52,061)	–	(52,061)
Reinsurance recoveries	16	491	–	407	1,263	269	–	2,446	–	46	2,492	–	2,492
Net claims and benefits incurred	(3,646)	(10,029)	2	(26,234)	(3,255)	(4,298)	–	(47,460)	–	(2,109)	(49,569)	–	(49,569)
Change in investment contract liabilities[2]	(6)	(13,449)	(2,799)	(2,630)	–	(264)	–	(19,148)	–	(231)	(19,379)	–	(19,379)
Credit impairment charges	(688)	(29)	–	(4)	–	(76)	(41)	(838)	–	(386)	(1,224)	–	(1,224)
Finance costs	–	–	–	–	–	–	–	–	–	(309)	(309)	–	(309)
Banking interest payable and similar expenses	(380)	–	–	–	–	(156)	–	(536)	–	(65)	(601)	–	(601)
Fee and commission expenses, and other acquisition costs[2]	(1,339)	(2,367)	(90)	(204)	(1,228)	(404)	940	(4,692)	(125)	(67)	(4,884)	–	(4,884)
Change in third-party interest in consolidated funds	–	–	–	–	–	–	–	–	(7,455)	–	(7,455)	–	(7,455)
Other operating and administrative expenses	(1,809)	(3,148)	(1,172)	(2,423)	(884)	(1,523)	1,142	(9,817)	(765)	(517)	(11,099)	–	(11,099)
Policyholder tax	(4)	(327)	13	86	–	(34)	122	(144)	–	144	–	–	–
Total expenses	(7,872)	(29,349)	(4,046)	(31,409)	(5,367)	(6,755)	2,163	(82,635)	(8,345)	(3,540)	(94,520)	–	(94,520)
Share of gains/(losses) of associated undertakings and joint ventures	–	–	–	–	–	–	–	–	–	1,533	1,533	–	1,533
Loss on disposal of subsidiaries, associated undertakings and strategic investments	–	–	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Results from operations	1,512	1,426	511	870	141	214	(162)	4,512	–	2,713	7,225	–	7,225
Shareholder investment return	–	–	–	–	95	105	860	1,060	–	(1,060)	–	–	–
Finance costs	–	–	–	–	(23)	–	(286)	(309)	–	309	–	–	–
Income from associated undertakings	–	–	–	–	–	–	1,431	1,431	–	(1,431)	–	–	–
Adjusted Headline Earnings before tax and non-controlling interests	1,512	1,426	511	870	213	319	1,843	6,694	–	531	7,225	–	7,225
Shareholder tax	(458)	(435)	(96)	(244)	(40)	21	(173)	(1,425)	–	48	(1,377)	–	(1,377)
Non-controlling interests	(50)	–	(14)	–	–	6	–	(58)	–	(77)	(135)	–	(135)
Adjusted Headline Earnings	1,004	991	401	626	173	346	1,670	5,211	–	502	5,713	–	5,713
Investment return adjustment for Group equity and debt instruments held in policy holder funds	3	6	3	29	–	(95)	(160)	(214)	–	214	–	–	–
Impact of restructuring	(59)	(63)	–	–	–	8	–	(114)	–	114	–	–	–
Profit from discontinued operations after tax	–	–	–	–	–	–	74	74	–	(74)	–	74	74
Operations in hyperinflationary economies	–	–	–	–	–	594	–	594	–	(594)	–	–	–
Non-core operations	–	–	–	–	–	–	303	303	–	(303)	–	–	–
Headline earnings	948	934	404	655	173	853	1,887	5,854	–	(141)	5,713	74	5,787
Adjustments													
Impairment of goodwill and other intangibles and property, plant and equipment	(3)	(11)	(3)	(29)	–	–	(16)	(62)	–	62	–	–	–
Profit/(loss) on disposal of fixed assets	–	–	–	–	–	1	(1)	–	–	–	–	–	–
Profit on disposal of subsidiaries, associated undertakings and strategic investments	–	–	–	–	–	–	25	25	–	(25)	–	30	30
Profit for the financial year attributable to equity holders	945	923	401	626	173	854	1,895	5,817	–	(104)	5,713	104	5,817
Profit for the financial period attributable to non-controlling interests	50	2	14	10	–	59	–	135	–	–	135	–	135
Profit for the financial period attributable to equity holders	995	925	415	636	173	913	1,895	5,952	–	(104)	5,848	104	5,952

1 *Effective 1 January 2020, the Wealth Management business has been managed alongside the Personal Finance business by the same managing director. Consequently, the Group has aligned the segmental reporting to align to this operational change and the Personal Finance segment has been renamed as Personal Finance and Wealth Management to reflect this change. The previous Wealth and Investments segment has been renamed to Old Mutual Investments, and the segment comprises the Asset Management, Alternatives and Specialised Finance businesses. Consequently, comparative information has been re-presented to reflect this change. This adjustment had no impact on total expenses, profit after tax for the period or net assets of the Group.*

2 *During the period ended 30 June 2020, the Group reviewed the classification of certain expenses included in the consolidated income statement. As a result of this review certain expenses relating to investment contracts were reclassified from fee and commission expenses, and other acquisition costs to change in investment contract liabilities (R302 million) to better reflect the nature of these costs and align the treatment of these expenses in accordance with the nature of the contract.*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

B: Segment information

B2: Segmental statement of financial position

At 30 June 2020 (Unaudited) Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total IFRS
Total assets	**30,892**	**355,254**	**56,663**	**273,924**	**16,187**	**66,609**	**25,013**	**74,964**	**899,506**
Policyholder liabilities	**(12,973)**	**(312,282)**	**(47,870)**	**(240,608)**	**–**	**(39,063)**	**1,757**	**–**	**(651,039)**
Life insurance contracts liabilities	**(614)**	**(73,112)**	**(3)**	**(58,276)**	**–**	**(8,225)**	**1,613**	**–**	**(138,617)**
Investment contract liabilities with discretionary participating features	**(12,285)**	**(15,128)**	**–**	**(144,022)**	**–**	**(23,471)**	**–**	**–**	**(194,906)**
Investment contract liabilities	**(74)**	**(224,042)**	**(47,867)**	**(38,310)**	**–**	**(7,367)**	**144**	**–**	**(317,516)**
Property and Casualty insurance liabilities	**–**	**–**	**–**	**–**	**(7,414)**	**(3,292)**	**–**	**–**	**(10,706)**
Other liabilities	**(14,894)**	**(39,137)**	**(4,861)**	**(33,154)**	**(4,931)**	**(13,063)**	**17,492**	**(75,634)**	**(168,182)**
Total liabilities	**(27,867)**	**(351,419)**	**(52,731)**	**(273,762)**	**(12,345)**	**(55,418)**	**19,249**	**(75,634)**	**(829,927)**
Net assets	**3,025**	**3,835**	**3,932**	**162**	**3,842**	**11,191**	**44,262**	**(670)**	**69,579**

At 31 December 2019 (Re-presented)[1] Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management (Re-presented)[1]	Old Mutual Investments (Re-presented)[1]	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total IFRS
Total assets	33,844	347,325	54,810	277,452	14,363	63,418	36,106	83,584	910,902
Policyholder liabilities	(11,969)	(308,985)	(49,967)	(246,184)	–	(37,908)	1,303	–	(653,710)
Life insurance contract liabilities	80	(74,644)	(3)	(60,083)	–	(7,596)	1,090	–	(141,156)
Investment contract liabilities with discretionary participating features	(11,969)	(15,829)	–	(147,869)	–	(22,816)	–	–	(198,483)
Investment contract liabilities	(80)	(218,512)	(49,964)	(38,232)	–	(7,496)	213	–	(314,071)
Property and Casualty insurance liabilities	–	–	–	–	(6,341)	(2,519)	–	–	(8,860)
Other liabilities	(17,563)	(34,542)	(852)	(30,699)	(4,193)	(12,455)	14,707	(84,810)	(170,407)
Total liabilities	(29,532)	(343,527)	(50,819)	(276,883)	(10,534)	(52,882)	16,010	(84,810)	(832,977)
Net assets	4,312	3,798	3,991	569	3,829	10,536	52,116	(1,226)	77,925

1 *Effective 1 January 2020, the Wealth Management business has been managed alongside the Personal Finance business by the same managing director. Consequently, the Group has aligned the segmental reporting to align to this operational change and the Personal Finance segment has been renamed as Personal Finance and Wealth Management to reflect this change. The previous Wealth and Investments segment has been renamed to Old Mutual Investments, and the segment comprises the Asset Management, Alternatives and Specialised Finance businesses. Consequently, comparative information has been re-presented to reflect this change. This adjustment had no impact on total expenses, profit after tax for the period or net assets of the Group.*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

C: Other key performance information

C1: Earnings and earnings per share

Six months ended 30 June	Source of guidance	Notes	2020 (Unaudited)	2019 (Reviewed)
Basic (loss)/earnings per share	IFRS	C1(a)	(128.5)	127.3
Diluted (loss)/earnings per share	IFRS	C1(b)	(125.9)	125.1
Headline earnings per share	JSE Listings Requirements SAICA circular 01/2019	C1(c)	96.3	128.1
Diluted headline earnings per share	JSE Listings Requirements SAICA circular 01/2019	C1(c)	94.4	125.9

(a) Basic earnings per share

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

Six months ended 30 June Rm	2020 (Unaudited)	2019 (Reviewed)
(Loss)/profit for the financial period attributable to equity holders of the parent from continuing operations	(5,621)	5,713
Profit for the financial period attributable to equity holders of the parent from discontinued operations	–	104
(Loss)/profit attributable to ordinary equity holders	**(5,621)**	**5,817**

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

Six months ended 30 June Rm	2020 (Unaudited)	2019 (Reviewed)
Weighted average number of ordinary shares in issue (millions)	**4,709**	**4,894**
Shares held in charitable foundations and trusts (millions)	(19)	(19)
Shares held in ESOP and similar trusts (millions)	(116)	(101)
Adjusted weighted average number of ordinary shares (millions)	**4,574**	**4,774**
Shares held in policyholder and consolidated investment funds (millions)	(186)	(196)
Shares held in Black Economic Empowerment trusts (millions)	(13)	(9)
Weighted average number of ordinary shares used to calculate basic earnings per share (millions)	**4,375**	**4,569**
Basic (loss)/earnings per ordinary share (cents)	**(128.5)**	**127.3**

(b) Diluted earnings per share

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

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

For the six months ended 30 June	Note	2020 (Unaudited)	2019 (Reviewed)
Diluted (loss)/profit attributable to ordinary equity holders (Rm)		(5,621)	5,817
Weighted average number of ordinary shares (millions)	C1(a)	4,375	4,569
Adjustments for share options held by ESOP and similar trusts (millions)		75	71
Adjustments for shares held in Black Economic Empowerment trusts (millions)		13	9
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		**4,463**	**4,649**
Diluted (loss)/earnings per ordinary share (cents)		**(125.9)**	**125.1**

(c) Headline Earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the Johannesburg Stock Exchange (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 01/2019 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a JSE required measure of earnings in South Africa. The following table reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		2020 (Unaudited)		2019 (Reviewed)	
For the six months ended 30 June Rm	Notes	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
(Loss)/profit attributable to ordinary equity holders			(5,621)		5,817
Adjustments:					
Impairment of investment in associated undertakings		8,697	8,697	–	–
Impairments of intangible assets and property, plant and equipment		1,510	1,132	62	62
Loss/(profit) on disposal of subsidiaries, associated undertakings and joint ventures		6	6	(323)	(25)
Loss on disposal of property and equipment		2	1	–	–
Total adjustments		10,215	9,836	(261)	37
Diluted Headline Earnings (Rm)			4,215		5,854
Weighted average number of ordinary shares (millions)	C1(a)		4,375		4,569
Diluted weighted average number of ordinary shares (millions)	C1(b)		4,463		4,649
Headline Earnings per share (cents)			96.3		128.1
Diluted Headline Earnings per share (cents)			94.4		125.9

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

C: Other key performance information

C2: Net asset value per share and tangible net asset value per share

Net asset value per share is calculated as total assets minus total liabilities divided by the total number of ordinary shares in issue at the period end.

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

At 30 June 2020 and 31 December 2019 Rand	2020 (Unaudited)	2019 (Audited)
Net asset value per share	**14.8**	16.5
Net tangible asset value per share	**13.7**	15.2

C3: Return on Net Asset Value (RoNAV)

The following table outlines the calculation of RoNAV, using AHE disclosed in note A1.5. The basis of preparation of RoNAV is described in note A1.6.

At 30 June 2020 and 31 December 2019 Rbn	2020 (Unaudited)	2019 (Audited)
Total RoNAV (%)	**5.2%**	15.2%
Average Adjusted IFRS Equity (Rbn)	**65.7**	65.0
Closing Adjusted IFRS Equity (Rbn)	**64.0**	67.5

Reconciliation of equity attributable to the holders of the parent to closing adjusted IFRS equity

At 30 June 2020 and 31 December 2019 Rbn or %	2020 (Unaudited)	2019 (Audited)
Equity attributable to the holders of the parent	**66.9**	74.8
Equity in respect of associated undertakings[1]	**(15.6)**	(24.3)
Equity in respect of operations in hyperinflationary economies[2]	**(0.2)**	(0.4)
Equity in respect of non-core operations	**(3.4)**	(3.0)
Consolidation adjustments	**0.7**	1.2
Equity attributable to operating segments	**48.4**	48.3
Equity attributable to the Group's stake in Nedbank	**15.6**	19.2
Closing Adjusted IFRS equity	**64.0**	67.5

1 *This represents the Group's remaining stake in Nedbank at carrying value.*
2 *Due to the lack of ability to access capital by way of dividends, our business in Zimbabwe is managed on a ring fenced basis and it has been excluded from the Group's key performance indicators.*

C4: Dividends

For the six months ended 30 June 2020 Rm	Ordinary dividend payment date	2020 (Unaudited)	2019 (Audited)
2018 Final dividend paid – 72.00c per share	29 April 2019	**–**	3,334
2019 Final dividend paid – 75.00c per share	4 May 2020	**3,340**	–
Dividend payments to ordinary equity holders for the period		**3,340**	3,334

An interim dividend for the six months ended 30 June 2019 of R2,049 million, representing 45.00c per ordinary share, was paid on 31 October 2019.

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

As a consequence of the exchange control arrangements in place in certain African territories, dividends to ordinary equity holders on the branch registers of those countries (or, in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

As at 30 June 2020, the Group's balance sheet remained strong with capital and liquidity ratios above the board-approved minimum targets and well above the regulatory requirements. Notwithstanding this, in line with the SARB Guidance Note 4/2020, the board deemed it appropriate not to declare an interim dividend for the six months ended 30 June 2020.

D: Other consolidated income statement notes

D1: Revenue from contracts with customers

Six months ended 30 June 2020 Rm (Unaudited)	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total
Revenue from contracts with customers									
Fee and commission income	263	3,352	1,015	177	460	522	–	–	5,789
Transaction and performance fees	–	24	51	–	–	122	(731)	–	(534)
Change in deferred revenue	–	11	–	–	22	(6)	–	–	27
Fee and commission income, and income from service activities	263	3,387	1,066	177	482	638	(731)	–	5,282
Non-IFRS 15 revenue									
Banking	1,836	–	–	–	–	448	–	–	2,284
Insurance	6,526	6,771	–	13,624	4,649	4,096	(332)	–	35,334
Investment return and other	27	(2,063)	(1,114)	(27)	47	5,381	164	(2,208)	207
Total revenue from other activities	8,389	4,708	(1,114)	13,597	4,696	9,925	(168)	(2,208)	37,825
Total revenue and other income	8,652	8,095	(48)	13,774	5,178	10,563	(899)	(2,208)	43,107

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For the six months ended 30 June 2020

D: Other consolidated income statement notes

D1: Revenue from contracts with customers

Six months ended 30 June 2019 (Re-presented)[1] Rm	Mass and Foundation Cluster	Personal Finance and Wealth Manage–ment	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total
Fee and commission income	302	3,512	1,063	162	385	425	(983)	–	4,866
Transaction and performance fees	–	14	74	1	–	135	(54)	–	170
Change in deferred revenue	–	21	–	–	52	(9)	–	–	64
Fee and commission income, and income from service activities	302	3,547	1,137	163	437	551	(1,037)	–	5,100
Non-IFRS 15 revenue									
Banking	1,846	–	–	–	–	780	–	–	2,626
Insurance	5,990	6,094	–	13,583	4,914	4,216	–	–	34,797
Investment return and other	1,250	21,874	3,419	18,573	251	5,502	(1,520)	8,345	57,694
Total revenue from other activities	9,086	27,968	3,419	32,156	5,165	10,498	(1,520)	8,345	95,117
Total revenue and other income	9,388	31,515	4,556	32,319	5,602	11,049	(2,557)	8,345	100,217

1 The six months ended 30 June 2019 has been re-presented to align with the 2020 reporting that better reflects management's view of disaggregation of revenue. In addition, effective 1 January 2020, the Wealth Management business has been managed alongside the Personal Finance business by the same managing director. Consequently, the Group has aligned the segmental reporting to align to this operational change and the Personal Finance segment has been renamed as Personal Finance and Wealth Management to reflect this change. The previous Wealth and Investments segment has been renamed to Old Mutual Investments, and the segment comprises the Asset Management, Alternatives and Specialised Finance businesses. Consequently, comparative information has been re-presented to reflect this change.

E: Financial assets and liabilities

E1: Fair values of financial assets and liabilities

The accounting policies, valuation techniques, control framework and hierarchy used to determine fair values at 30 June 2020 are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2019.

(a) Determination of fair value

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

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

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

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

Reinsurers' share of policyholder liabilities

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

Loans and advances

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

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

Investments and securities

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

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

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

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

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

Derivative financial instruments

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by using the discounted cash flows or any other relevant technique.

Investment contract liabilities

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

Third-party interest in consolidation of funds

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

Amounts owed to bank depositors

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

E: Financial assets and liabilities

E1: Fair values of financial assets and liabilities

(a) Determination of fair value

Borrowed funds

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

Other financial assets and liabilities

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

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy:

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

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

All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

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

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

Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

(c) Transfer between fair value hierarchies

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

E2: Disclosure of financial assets and liabilities measured at fair value

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

The table below presents a summary of the financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification:

At 30 June 2020 (Unaudited) Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	**3,451**	**3,451**	**–**	**–**
Investments and securities	**733,964**	**417,260**	**280,761**	**35,943**
Derivative financial instruments – assets	**7,721**	**–**	**7,721**	**–**
Total financial assets measured at fair value	**745,136**	**420,711**	**288,482**	**35,943**
Financial liabilities measured at fair value				
Investment contract liabilities	**291,596**	**162,199**	**129,397**	**–**
Third-party interests in consolidated funds	**70,429**	**–**	**70,429**	**–**
Borrowed funds	**6,152**	**–**	**6,152**	**–**
Other liabilities	**1,275**	**–**	**1,275**	**–**
Derivative financial instruments – liabilities	**9,555**	**–**	**9,555**	**–**
Total financial liabilities measured at fair value	**379,007**	**162,199**	**216,808**	**–**

At 30 December 2019 (Re-presented)[1] Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,227	3,227	–	–
Investments and securities	741,195	420,313	282,452	38,430
Derivative financial instruments – assets	3,221	–	3,221	–
Total financial assets measured at fair value	747,643	423,540	285,673	38,430
Financial liabilities measured at fair value				
Investment contract liabilities	313,109	140,092	173,017	–
Third-party interests in consolidated funds	80,814	–	80,814	–
Borrowed funds	7,122	–	7,122	–
Other liabilities	2,471	651	1,820	–
Derivative financial instruments – liabilities	4,834	–	4,834	–
Total financial liabilities measured at fair value	408,350	140,743	267,607	–

1 *During the period, the Group further refined its consolidation of funds process due to the availability of more observable data. As a result, the comparative information has been re-presented to better reflect the underlying fair value hierarchy of the consolidated investment funds.*

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For the six months ended 30 June 2020

E: Financial assets and liabilities

E2: Disclosure of financial assets and liabilities measured at fair value

(b) Level 3 fair value hierarchy disclosure

The table below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the period.

Six months 30 June 2020 and year ended 31 December 2019 Rm	2020 (Unaudited)	2019 (Re-presented)[1]
Level 3 financial assets – Investments and securities		
At beginning of the period	**38,430**	34,481
Total net fair value losses recognised in profit or loss	**(2,386)**	(7,290)
Purchases and issues	**2,925**	3,487
Sales and settlements	**(897)**	(2,993)
Transfers in	**3,255**	1,937
Transfers out	**(22)**	(830)
Net movement on consolidated investment funds[2]	**(5,252)**	10,028
Foreign exchange and other	**(110)**	(390)
Total Level 3 financial assets	**35,943**	38,430
Unrealised fair value (losses)/gains recognised in profit or loss (Investment return (non-banking)	**(3,109)**	134

1 *During the period, the Group further refined its consolidation of funds process due to the availability of more observable data. As a result, the comparative information has been re-presented to better reflect the underlying fair value hierarchy of the consolidated investment funds.*

2 *Net movement on consolidated investment funds represents the impact of (i) consolidating new investment funds during the period, (ii) deconsolidating investment funds during the period and (iii) movement in Level 3 investment funds that continued to be consolidated during the reporting period.*

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. During the period listed debt securities to the value of R4,017 million were transferred from Level 1 to Level 2 as these securities were not actively traded on their primary exchange.

Similarly, the Group deems a transfer to have occurred between Level 2 and Level 1 when an instrument becomes actively traded on the primary market. During the period listed bonds to the value of R1,701 million were transferred from Level 2 to Level 1 as these securities were actively traded on their primary exchange. Pooled investments to the value of R449 million were also transferred from Level 2 to Level 1 to better reflect the valuation technique used to value these investments.

A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable. At 30 June 2020, Level 3 assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the majority of the investment risk is borne by policyholders.

During the period unlisted pooled investments to the value of R3,255 million were transferred from Level 2 to Level 3 to better reflect the valuation technique used to value these investments as the inputs became unobservable.

For all reporting periods, the Group did not have any Level 3 financial liabilities.

E3: Financial instruments designated as fair value through profit or loss

Certain borrowed funds that would otherwise be categorised as financial liabilities at amortised cost under IFRS 9, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below.

		Change in fair value due to change in credit risk		
Rm	Fair value	Current financial year	Cumulative[1]	Contractual maturity amount
Borrowed funds at 30 June 2020 (Unaudited)	**6,152**	**86**	**244**	**6,038**
Borrowed funds at 31 December 2019 (Audited)	7,122	62	180	7,000

1 *The Group released R22 million of the liability credit reserve directly to the retained earnings on the repayment of R962 million unsecured subordinated debt. Refer to note F2 for more information.*

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available. The basis for not using credit default swaps to determine the change in fair value due to credit risk is the unavailability of reliable market priced instruments.

E4: Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principally investments and securities, loans and advances, certain borrowed funds and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date.

The Group's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer of the financial liability in an involuntary liquidation or distressed sale.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table.

		Fair value			
Rm	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowed funds at 30 June 2020 (Unaudited)	**11,642**	**–**	**11,642**	**–**	**11,642**
Borrowed funds at 31 December 2019 (Audited)	11,867	–	11,867	–	11,867

Investments and securities

For investments that are carried at amortised cost in terms of IFRS 9, the fair value has been determined based either on available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

Loans and advances

Loans and advances are carried at amortised cost in terms of IFRS 9. The loans and advances principally comprise variable rate financial assets and are classified as Level 3. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rates change.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

Borrowed funds

For borrowed funds that are carried at amortised cost in terms of IFRS 9, the fair value is determined using either available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

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For the six months ended 30 June 2020

F: ANALYSIS OF ASSETS AND LIABILITIES

F1: Insurance and investment contracts

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

	At 30 June 2020 (Unaudited)			At 31 December 2019 (Audited)		
Rm	**Gross**	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Total life insurance contracts liabilities	**138,617**	**(1,888)**	**136,729**	141,156	(1,849)	139,307
Life insurance contracts liabilities	**136,249**	**(1,622)**	**134,627**	139,046	(1,653)	137,393
Outstanding claims	**2,368**	**(266)**	**2,102**	2,110	(196)	1,914
Investment contract liabilities	**512,422**	**(3,554)**	**508,868**	512,554	(3,140)	509,414
Unit-linked investment contracts and similar contracts	**316,525**	**(3,544)**	**312,981**	312,984	(3,140)	309,844
Other investment contracts	**991**	**–**	**991**	1,087	–	1,087
Investment contracts with discretionary participating features	**194,906**	**(10)**	**194,896**	198,483	–	198,483
Total life assurance policyholder liabilities	**651,039**	**(5,442)**	**645,597**	653,710	(4,989)	648,721
Property & casualty liabilities						
Claims incurred but not reported	**2,264**	**(539)**	**1,725**	1,382	(407)	975
Unearned premiums	**3,243**	**(1,652)**	**1,591**	2,885	(1,359)	1,526
Outstanding claims	**5,199**	**(1,983)**	**3,216**	4,593	(1,630)	2,963
Total property & casualty liabilities	**10,706**	**(4,174)**	**6,532**	8,860	(3,396)	5,464
Total policyholder liabilities	**661,745**	**(9,616)**	**652,129**	662,570	(8,385)	654,185

Refer to note A2.1(f) for further information on sensitivity analysis on insurance and investment contracts liabilities.

F2: Borrowed funds

At 30 June 2020 (Unaudited) Rm	**Mass and Foundation Cluster**	**Old Mutual Insure**	**Rest of Africa**	**Other Group Activities**	**Total**
Term loans	**7,700**	**–**	**2,239**	**–**	**9,939**
Revolving credit facilities	**250**	**–**	**953**	**–**	**1,203**
Subordinated debt securities[1]	**–**	**500**	**–**	**6,152**	**6,652**
Total borrowed funds	**7,950**	**500**	**3,192**	**6,152**	**17,794**

1 On 18 March 2020, Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA) and Old Mutual Insure consolidated their respective R10,000 million and R4,000 million Unsecured Subordinated Callable Note Programmes to create a single note programme, pursuant to a newly established OMLACSA, Old Mutual Insure and Old Mutual Limited R25,000 million Multi-Issuer Note Programme, which was approved by the JSE Limited on 11 March 2020. All existing terms of instruments issued under the cancelled programmes have been migrated to the Multi-Issuer Programme Memorandum and all new notes to be issued will be issued pursuant to the Multi-Issuer Programme Memorandum.
On 19 March 2020, OMLACSA repaid R537 million unsecured subordinated callable floating rate note, including a final coupon of R12 million and a R425 million unsecured subordinated callable fixed rate note, including a final coupon of R21 million. Both these instruments had a first call date of 19 March 2020.

At 31 December 2019 (Audited) Rm	Mass and Foundation Cluster	Old Mutual Insure	Rest of Africa	Other Group Activities	Total
Term loans	7,700	–	1,981	–	9,681
Revolving credit facilities	750	–	936	–	1,686
Subordinated debt securities	–	500	–	7,122	7,622
Total borrowed funds	8,450	500	2,917	7,122	18,989

Breaches of covenants

As at 30 June 2020, the financial covenants on 2 existing loans and 6 new loans were in breach. The funding was raised to support operations in the Rest of Africa segment.

The loans in breach total R634 million (US dollar 37 million) and the Group is still in negotiation with the lenders to either amend the breached covenants or to provide formal waivers. Waivers for 4 of the 8 breached loans were received. The lenders of these breached loans have the right to call the outstanding amounts at any time. At 30 June 2020, none of these breached loans have been called on.

The breaches of the covenants by the individual businesses do not impact the Group's ability to obtain additional funding.

G: Other notes

G1: Related parties

Except for related party transactions described below, the nature of the related party transactions of the Group has not changed from those described in the consolidated financial statements for the year ended 31 December 2019.

(a) Investments in the NMT group of companies

Peter Moyo, previously an executive director of OMLACSA and Old Mutual Limited, is also a non-executive director of NMT Capital Proprietary Limited (NMT Capital) and NMT Group Proprietary Limited (NMT Group), and holds an equity interest in both companies.

OMLACSA has provided equity and preference share funding to both NMT Capital and NMT Group as well as related entities. RZT Zelpy 4971 Proprietary Limited, RZT Zelpy 4973 Proprietary Limited and STS Capital Proprietary Limited are ordinary shareholders and related parties of NMT Capital. Amabubesi Capital Travelling Proprietary Limited is a subsidiary of NMT Group.

During January 2020, NMT Capital bought back the Company's ordinary shareholding of R14 million. In addition, the Group has received R20 million as full settlement of the preference shareholding in RZT Zelpy 4971, RZT Zelpy 4973 and STS Capital. The investments in the NMT companies have been valued based on a directors' valuation. The negotiations to exit the remaining investments are ongoing and the timing and mechanism of the realisation is yet to be determined. The valuation of this investment will continue to be monitored as negotiations progress.

Rm	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Investments held		
Ordinary shareholding – NMT Capital	–	14
Preference shareholding – NMT Group	**145**	190
Preference shareholding – RZT Zelpy 4971	–	7
Preference shareholding – RZT Zelpy 4973	–	6
Preference shareholding – STS Capital	–	7
Preference shareholding – Amabubesi Capital Travelling	**23**	14
Transactions		
Ordinary dividend accrued – NMT Capital	–	2
Preference dividend accrued – NMT Capital	**1**	6
Preference dividend accrued – NMT Group	**4**	10

(b) Investments in the Kutana group of companies

Thoko Mokgosi-Mwantembe, a non-executive director of the Company, is also the Chief Executive Officer and sole equity holder of Kutana Capital (Pty) Ltd (Kutana).

Old Mutual Specialised Finance, provided preference share funding to Luxanio 220 (RF) (Pty) Ltd, a wholly owned subsidiary of Kutana. In light of this investment, the Group continues to review relationships where Kutana has significant influence in the wider structure and have provided additional information in respect of these relationships. No additional funding was provided to Luxanio 220 (RF) (Pty) Ltd during the current period.

The Group, through various of its operating subsidiaries, has provided debt funding as part of a consortium of lenders, to In2Food Group (Pty) Ltd through an entity called Middle Road Packers (Middle Road), an entity in which Kutana has an effective ownership of 35%.

The Group indirectly holds a 31% minority stake in Middle Road alongside Kutana's 35% interest, which was acquired by the Old Mutual Private Equity Fund IV (Fund IV) prior to Thoko Mokgosi-Mwantembe having been appointed as a non executive director of the Company and OMLACSA. Fund IV is a limited liability partnership and the Group holds c.88% of the interest in Fund IV. In line with the nature of this structure, the Group has no influence over the investment decisions of this fund. These structures within the Group ensure that the independence of our asset management businesses is maintained. The underlying assets and liabilities of Fund IV have been consolidated into the Group's results and financial position as if it were a subsidiary in compliance with IFRS 10.

The transactions concluded with the Kutana Group of companies and fellow subsidiaries arose in the ordinary course of business and were conducted on the same commercial terms, including interest rates and security, as comparable transactions with third party counterparties. The transactions did not involve more than the normal risk of repayment, nor do they present any other unfavourable features to the Group.

Rm	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt instruments held		
Preference shareholding – Luxanio 220 (RF) (Pty) Ltd	**237**	226
Mezzanine debt – In2Food Group (Pty) Ltd	**37**	37
Term loan A – In2Food Group (Pty) Ltd	**88**	84
Term loan B – In2Food Group (Pty) Ltd	**130**	120
Income earned		
Preference dividends accrued – Luxanio 220 (RF) (Pty) Ltd	**11**	25
Mezzanine debt interest accrued – In2Food Group (Pty) Ltd	–	1
Term loan A interest accrued – In2Food Group (Pty) Ltd	**1**	1
Term loan B interest accrued – In2Food Group (Pty) Ltd	**1**	1

G2 Contingent liabilities and potential future commitments

Contingent liabilities

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

Contingent liabilities – legal proceedings

The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings that arise in the ordinary course of business. Legal expenses incurred in respect of these disputes and legal proceedings are expensed as incurred. Claims, if any, cannot be reasonably estimated at this time but the Group does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on the financial position of the Group.

During the prior period the Group managed two ongoing litigation matters in which the Chairman of Old Mutual Limited is named. These matters had both reputational and strategic execution consequences specific to the Group and whilst the Chairman is named in these matters, the decision to incur these costs was made in the interests of the Group. Legal fees paid in respect of these matters for the year ended 31 December 2019 was approximately R930,000 and in the current reporting period approximately R210,000. The Group is currently defending litigation in relation to the decision made to terminate Peter Moyo's employment contract. The Group does not expect the ultimate resolution of these proceedings to have a significant adverse effect on the financial position of the Group

Tax

The Revenue Authorities in the principal jurisdictions in which the Group operates routinely review historic transactions undertaken and interpretation and application of tax law by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which it operates. All interpretations made by management are with reference to the specific facts and circumstances of the transaction and in the context of the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue Authorities. The financial statements include provisions that reflect the Group's assessment of liabilities (remote and probable). The Board is satisfied that adequate provisions have been raised to cater for the resolution of uncertain tax matters and that the resources required to fund ultimate settlements where these may become necessary are sufficient.

Due to the assumptions and level of estimation required in quantifying any tax provisions, amounts ultimately settled with Revenue Authorities could differ from the provisions recognised.

Consumer protection

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

Business Interruption Insurance

The Group's approach to COVID-19 business interruption claims is based on a prevailing legal interpretation. In the event that this legal interpretation is not confirmed by the courts, there may be exposure in respect of policies with the extension for infectious and contagious diseases. Legal certainty will be achieved through court proceedings. There is however uncertainty on the timelines for achieving such legal confirmation which is likely to continue into 2021.

G: Other notes

G2: Contingent liabilities and potential future commitments

Outcome of Zimbabwean Commission Enquiry

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

Although the Commission believes that policyholders may have been prejudiced, and that government, regulators and the insurance industry played a role in the loss of value, this finding is subject to review by the President and Cabinet. Furthermore, the Commission did not determine a methodology for quantifying or allocating responsibility for this prejudice and recommended that this be the subject of a further independent process to determine criteria for assessing prejudice as well as a basis for compensation which will also take into account the need to maintain stability and confidence in the industry. As such we are not currently able to establish what impact the Commission's findings will have on Old Mutual Zimbabwe.

Old Mutual Limited's intragroup guarantee of Travelers indemnification

In September 2001, Old Mutual plc, now a wholly owned subsidiary of Old Mutual Limited, entered into an indemnity agreement with Fidelity and Guaranty Life Insurance Company (F&G), United States Fidelity and Guaranty Company, St. Paul Fire and Marine Insurance Company and Travelers Companies Inc. (the Indemnity Agreement). In terms of this Indemnity Agreement, Old Mutual plc agreed to indemnify Travelers Companies Inc. and certain of its group companies (the Travelers Guarantors) against any and all claims that may be brought against the Travelers Guarantors under the historic guarantees given by the Travelers Guarantors for various obligations under certain life insurance policies and annuities issued by F&G, which obligations include a guarantee issued by the Travelers Guarantors. The liability in respect of this arrangement was limited to USD 480 million. F&G has since signed a release agreement to agree they will not call on the guarantee in respect of these insurance policies and annuities.

In March 2018, Old Mutual Limited agreed to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy its obligations in respect of the Indemnity Agreement. The likelihood of any material obligations arising under the Indemnity Agreement is considered to be remote given the release agreement entered into between Old Mutual plc and F&G, as well as the current financial strength and regulatory capital position of F&G, a licensed US life insurer.

Future potential commitments

Enterprise development commitments

In accordance with the Framework Agreement entered into in relation to Managed Separation concluded with the Department of Economic Development (the Framework Agreement), the Group has undertaken that, in addition to its existing enterprise development programs, it shall, over a period of three years following the Managed Separation Implementation Date, allocate an incremental amount of R500 million to a ring-fenced perpetual Enterprise Supplier Development Fund (the Fund). Funding extended by the Fund is intended and anticipated to generate additional jobs in the company's Ecosystem. The Group's participation in the Fund shall be managed and administered by a specially created function with oversight from the office of the CEO, which function shall also be responsible for the measurement of compliance by the Group with the Amended FSC and the Group's broader commitment to transformation in South Africa.

Although the fund is developmental in nature, it is management's intention and belief that, in aggregate, the Group will return a profit on the instruments used to meet the requirements of the Framework Agreement. Nevertheless, as with any commitment to advance funding, the Group will be subject to credit and counterparty risk in relation to this arrangement.

This risk will be assessed as funds are advanced, expected credit losses will be calculated, and appropriate provisions for impairment will be raised. During the current financial year, R30 million has been distributed through loan funding mechanisms and two tranches of equity investments have been made to the value of R50 million.

Old Mutual Finance (Pty) Ltd put option

The Group and the Business Doctor Consortium Limited and its associates (Business Doctor) established Old Mutual Finance (Pty) Ltd (Old Mutual Finance) as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual Finance from 50% to 75% in 2014 by acquiring an additional 25% shareholding from Business Doctor for R1,100 million. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively). Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Group and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Commitments under derivative instruments

The Group enters into option contracts, financial features contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business.

The Group has options to acquire further stakes in businesses dependent on various circumstances which are regarded by the Group as collectively and individually immaterial.

G3: Events after the reporting date

There are no material events after the reporting period to report on.

G4: Future standards, amendments to standards and interpretations not early-adopted in the 2020 Condensed Consolidated Interim Financial Statements

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, a two year deferral from the original effective date of 1 January 2021 (the original amendments to IFRS 17 proposed a one year deferral).

The new standard will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts (such as term and life insurance, life annuities, disability insurance, and property & casualty insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments). The most significant impacted subsidiary will be the Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA). However, all other Group entities with life and short-term insurance licences will also be impacted.

The Group has instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. Each major IFRS 17 focus area (i.e. Group, Rest of Africa and OM Insure) is also governed by a delivery committee, which consists of senior finance and actuarial managers who make decisions on scope, design and enablement for their relevant focus areas. IFRS 17 Projects were also mobilised in segments and countries during 2019, each with their own governance and decision-making forums. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) are made by a Technical Review Committee (TRC), which consists of actuarial and finance subject matter experts across the Group, the Segments and Rest of Africa. Ratification of major decisions is done by the steering committee. Programme resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

The main focus of the programme during 2020 is the finalisation of policy and methodology papers, the assessment and analysis of the impact of transition to IFRS 17, as well as completion of the finance and data enablement activities. The transition approach and process was finalised in 2018 and indicative transition calculations have been performed since then on 2018 and 2019 financial results. This process will continue through 2022. Actuarial modelling development, which is the most significant enablement requirement on the programme in addition to transition and data sourcing and system changes, commenced in 2018 and is on track to be completed in 2021. A robust financial data model, CSM calculation engine and results repository were also developed in 2019 to demonstrate the new systems capability that is required within Old Mutual Limited and we have to progress the solution build during 2020. The new capability leverages the existing financial reporting landscape and provides a sustainable, long term IFRS 17 solution. The re-design of the annual financial statements, notes and disclosures is on track for completion in 2020 and KPI testing will continue into 2021, as well as related build and enhancements to reporting and disclosure tools.

The further one year delay in the effective date has given us the opportunity to perform additional analysis on the financial impact of the transition to IFRS 17, as well as to extend the scope of parallel testing of data and reporting processes. The Rest of Africa Project progressed well in 2020 and has commenced solution design and data sourcing enablement. The Old Mutual Insure Project procured an IFRS 17 reporting solution during 2019 and is currently busy with implementation activities, whilst finalising detailed process and data requirements in parallel.