OLDMUTUAL

02

RESULTS COMMENTARY

DO GREAT THINGS EVERY DAY

A message from our CEO

During the first half of 2021, we maintained focus on driving the recovery of our underlying business activity from the disruptions caused by COVID-19 and the associated hard lockdown of 2020. The impact of the pandemic continued to create a challenging operating environment for our organisation, however we remained focused on driving recovery in Results from Operations (RFO) to surpass 2019 levels and improving Return on Net Asset Value (RoNAV) to above cost of equity. We have seen a significant improvement in most of our key performance indicators and momentum from our strategic initiatives in the first half of the year which has provided the base for us to increase our medium term targets for 2023. Our diversified business model and strong balance sheet have enabled us to consistently demonstrate resilience in the face of great adversity and keep our promise of being a certain friend in uncertain times. Despite the challenging operating environment we have remained true to our purpose of championing mutually positive futures every day. The latest Brand Finance Report ranked Old Mutual as the fourth most valuable brand in South Africa, an improvement from fifth in 2020 and the only insurer in the top 10.

Throughout the pandemic, our focus has been on safeguarding the health of all of our stakeholders and contributing to initiatives that support the recovery of the economy. As part of our ongoing initiatives, we have joined forces with leading healthcare provider Netcare, to open a large private vaccination centre at our Mutualpark campus in Pinelands. We also launched the Sisonke campaign to create public vaccination awareness. Our business in Namibia launched the campaign using #OnsIsSaam, contributing towards the procurement of vaccines through the Vaccines for Hope coalition, an alliance of more than 50 private sector partners and individuals who are coordinating support towards the procurement and administration of COVID-19 vaccines. We are encouraged that the vaccination programme in South Africa appears to have gained momentum and we encourage all those eligible to take the vaccine to do so promptly, as this remains our key defence mechanism against the virus. In South Africa, our premium free cover for frontline healthcare workers was extended to the end of 2021, with R9 million benefits paid since inception.

Our employees and intermediaries continue to adapt to new ways of working. Intermediaries are servicing customers while taking necessary precautions in branches and worksites. Some of our employees continue to work from home, with critical employees being on site in office locations as we embark on a managed process toward a hybrid model of working. We have rolled out an extensive pandemic support programme across the continent, providing our employees with care packs if they test positive for COVID-19. We extend our deepest condolences to the families of our 46 colleagues who have sadly passed away due to COVID-19.

Our Truly Mutual strategy is anchored in our long-term victory condition of becoming our customers' first choice to sustain, grow and protect their prosperity. This is underpinned by our fundamental belief that becoming our customers' first choice will result in sustainable returns to our shareholders over the long term. We recently introduced 'Rectify-Simplify-Amplify' as the execution framework for our strategy and I am pleased with the progress we have made across our businesses.

Our efforts to rectify and simplify our business processes continue to bear fruit. We remain on track to deliver the previously communicated R750 million cost savings target by end of 2022 through our South African insurance and savings businesses, allowing us to further our investment in innovation and other initiatives. We continue to simplify our business by building digital capabilities that have enabled enhanced engagement with customers and intermediaries.

We have made significant progress to amplify our customer and adviser experiences through digital offerings. We are on track to add the savings and income propositions in South Africa and Namibia alongside the Old Mutual Protect (OMP) range utilising the same core infrastructure. Strong OMP risk sales and improved new business productivity levels in South Africa provided a significant boost to retail sales. We are embarking on initiatives to support growth adjacent to our traditional channels and markets and will actively partner with international and local players to explore opportunities relating to fintech, insurtech, transactional services and value added services.

A message from our CEO

Our South African retail segments, Mass and Foundation Cluster and Personal Finance reported a good recovery in RFO excluding COVID-19 impacts in the first half of the year. In Mass and Foundation Cluster, RFO excluding direct COVID-19 impacts increased due to higher sales volumes and a combination of lower credit losses compared to the prior year and improved credit experience in Old Mutual Finance. In Personal Finance, RFO was up largely due to the partial release of discretionary margins following enhancements to the modelling and hedging methods behind the new investment strategy for risk products, and higher asset based fees driven by the recovery in market levels. Old Mutual Investments and Wealth Management benefitted from the recovery in local and global equity markets with strong inflows reported in the first half of the year. Net Client Cash Flows (NCCF) in Old Mutual Corporate continue to be under pressure due to a combination of lower new business sales and higher outflows due to the weak economic environment. Old Mutual Insure showed good growth in gross written premiums from the Credit Guarantee Insurance Corporation (CGIC) business, iWYZE and Specialty divisions. Rest of Africa reported an increase in RFO excluding COVID-19 impacts, driven by positive investment variances in the Life business, higher management fees and positive fair value movements on investment properties in the Asset Management business.

Our segments had worse mortality claims experience than anticipated during the first half of the year. We continue to monitor our mortality claims experience closely. Based on current expectations and with the information currently on hand, we expect that our pandemic provisions will be sufficient to cover the expected future costs of the pandemic.

In July, South Africa experienced civil unrest across Gauteng and Kwa-Zulu Natal. To ensure the safety of our employees and customers, we had to close a number of our branches and offices in the affected areas for a week. The direct impact on our business was however limited. We provided food and hygiene essentials to our affected employees and also partnered with the Nelson Mandela Foundation for various community initiatives to maximise our impact. Old Mutual Insure has pledged R10 million towards coordinating efforts to rebuild SMEs in affected areas and committed to pay claims below R1 million within 21 days.

During August, we announced the creation of a new executive role providing focus and leadership to our new growth and innovation efforts. I am delighted that Vuyo Mpako, previously our Chief Digital and Data Officer has agreed to take up this position. This portfolio will be responsible for delivering transformative initiatives that are aligned to our strategic goals to successfully drive business growth, while simultaneously maintaining a lean and cost efficient organisational structure.

When I reflect on the first six months of this year, I am extremely proud of the progress that our efforts to rectify, simplify and amplify our underlying businesses have produced. These have enabled us to strengthen our position in the market, with continued progress towards becoming our customers' first choice.

a truly **mutual strategy**

RECTIFY

- Truly Mutual strategy that puts our customer first to deliver value and sustainable returns for our shareholders
- Overall customer satisfaction score of 78.9 compared to the industry average score of 78.8 as per the 2020 South African Customer Satisfaction Index (SA-csi)
- Built our intermediary proposition, enhanced with machine learning to win back intermediaries
- Improved capital optimisation initiatives combined with efficient capital allocation

SIMPLIFY

- Unbundling of Nedbank to simplify the capital structure of the Group and provide a substantial return of capital to shareholders
- Increased take-up rates on our digital platforms, with transaction volumes of 555,036 on WhatsApp and USSD channels at the end of June
- 1 million policies in force on Old Mutual Protect, with a 77% increase from 202,000 applications issued in 2020
- The wind down of Residual plc operations has released a further £25.6 million of capital

AMPLIFY

- Paid R10 billion in mortality claims
- Approximately 90% of funeral claims paid within 4 hours, up from the 80% reported at the end of 2020
- 1 million rewards members, up from the 826,000 reported at the end of 2020
- 1.1 million active digital users across all 13 markets in Africa, up from the 406,000 reported at the end of 2020
- Awarded Best ESG Responsible Investor (Africa) by Capital Finance International

Results Commentary

Operating Context

The global economy continues to show signs of economic recovery and in most developed countries, steadily rising vaccination rates give cause for mounting optimism. However, the spread of the highly contagious COVID-19 Delta variant poses a substantial risk to this recovery.

In South Africa, COVID-19 related deaths accelerated rapidly in January, followed by a steady decline until May 2021. In June and July, however, pandemic deaths increased significantly as the spread of the Delta variant translated into wave 3.

In our Rest of Africa markets, Namibia also experienced wave 3 of COVID-19, with a sharp increase in hospitalisation and deaths. The other countries where we operate have not yet seen COVID-19 deaths on the same scale. The vaccination rollouts across Africa have been slow, although the vaccination drive in South Africa has intensified.

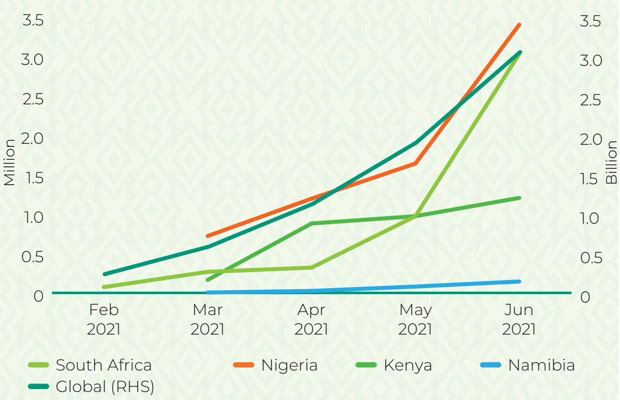
Local equity markets performed well during the period, with the JSE SWIX up 10% during the first half of the year, and average equity market levels 25% higher than the prior year. The rand strengthened on the back of global recovery and commodity prices which have remained elevated since February. The South African inflation rate averaged 4% in the period, well within the South African Reserve Bank (SARB) target range of 3% to 6%. In July, the SARB unanimously decided to hold the repo rates steady at 3.5%. COVID-19 has had devastating effects on the South African economy, with unemployment rate rising to 34.4% in the second quarter of the year.

In Namibia, real GDP contracted sharply by 6.5% in the first quarter of the year. The construction, transport, mining and manufacturing industries continue to suffer from the adverse effects of the pandemic.

In Kenya, economic indicators for the first quarter of the year show that the economy continues to recover from the adverse impact of the COVID-19 pandemic. Annual inflation averaged 5.9% in the first half of the year, up from 5.3% in 2020, mainly driven by rising fuel and food prices.

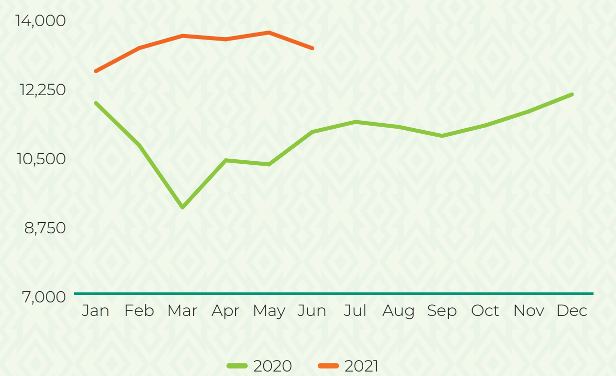
In Zimbabwe, the economy is estimated to have contracted by 4.1% year-on-year in 2020, due to the combined effects of the ongoing droughts and stricter lockdowns. Annual inflation averaged 231.2% in the first half of the year, down from 621.5% recorded at the end of 2020.

Cumulative vaccination doses administered



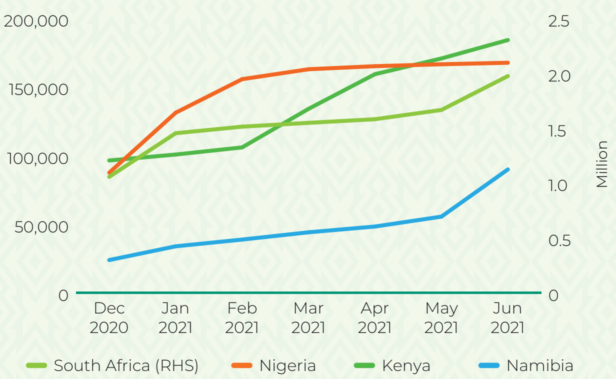
Source: Bloomberg

South Africa – equity market levels (SWIX)



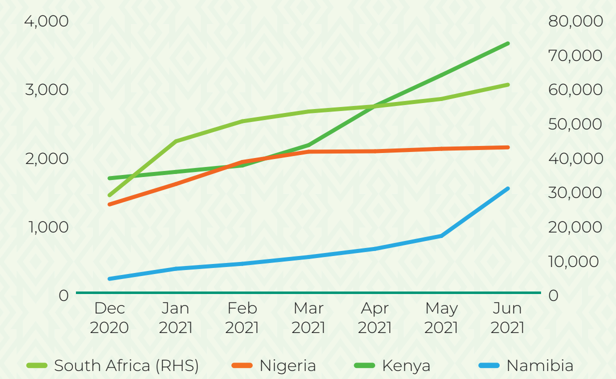
Source: IRESS

Cumulative confirmed COVID-19 cases



Source: Bloomberg

Cumulative confirmed COVID-19 deaths



Source: Bloomberg

Results Commentary

Group Highlights

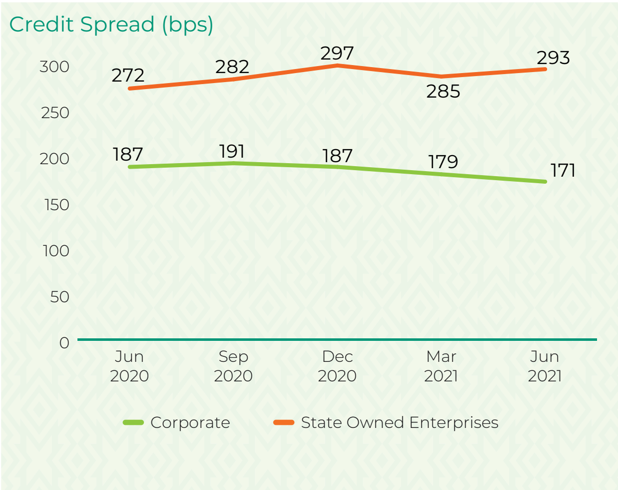
Rm (unless otherwise stated)	H1 2021	H1 2020	% change	FY 2020
Gross flows	**96,989**	90,835	7%	187,137
Life APE sales	**5,343**	4,716	13%	9,786
NCCF (Rbn)	**(3.4)**	1.5	(>100%)	9.6
FUM (Rbn)[1]	**1,171.2**	1,057.2	6%	1,104.6
VNB	**740**	125	>100%	621
Results from Operations (RFO)	**2,190**	1,541	42%	1,663
RFO excluding direct COVID-19 impacts	**4,665**	4,334	8%	7,742
Adjusted Headline Earnings (AHE)	**2,899**	1,704	70%	2,484
Adjusted Headline Earnings per share (cents)[2]	**63.4**	37.3	70%	54.3
Headline Earnings (HE)[3]	**3,155**	4,215	(25%)	5,088
Headline Earnings per share (HEPS)[3] (cents)	**71.7**	96.3	(26%)	116.1
Return on Net Asset Value (RoNAV) (%)	**9.0%**	5.2%	380 bps	3.8%
Free Surplus Generated from Operations	**3,090**	808	>100%	4,700
% of AHE converted to Free Surplus Generated	**107%**	47%	6 000 bps	189%
IFRS Profit/(Loss) after tax attributable to equity holders of the parent[3]	**2,984**	(5,621)	>100%	(5,097)
Basic earnings per share (cents)[3]	**67.8**	(128.5)	>100%	(116.3)
Group Solvency ratio (%)[1,4]	**177%**	182%	(1 300 bps)	190%
Interim dividend per share (cents)	**25**	–	>100%	35

1 *The % change has been calculated with reference to FY 2020.*
2 *WANS used in the calculation of the Adjusted Headline Earnings per share is 4,570 million (H1 2020: 4,574 million).*
3 *These metrics include the results of Zimbabwe. All other key performance indicators exclude Zimbabwe.*
4 *We have re-presented the December 2020 solvency position to align with the Prudential Authority (PA) submission.*

We delivered a solid set of financial results, with growth in both sales and earnings in the first half of the year, despite the tough economic conditions.

The recovery in local and global equity markets positively impacted our asset base, resulting in closing Funds Under Management (FUM) of R1,172.2 billion, 6% up from the end of December 2020. Higher average FUM levels drove higher asset based fees for the period.

The gradual recovery in market conditions translated into mark to market gains of R128 million in our Specialised Finance business, compared to significant losses recognised in the prior year. Credit spreads on listed credit recovered in the first half of the year, however the credit spreads on unlisted credit remained elevated.



Productivity levels in Mass and Foundation Cluster and Personal Finance improved materially in the first half of the year. Customer take-up of the OMP proposition continued to be strong, supporting the recovery in risk sales. In Mass and Foundation Cluster, issued sales in the first half of the year were above the prior year due to the significant impact that lockdown had on issued sales in 2020. Sales remain below 2019 levels given the tough economic environment but are expected to exceed 2019 levels in the near-term. In Personal Finance, issued sales were above those of the prior year and 11% above the first half of 2019. In Old Mutual Corporate, SuperFund umbrella quote activity improved relative to the levels seen in 2020.

Value of new business (VNB) recovered well from 2020 levels due to higher sales volumes and a shift towards a more profitable mix of new business. At 2.3%, VNB margin was 180 bps above the prior year and well within our medium-term target range of 1.5% – 3.0%.

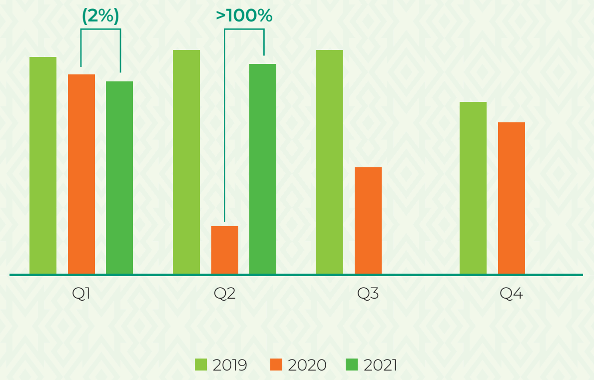
Old Mutual Insure delivered a positive net underwriting margin which was driven by large business interruption and rescue claims from the prior year not repeating, and higher underwriting results from the CGIC business. Business interruption and rescue claims of R261 million paid in the first half of the year were offset by the provision raised at the end of 2020. Provisions raised in the prior year remain our best estimate and no further provisions were raised.

Our mortality experience has been worse than anticipated with impact on profits mitigated by a partial release of provisions raised at the end of 2020. Our COVID-19 provisions have been increased by R2 billion as at 30 June 2021, to take into account the emerging expectations of wave 3 and 4 as well as potential future waves. The provisions have been updated to take into account the additional available data to date as well as the anticipated impact of the proposed vaccination rollout plan.

The significant COVID-19 claims in our life businesses drove the negative NCCF. These effects were offset, to an extent, by large inflows in Wealth Management and Old Mutual Investments.

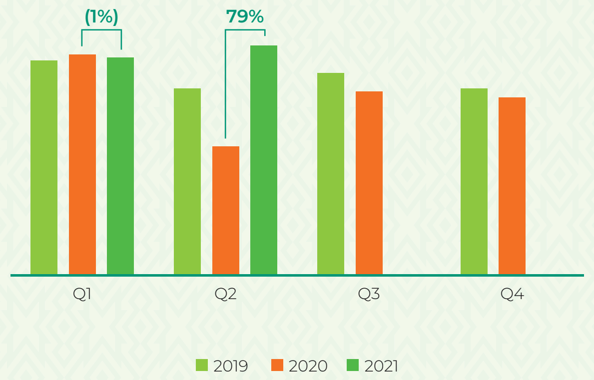
Mass and Foundation Cluster

Change in average number of issued lives per week per adviser (%)



Personal Finance and Wealth Management

Change in number of issued sales per adviser per month (%)



Results Commentary

Supplementary Income Statement

Rm	Note	H1 2021	H1 2020	% change
Mass and Foundation Cluster		**1,435**	650	>100%
Personal Finance and Wealth Management		**1,742**	1,718	1%
Old Mutual Investments		**389**	489	(20%)
Old Mutual Corporate		**761**	883	(14%)
Old Mutual Insure		**265**	522	(49%)
Rest of Africa		**282**	272	4%
Net expenses from central functions	A	**(209)**	(200)	(5%)
Results from Operations excluding direct COVID-19 impacts[1]		**4,665**	4,334	8%
Separately identifiable direct COVID-19 impacts	B	**(2,475)**	(2,793)	11%
Results from Operations		**2,190**	1,541	42%
Shareholder investment return	C	**1,153**	680	70%
Finance costs	D	**(266)**	(244)	(9%)
Income from associates[2]	E	**1,055**	364	>100%
Adjusted Headline Earnings before tax and non-controlling interests		**4,132**	2,341	77%
Shareholder tax		**(1,097)**	(678)	(62%)
Non-controlling interests		**(136)**	41	(>100%)
Adjusted Headline Earnings		**2,899**	1,704	70%

1 *Refer to segment review section on pages 57 to 80 for detail on drivers behind the 8% increase in RFO excluding direct COVID-19 impacts.*
2 *Reflects our share of earnings related to our investments in Nedbank and our investment in China.*

A Net expenses from central functions

Rm	H1 2021	H1 2020	% change
Shareholder operational costs	**(338)**	(242)	(40%)
Interest and other income	**120**	89	35%
Net treasury gain/(loss)	**9**	(47)	>100%
Net expenses from central functions	**(209)**	(200)	(5%)

Central expenses of R209 million increased by 5% from R200 million in the prior year, mainly due to costs related to growth initiatives and innovation. These were partially offset by higher interest income earned on excess cash and net treasury gains due to mark to market movements related to the Three Manager Model framework compared to losses recognised in the prior year.

B Separately identifiable direct COVID-19 impacts

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 to the prior year. Only items that are directly attributable to COVID-19, separately identifiable and reliably measurable have been presented in this line item. These include COVID-19 related life and disability claims, higher annuitant mortality profits and the mark to market gains on assets that had previously been reported as COVID-19 related losses. 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.

The table below illustrates the direct impacts of COVID-19 on our alternative profit measure, Results from Operations. Please note that Results from Operations and Results from Operations excluding COVID-19 impacts are non-IFRS measures. Refer to segment reviews from page 57 to 80 for a detailed reconciliation of COVID-19 impacts for each segment.

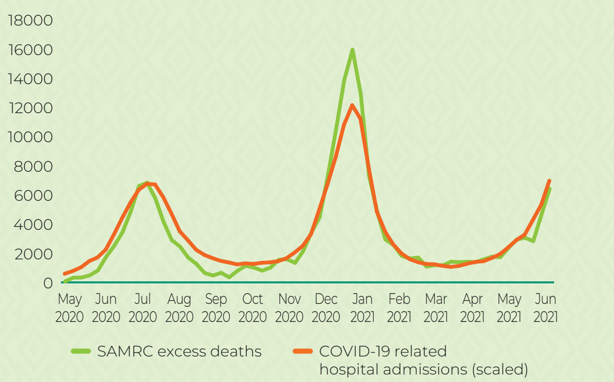
Rm	**Results from Operations (RFO)**	**Direct COVID-19 impacts**	**RFO excluding direct COVID-19 impacts**
Mass and Foundation Cluster	1,254	181	1,435
Personal Finance and Wealth Management	22	1,720	1,742
Old Mutual Investments	517	(128)	389
Old Mutual Corporate	457	304	761
Old Mutual Insure	265	–	265
Rest of Africa	(116)	398	282
Net expenses from central functions	(209)	–	(209)
Total	**2,190**	**2,475**	**4,665**

Rm	
Pandemic impact, net of change in provisions	2,603
Unrealised Mark to Market	(128)
Total direct COVID-19 impacts	**2,475**

Excess mortality rates in South Africa

For the first quarter of the year, following from wave 2, mortality claims experience was significantly higher than the prior year, however closer to longer term mortality levels over the period of April to May 2021. The beginning of wave 3 was followed by a significant increase in mortality claims experience in June 2021, associated with wave 3.

National COVID-19 experience



Source: SAMRC and NICD DATACOV

Results Commentary

Breakdown of the pandemic impact on 30 June 2021 RFO

Rm	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa	Old Mutual Investments	Group
Excess deaths before release of COVID-19 provisions	(575)	(1,818)	(785)	(212)		(3,390)
Release of COVID-19 provisions	645	1,353	734	32		2,764
Increase in COVID-19 provisions at June 2021	(251)	(1,255)	(253)	(218)		(1,977)
Unrealised mark to market gains					128	128
H1 2021 RFO impact	**(181)**	**(1,720)**	**(304)**	**(398)**	**128**	**(2,475)**

The impact of excess deaths has been partly offset by the release of COVID-19 provisions of R2,764 million that were set aside in December 2020 for expected excess mortality claims in our South African segments and Rest of Africa. However, further provisions of R1,977 million have been established for the expected impact of remaining claims from wave 3 and wave 4, as well as future waves taking into account the government vaccination rollout plan and an allowance for management actions. The net impact on RFO after also allowing for unrealised mark to market gains, is a reduction of R2,475 million.

Segment pandemic provisions and methodology

Rm	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa	Group
Pandemic provision at 31 December 2020	**1,024**	**1,979**	**891**	**68**	**3,962**
Release of COVID-19 provisions	(645)	(1,353)	(734)	(32)	(2,764)
Increase in COVID-19 provisions at 30 June 2021	251	1,255	253	218	1,977
Pandemic provisions at 30 June 2021	**630**	**1,881**	**410**	**254**	**3,175**

In light of the current wave 3 and emerging expectations of potential future waves, we have increased our provision by R1,977 million bringing the total provision to R3,175 million at 30 June 2021.

In our South African life businesses, each segment has reviewed its own claims experience and adopted a weighted approach that considers their experience, the SAMRC excess mortality data as well as the vaccination rollout plan with an allowance for vaccine hesitancy amongst the population. Modelling has also been enhanced to consider data from hospitalisation rates (published by the National Institute for Communicable Diseases (NICD)) as well as an analysis of insured lives by age and occupation.

Management is actively pursuing actions to mitigate the impact of future waves. However, risk remains on assumptions of the rate of vaccinations in core operating territories as well as the risk of future variants resulting in vaccinations being less effective. As such, additional provisions have been raised for potential impacts of wave 4 and beyond, which were not previously included.

In Mass and Foundation Cluster, the claims experience over H1 2021 was better than modelled, and the remaining provision was increased by R251 million to allow for excess deaths from additional waves of the pandemic in light of the slower than anticipated rollout of the vaccination programme and the Delta variant being more infectious than what was previously modelled.

In Personal Finance, we raised additional provisions of R1,255 million to allow for the impact of wave 3 being worse than previously modelled as well as additional future waves. We have been able to significantly improve the data on which we model the waves for Personal Finance. However, Personal Finance has a higher average age profile than the national population as well as our other segments and future experience remains sensitive to vaccination take-up as well as the impact of future virus variants on excess deaths. In response to the pandemic, management is actively encouraging customers to vaccinate through targeted programmes, investigating re-pricing on existing books as well as underwriting practices and pricing on new business. It remains the view of Old Mutual that the long term impacts of the pandemic can be managed within the existing assumptions and management actions available but with provisioning changes and volatility remaining over the short term.

In Old Mutual Corporate, we raised additional provisions of R253 million across the group assurance products to absorb the impact of the Delta variant increasing the severity of experience beyond what was priced for, with an allowance being made for mortality profit offsets from non-profit annuities. Given the annually renewable contracts in Old Mutual Corporate, it is possible to reprice contracts for the impacts of future waves beyond wave 4. Management has already begun repricing existing contracts that have come up for renewal to allow for expected worsening in experience, in line with our latest updated modelling, at the point of repricing.

Rest of Africa has seen varying mortality claims experience across the different regions and countries. Namibia had the most significant adverse mortality claims experience in the first half of the year. The additional provision raised at the end of June amounted to R218 million for waves 3 and 4, mainly driven by additional provisions raised in Namibia. Detailed data on the impact of the pandemic in countries in the Rest of Africa is sparse, affecting the ability to determine the impact of future waves with high levels of certainty. However, retail life insurance exposures in the Rest of Africa businesses are not significant, with the majority of contracts being annually renewable. To date very limited COVID-19 related experience has been seen outside of Southern Africa both at a national and life company level. However, where appropriate we have provisioned for potential COVID-19 experience using South African experience as a base. At this stage we are comfortable that provisioning in the segment is appropriate given the size, short term nature and mortality profits still being experienced on most of the risk books in the Rest of Africa portfolio.

Risks to pandemic assumptions

We continue to closely monitor our mortality claims experience. However, there is still uncertainty around the run-off of wave 3 as provinces are experiencing their waves peaking and falling off at significantly different points in time (in contrast to prior waves), the size and impact of future waves arising from further mutations of the virus as well as the impact of vaccine hesitancy on the vaccine rollout and corresponding curbing of infection and mortality into the future. The pandemic provisions that we have raised were set to be sufficient to provide for the expected future costs of the pandemic across all future waves, after allowance for available management actions, provided the assumed vaccination rollout plan is met, vaccine hesitancy remains at or below assumed levels, and virus mutation does not result in further more virulent variations.

Results Commentary

Sensitivity of pandemic costs

Rm	Change in Provision			
	Base	Wave 3 + 10%	Wave 4 onwards + 10%	Vaccine hesitancy + 10%
Pandemic provision	**3,175**	193	108	233

The table above shows the sensitivity of the pandemic provision to different size waves as well as higher vaccine hesitancy.

Impact of the pandemic on life entity solvency

Rm (unless otherwise stated)	Excluding allowance for all COVID-19 (i.e. set provisions to Rnil)	COVID-19 Impact	Including allowance for all COVID-19 provisions
COVID-19 provision	–	**3,175**	**3,175**
OMLACSA Solvency Coverage Ratio	**210%**	**(4%)**	**206%**

The South African life company, OMLACSA, remains strongly capitalised. The COVID-19 provisions have minimal impact on the solvency coverage with the provisions resulting in a 4% reduction.

Unrealised mark to market gains

Net positive fair value gains were included in RFO, relating to unlisted equities of R15 million and a portfolio of credit exposures of R113 million in our Specialised Finance business. Due to the slow recovery in the economic landscape we have not seen further unwind of the fair value losses recognised in the prior year.

C Shareholder investment return

Shareholder investment return of R1,153 million increased by 70% from R680 million in the prior year.

In South Africa, investment returns increased by 42%, largely due to the fair value gains on our listed equities driven by the recovery in local equity markets and increased valuations of unlisted equities.

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 the underlying equities track the SWIX40 total return index. The nature of the protected equity strategy is such that when markets rally beyond the cap of the zero cost collar, we have limited participation in the upside. Over the six month period, a number of the tranches were above the cap level resulting in the protected equity asset class performing below the SWIX40. Valuation of the unlisted equity portfolio increased due to improved market multiples of listed peers and profitability of the underlying entities.

Investment returns earned on interest bearing assets, which account for the majority of our portfolio, were adversely impacted by the lower asset base and the lower interest rate environment. Various enhanced cash strategies were deployed which accounted for the outperformance of the STeFI Composite index.

Shareholder investment returns in Rest of Africa increased to R364 million from R124 million in the prior year. This was primarily due to positive equity returns compared to negative returns in the prior year in Namibia, driven by the improvement in equity market levels. Negative fair value movements on the East Africa investment property portfolio recognised in the prior year were not repeated, contributing to the higher returns.

D Finance costs

Finance costs on the long term debt that supports the capital structure of the Group increased by 9% to R266 million. This was largely due to fair value losses on derivative instruments related to borrowed funds, driven by the increase in swap rates compared to the prior year. Our borrowed funds decreased marginally during the period.

E Income from associates

Rm	H1 2021	H1 2020	% change
Nedbank	**1,028**	421	>100%
Stake in Old Mutual-CHN Energy Life Insurance Company Ltd	**27**	(57)	>100%
Income from associates	**1,055**	364	>100%

Income from associates increased to R1,055 million from R364 million in the prior year largely due to a significant increase in Nedbank earnings. This was as a result of lower credit impairments compared to the prior year driven by better collections experience and improved macroeconomic conditions.

Our business in China reported a profit of R27 million compared to the prior year loss of R57 million. This was largely due to higher broker and digital channel sales as well as mark to market gains on financial assets.

Results Commentary

Reconciliation of AHE to IFRS profit after tax

Rm	Note	H1 2021	H1 2020	% change
Adjusted Headline Earnings		**2,899**	1,704	70%
Investment return for Group equity and debt instruments in life funds[1]		**(187)**	1,335	(>100%)
Impact of restructuring	A	**(1,261)**	512	(>100%)
Operations in hyperinflationary economies	B	**1,720**	411	>100%
Residual plc	C	**(16)**	253	(>100%)
Headline earnings		**3,155**	4,215	(25%)
Impairment of goodwill, other intangible assets and property, plant and equipment	D	**(190)**	(1,139)	83%
Remeasurement of non-current assets held for sale and distribution	E	**(47)**	-	(100%)
Reversal of impairment/(impairment) of investments in associated undertakings	F	**108**	(8,697)	>100%
Loss on disposal of subsidiaries and associated undertakings		**(42)**	–	(100%)
IFRS Profit/(Loss) after tax for the financial period attributable to ordinary equity holders of the parent		**2,984**	(5,621)	>100%

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

A Impact of restructuring

On 23 June 2021, we announced our intention to unbundle 12.2% of our total stake in Nedbank by way of a distribution in specie in terms of section 46(1)(a)(ii) of the Companies Act No. 71 of 2008 (the "unbundling"). The unbundling is subject to obtaining all requisite regulatory approvals, including Prudential Authority approval.

The restructuring costs mostly relate to the initial recognition of the deferred tax on the total stake in Nedbank. At 30 June 2021, we recognised a deferred tax liability of R683 million given the expected payment of capital gains tax on the stake to be distributed upon unbundling. In addition, as we will no longer apply the exception per IAS 12 on deferred tax recognition, the Group has raised a deferred tax liability of R435 million on the retained stake. The retained stake will be accounted for as an investment in an associated undertaking until the date of the unbundling, whereby it will be reclassified as an investment in accordance with IFRS 9.

B Operations in hyperinflationary economies

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

The increase in Zimbabwe's profits was mostly driven by an increase in investment returns earned on the Group's shareholder portfolio. The increase in investment returns relates to fair value gains earned on equities traded on the Zimbabwe Stock Exchange (ZSE). The ZSE generated returns of 135% during the period as investors seek a relatively safe haven given the prevailing local economic conditions. We caution users of our financial results that these returns may reverse in the future.

C Residual plc

Residual plc reported R16 million losses compared to a R253 million profit in the prior year. A tax refund received by Old Mutual Netherlands BV in the first half of 2020 was not repeated in the current year, resulting in a significant decrease in Residual plc profits.

The losses include costs associated with the continued wind down of the remaining operations.

D Impairments

An impairment of goodwill in respect of our investment in Old Mutual Finance recognised in the prior year was not repeated, contributing to the significant decrease in impairments. During the period, we recognised a write down in respect of our head office, 1 Mutual Place, to ensure that the value of the asset better reflects the uncertainty around property markets in the surrounding areas and the prevailing market conditions.

F Reversal of impairments

The equity accounted carrying value of our total stake in Nedbank at 30 June 2021 was R16.8 billion. Prior to classifying the stake to be held for sale and distribution, we recognised a reversal of impairment for the total stake to the recoverable amount of R16.9 billion. The value in use and fair value less costs to distribute were in line at 30 June 2021. In the prior year, an impairment of R8.7 billion was recognised on Nedbank.

E Remeasurement of non-current asset held for sale and distribution

Based on our assessments and evidence as at 30 June 2021, the Group has reclassified the 12.2% Nedbank stake to be held for sale and distribution, resulting in a remeasurement loss of R47 million in profit or loss.

Free Surplus Generated from Operations

	H1 2021			H1 2020		
Rm	**Free Surplus Generated**	**AHE**	**%**	Free Surplus Generated	AHE	%
Gross operating segments	**2,051**	**1,871**	**110%**	1,342	1,283	105%
Capital requirements	**611**	**–**	**–**	(534)	–	–
Net operating segments	**2,662**	**1,871**	**142%**	808	1,283	63%
Nedbank	**428**	**1,028**	**42%**	–	421	–
Free Surplus Generated from Operations	**3,090**	**2,899**	**107%**	808	1,704	47%

There was a significant increase in free surplus generated in H1 2021 relative to the prior year. Operating segments generated gross free surplus of R2,051 million, representing 110% of AHE. The conversion rate exceeds 100% of AHE due to the exclusion of amortisation related to intangible assets which are non-cash items. Our operating segments continue to generate a high proportion of cash earnings, with the absolute level increasing relative to prior year.

Reduction in required capital contributed to the increase in free surplus. Capital requirements reduced mainly due to good returns on the Old Mutual Corporate's with-profit annuity book leading to reduced likelihood of shareholder support being needed in an extreme stress event.

Results Commentary

Balance Sheet Management

The Group continues to actively manage the balance sheet in order to maximise shareholder value through sustainable, long-term RoNAV and earnings growth, while maintaining a strong balance sheet through capital and liquidity targets. This is achieved through various capital optimisation initiatives combined with efficient capital allocation and strategic asset allocation of shareholder capital. The Group also actively manages the returns and related capital of guaranteed products. These activities will accelerate the recovery of the Group's RoNAV.

Liquidity and market risk management

The Group's liquidity position remained healthy during the first half of the year with levels adequate to withstand market and liquidity volatility as per the Group risk appetite. Liquidity and market risk are assessed at an entity level with the management and mitigation strategies aligned with the respective business and its operating environment. Group support is factored in where appropriate. Our exposures across the Group are within the Group's risk appetite.

A core focus within Old Mutual Life Assurance Company (South Africa) (OMLACSA) has been the improvement and centralisation of hedging programmes related to guaranteed products; one such initiative was the centralisation of the protection products' related financial risk which was completed over the first half of 2021. The residual risk from this particular hedging programme as well as those related to other guaranteed products were within targets over the period.

Capital optimisation

We continue to optimise the Group's capital structure in an effort to create value for shareholders. Following the conclusion of Old Mutual's managed separation process in 2018, Old Mutual retained a minority shareholding in Nedbank which represents 19.4% of the Nedbank ordinary shares currently in issue. On the 23rd of June, the Group announced its intention to unbundle 12.2% of Nedbank's issued share capital. This will simplify the capital structure of the Group and provide a substantial return of capital to shareholders. The closing price on the day of announcement was R168 per share, worth R10.4 billion. The unbundling is expected to enhance future return on capital and will take place on 8th November 2021, subject to obtaining all requisite regulatory approvals. The remaining 7.2% of Nedbank's issued share capital continues to support the capital structure of OMLACSA and is managed in line with the Group's Financial Management Framework. In order to optimally manage the capital structure, we have entered into a zero cost collar arrangement on the majority of the OMLACSA exposure to Nedbank.

We continue to simplify our business with a core focus to enhance efficiencies across the Group. Areas of progress include the right sizing of the group structure through legal entity rationalisation that has reduced the number of regulatory returns submitted to the Prudential Authority coupled with the realisation of assets from the wind down of certain entities and trusts. In the first half of 2021, the wind down of Residual plc operations has released a further £25.6 million of capital.

Funding

In the first half of the year, no debt was issued under the Old Mutual Limited multi-issuer Domestic Medium Term Note (DMTN) programme. We intend on issuing sub-ordinated debt in the second half of the year to optimise the Group's weighted average cost of capital. This is, however, subject to market conditions and investor demand.

Capital allocation

The Group's strategy and Financial Management Framework (FMF) drives the allocation of capital across the Group. The framework is embedded in all significant business decisions across the Group, and it defines the financial metrics for all capital allocation decisions that enhance shareholder value.

The Old Mutual Limited and OMLACSA solvency target ranges were reviewed in the first half of the year following material changes to the Group and OMLACSA solvency calculations, namely the use of iterative risk margin by the Prudential Authority (PA) and Old Mutual's designation as an Insurance Group which confirmed the recognition of Nedbank as an equity investment rather than on a Basel III basis. The OMLACSA range remained unchanged at 1.75x – 2.10x and Old Mutual Limited range changed to 1.65x – 1.95x. We are toward the end of our transition in terms of regulatory applications and target setting, with only the Accounting Consolidation Method remaining.

The Group measures any new opportunities strictly against an acquisition framework which ensures that any acquisitions considered meet the Group's minimum return of cost of equity. During the year, the largest portion of capital was allocated to Mass and Foundation Cluster and Personal Finance and Wealth Management which are the Group's biggest contributors to AHE and RoNAV. The capital was deployed to support new business and growth in the in- force book which utilised the majority of the capital.

Strategic investments

The Group's strategic asset allocation is set to optimise shareholder value by maximising the after tax return on capital invested. There is a significant allocation to lower risk asset classes such as cash and protected equity, due to the capital efficiency of these asset classes driving an optimal return at a portfolio level. Tactical asset allocation between asset classes is allowed for in the South African portfolio within a tightly managed risk appetite range. This allocation strategy allows for agility in asset allocation to take advantage of market opportunities.

Dividend policy

The dividend policy targets an ordinary dividend cover of 1.50x to 2.00x Adjusted Headline Earnings (AHE) over the financial year and an interim dividend of 40% of current year's interim AHE. When determining the appropriateness of a dividend, we consider the underlying cash generated from operations, fungibility of earnings, targeted liquidity and solvency levels as well as the Group's strategy. In light of our strong liquidity levels and well capitalised balance sheet, the Board is pleased to declare an interim dividend of 25 cents per share.

Balance Sheet Metrics

Rbn (unless otherwise stated)	Note	H1 2021	H1 2020	FY 2020	% change (H1 2021 vs H1 2020)
Equity attributable to ordinary shareholders of the parent[1]		**68.1**	66.9	67.0	2%
Operating segments[2]		**48.5**	48.4	48.4	0.2%
Non-core operations[3]		**1.3**	2.7	2.1	(38%)
Investment in associates[4]		**5.9**	15.6	15.8	(63%)
Nedbank stake classified as held for sale and distribution		**9.9**	–	–	100%
Operations for hyperinflationary economies		**2.5**	0.2	0.7	>100%
Closing Adjusted IFRS Equity[1]		**64.2**	64.0	64.2	–
Nedbank stake		**15.7**	15.6	15.8	(0.6%)
Equity attributable to operating segments		**48.5**	48.4	48.4	0.2%
South Africa		**39.3**	39.1	39.5	(0.5%)
Rest of Africa		**9.2**	9.3	8.9	3%
Average Adjusted IFRS Equity		**64.2**	65.7	65.2	(2%)
South Africa		**55.1**	56.9	56.3	(3%)
Rest of Africa		**9.1**	8.8	8.9	3%
RoNAV	A	**9.0%**	5.2%	3.8%	380 bps
South Africa		**10.2%**	5.8%	4.2%	440 bps
Rest of Africa		**2.0%**	1.2%	1.1%	80 bps
Invested Shareholder Assets[1]	B	**30.1**	36.3	34.1	(12%)
South Africa		**22.3**	27.4	25.9	(14%)
Rest of Africa		**7.8**	8.9	8.2	(5%)
Gearing ratio[1,5]	C	**11.6%**	10.9%	11.8%	(20 bps)
Interest cover (times)		**16.5**	10.6	8.7	56%

1 The % change has been calculated with reference to FY 2020.
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 Consolidation adjustments reflecting own shares held by consolidated funds have been included in equity in respect of non-core operations.
4 This represents our retained stake of 7.2% in Nedbank at fair value.
5 Gearing ratios are calculated with reference to the IFRS book value of debt that supports the capital structure of the Group and Closing Adjusted IFRS Equity.

Results Commentary

A RoNAV

RoNAV increased by 380 bps to 9.0% from 5.2% in the prior year, driven mainly by the increase in AHE. RoNAV in South Africa increased by 440 bps to 10.2% from 5.8% in the prior year. AHE attributable to South Africa increased by 70% to R2,807 million due to strong growth in RFO, particularly in Mass and Foundation Cluster, and the increase in associate earnings driven by the significant growth in Nedbank earnings. Average adjusted IFRS equity decreased by 2% due to lower opening equity base in H1 2021 compared to the prior year, largely driven by the impairment of our stake in Nedbank in H1 2020. Deferred tax raised on Nedbank unbundling in June 2021 contributed to a lower adjusted IFRS equity.

RoNAV in Rest of Africa increased by 80 bps to 2.0% from 1.2% in the prior year. AHE in Rest of Africa increased by 77% to R92 million largely due to higher shareholder investment returns, lower shareholder tax and finance costs. This was partially offset by RFO losses that were driven by poor claims experience in the Life and Property and Casualty lines of business. Average adjusted IFRS equity increased by 3% mainly due to high retained profits, capital injections received and favourable foreign currency movements recognised in FY 2020, which contributed to a higher opening equity base in H1 2021. Additional capital injections received and lower dividends paid in the current period contributed to the higher average adjusted IFRS equity.

B Invested shareholder assets

Invested shareholder assets of R30.1 billion decreased by 12% from R34.1 billion recognised at the end of December 2020. In South Africa, the R3.6 billion decrease in shareholder assets was largely due to a decline in short term interest bearing assets held. These assets were liquidated in order to fund dividend payments and higher mortality claims liabilities recognised by the Group.

In Rest of Africa, invested shareholder assets decreased by 5% from R8.2 billion recognised in December 2020 due to unfavourable foreign exchange movements, following the strengthening of the rand against various currencies in Rest of Africa. The decrease in shareholder assets was further impacted by the reallocation of short term interest bearing assets in our shareholder portfolio to the asset pool that backs net outstanding claims liabilities in our Property and Casualty business in East Africa.

C Gearing

The gearing ratio of the Group is calculated with reference to Closing Adjusted IFRS Equity. The gearing ratio decreased by 20 bps to 11.6% from 11.8% at the end of December 2020, driven by the marginal decrease in borrowed funds compared to the closing balance in December 2020. Interest cover increased by 56% to 16.5 times from 10.6 times in the prior year mainly due to the higher AHE.

Embedded Value

Rm (unless otherwise stated)	H1 2021	H1 2020	FY 2020	% change (H1 2021 vs FY 2020)
Adjusted net worth (ANW)	**33,035**	36,316	33,813	(2%)
Value in force (VIF)	**33,934**	31,506	32,103	6%
Embedded value	**66,969**	67,822	65,916	2%
Operating EV earnings[1]	**377**	1,665	2,179	(77%)
Return on embedded value[1]	**3.7%**	6.4%	3.0%	(270 bps)
Value of new business[1]	**740**	125	621	>100%

1 *The % change has been calculated with reference to H1 2020.*

The return on embedded value decreased to 3.7% compared to the prior year largely due to the impact of excess mortality claims, additional COVID-19 provisions and lower short term interest rates which reduced the Operating EV earnings to R377 million. This was partly offset by the strong recovery in value of new business and better persistency experience. The significant increase in the value of new business was primarily due to higher sales volumes and a shift towards a more profitable mix of new business.

Embedded value growth was supported by positive economic variances (in contrast to the significant negative variance in H1 2020). Gains in the equity markets over the first half of the year led to both higher expected future asset-based fee income on investment products, as well as higher than expected shareholder investment returns. Reduced market volatility and changes in the yield curves increased discretionary margins held on top of our Investment Guarantee Reserves, further contributing to the positive economic variances.

Experience variances were overall more negative than in the prior year, with worse than anticipated mortality experience being partly offset by improved persistency experience. Experience assumption changes were more negative than in the prior year, largely related to additional short-term provisions raised to cover expected worsening of mortality experience for future waves of the COVID-19 pandemic.

The table below illustrates the total assumption and model changes.

	H1 2021			H1 2020		
Rm	**ANW**	**VIF**	**EV**	ANW	VIF	EV
Persistency	**(237)**	**(86)**	**(323)**	(115)	(608)	(723)
Risk	**(1,478)**	**103**	**(1,375)**	(830)	11	(819)
Expenses	**(2)**	**–**	**(2)**	–	–	–
Model and other changes	**289**	**(299)**	**(10)**	104	109	213
Assumption and model changes	**(1,428)**	**(282)**	**(1,710)**	(841)	(488)	(1,329)

Results Commentary

Group Equity Value

	H1 2021			FY 2020		
Rbn	**IFRS NAV**	**GEV**	**AHE**	IFRS NAV	GEV[1]	AHE
Covered business	**35.8**	**67.0**	**1.1**	36.7	65.9	1.8
Non covered business	**10.5**	**18.7**	**0.8**	10.0	15.5	0.1
Asset Management	**2.3**	**6.9**	**0.4**	2.3	4.9	0.8
Banking and Lending	**3.1**	**5.5**	**0.3**	2.6	4.6	(0.5)
Property and Casualty	**5.1**	**6.3**	**0.1**	5.1	6.0	(0.2)
Investment in Nedbank	**15.8**	**15.8**	**1.0**	15.8	15.8	1.1
Residual plc	**2.0**	**1.2**	**–**	2.7	1.7	–
Zimbabwe	**2.5**	**–**	**–**	0.7	–	–
Other	**1.5**	**(1.7)**	**–**	1.1	(1.5)	(0.5)
Total	**68.1**	**101.0**	**2.9**	67.0	97.4	2.5

1 *The December 2020 Banking and Lending GEV was re-presented for the Specialised Finance NAV.*

The Group Equity Value (GEV) has improved by 4% compared to December 2020, reflecting an increase in value for both covered and non-covered businesses.

The value of covered business saw an increase due to embedded value growth, which is the fair value assigned to the Life and Savings business. The GEV for non-covered business is based on a series of directors' valuations for each material legal entity.

The value of Asset Management improved by 41%, with the valuations of Old Mutual Investments and Old Mutual Wealth reflecting increased sustainable future earnings for these businesses due to positive economic outlook and higher peer multiples.

Banking and Lending GEV increased by 20%, primarily due to a higher valuation of Old Mutual Finance, reflecting improvements in forecast profits and an increase in peer multiples.

The value of the Property and Casualty business saw a net increase of 5%, mainly as a result of an improvement in the valuation of Old Mutual Insure, offset by a decline in UAP's value.

The value of Nedbank is flat in comparison to the year end position, with the increase in fair value offset by the initial recognition of deferred tax on the total stake in Nedbank, following our intention to unbundle 12.21% of our interest.

The Residual plc value decreased by 29%, due to dividends paid to the Old Mutual Limited Holding company and in line with the continued wind down of the remaining operations.

We reduced the value of Zimbabwe to zero in GEV, due to our inability to access capital by way of dividends, and the continued impact of hyperinflation on the Zimbabwean economy and in particular the unrealised nature of the listed investment return supporting the IFRS net asset value for this business.

Solvency

Rm (unless otherwise stated)	Optimal target range	H1 2021	Re-presented FY 2020[1]	Reported FY 2020	% change (H1 2021 vs Re-presented FY 2020)
OMLACSA					
Eligible own funds		**62,427**	62,389	60,659	0.1%
Solvency capital requirement (SCR)		**30,325**	29,062	29,447	4%
Solvency ratio (%)	175% – 210%	**206%**	215%	206%	(900 bps)
Group					
Eligible own funds		**96,766**	92,733	92,078	4%
Solvency capital requirement (SCR)		**54,764**	48,920	49,680	12%
Solvency ratio (%)	165% – 195%	**177%**	190%	185%	(1 300 bps)

1 *These amounts reflect the submission to the Prudential Authority and differs from previously reported.*

The solvency ratio for Old Mutual Life Assurance Company (South Africa) (OMLACSA) decreased to 206% from 215% in December 2020, mainly due to an increase in the solvency capital requirement (SCR).

The increased SCR is due to higher lapse risk (from growth in the Old Mutual Protect product) and higher equity risk due to an effective 5% higher prescribed equity shock as well as increased equity exposure.

Eligible own funds increased marginally due to some large offsetting items. The increase was mainly driven by significant positive returns increasing shareholder assets and discounted fees on investment products as well as profitable new business sales. This was offset by poor mortality experience in Personal Finance, the additional COVID-19 provisions and the short-term persistency provision in Mass Foundation Cluster. In addition, a change in the calculation of the Old Mutual Alternative Risk Transfer (OMART) participation value, which now allows for a regulatory deduction on ring-fenced funds, and the allowance for a foreseeable dividend further contributed to the offset of the overall increase in eligible own funds.

The Group solvency ratio decreased to 177% from 190% in December 2020. The overall reduction in the solvency ratio is due to a decrease in the OMLACSA solvency ratio as well as a decrease in the solvency ratios for certain Rest of Africa insurers. Increased own funds for non-regulated entities where capital is based on an equity shock, combined with the 5% higher prescribed equity shock, further contributed to the reduction in the Group solvency ratio.

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 that we remain sufficiently capitalised with appropriate liquidity.

As at 30 June 2021, Old Mutual Limited was financially sound on the Prudential Standards basis and is expected to remain financially sound for the foreseeable future.

Results Commentary

OUTLOOK

Outlook

In July, the International Monetary Fund (IMF) maintained the global growth forecast at 6% for 2021. Although the global recovery is underway, a widening gap between developed and developing economies has become apparent. The economic growth in developing countries is expected to be more sluggish, and the spread of more contagious variants of the virus poses a threat to the recovery. The IMF approved a general allocation of Special Drawing Rights (SDRs) of US$650 billion in August to boost global liquidity, which will particularly assist the most vulnerable countries struggling to cope with the impact of COVID-19. The emerging markets and developing countries, including low-income countries will receive an allocation of US$275 billion to buy vaccines, finance healthcare and pay down debt. The general allocation of SDRs will become effective in August.

The growth outlook for sub-Saharan Africa remains unchanged at 3.4% due to the impact of the pandemic on the region's recovery. The IMF revised South Africa's growth forecast to 4% for 2021, a partial recovery from the 7% contraction in 2020. The SARB has kept the economic growth unchanged at 4.2% following the recent events of the civil unrest.

We have seen a significant improvement in RFO, RoNAV and VNB margin. Our sales volumes and productivity levels have improved which has led to a recovery in our VNB margin. Further provisions of R1,977 million have been established for the expected impact of remaining claims from wave 3 and future waves, taking into account the government vaccination rollout plan and an allowance for management actions.

Despite the challenging operating environment, during the second half of the year we are focused on efforts to rectify, simplify and amplify our business through various management actions. We remain committed to support our productivity levels in order to continue the momentum gained in the first half of 2021, coupled with growing our rewards base as we continue to give value back to our customers. We will also continue to rollout Old Mutual Protect across our business.

Taking the above into account, we have revised our medium term targets for 2023. We have increased our Results from Operations target to deliver 2019 plus 5% to 10% by the end of 2023. We strive to achieve RoNAV of between Cost of Equity+2% and Cost of Equity+4%. We expect cost savings to be delivered from our South African insurance and savings businesses, allowing us to further our investment in innovation and other initiatives. We have tightened the range on our VNB margin to be between 2.0% and 3.0%. Our solvency and dividend cover targets remain unchanged.

Work is underway to understand the impact of IFRS 17 on our revised medium term targets and additional information will be provided once greater certainty is available.

Although vaccinations are gaining momentum in South Africa, the economic environment remains volatile and uncertain. The above targets provide a view of our expected recovery over the medium term and may be materially impacted by the economic growth, average market levels and regulatory changes.

Focus Area	**Medium-term (2+ years)**
Results from Operations	Deliver 2019 result plus 5% to 10% by 2023
RoNAV	Between Cost of Equity+2% and Cost of Equity+4%
Cost Efficiency	Continued strong management of expenses and optimisation of investment
VNB margin	Between 2.0% and 3.0%
Capital	OML Group Solvency 165% – 195% OMLACSA Solvency 175% – 210%
Dividend cover	Target cover 1.5x to 2.0x for full year Target interim dividend at 40% AHE

Interim dividend declaration

The Board of directors has approved and declared an interim dividend of 25 cents per ordinary share.

The interim dividend of 25 cents per share is in line with Old Mutual Limited's dividend policy, which is set at 40% of Adjusted Headline Earnings. The interim dividend will be paid out of distributable reserves and is payable on 11 October 2021 to all ordinary shareholders recorded on the record date.

Shareholders on the London, Zimbabwean, Malawian and Namibian registers will be paid in the local currency equivalents of the interim dividend.

Old Mutual Limited's income tax number is 9267358233. The number of ordinary shares in issue in the company's share register at the date of declaration is 4,708,553,649.

Declaration date	Tuesday, 31 August 2021
Transfers suspended between registers	Close of business on Monday, 06 September 2021
Exchange rates announced	Tuesday, 07 September 2021 by 10.00am SA
Last day to trade cum dividend for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Tuesday, 14 September 2021
Ex-dividend date for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Wednesday, 15 September 2021
Last day to trade cum dividend for shareholders on the UK register	Wednesday, 15 September 2021
Ex-dividend date for shareholders on the UK register	Thursday, 16 September 2021
Record date (all registers)	Close of business on Friday, 17 September 2021
Transfers between registers restart	Opening of business on Monday, 20 September 2021
Interim dividend payment date	Monday, 11 October 2021

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday, 15 September and Friday, 17 September 2021, both dates inclusive. Transfers between the registers may not take place between Tuesday, 07 September and Friday, 17 September 2021, both dates inclusive. Trading in shares held on the Namibian section of the principal register through Old Mutual (Namibia) Nominees (Pty) Limited will not be permitted between Tuesday, 07 September and Thursday, 16 September 2021, both dates inclusive.

For South African shareholders, the dividend will be subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. International shareholders who are not exempt or are not subject to a reduced rate in terms of a double taxation agreement will be subject to dividend withholding tax at a rate of 20%. The net dividend payable to shareholders subject to withholding tax at a rate of 20% amounts to 20 cents per ordinary share. Distributions made through the dividend access trust or similar arrangements established in a country will not be subject to South African withholding tax but may be subject to withholding tax in the relevant country. We recommend that you consult with your tax advisor regarding the in country withholding tax consequences.

Shareholders that are tax resident in jurisdictions other than South Africa may qualify for a reduced rate under a double taxation agreement with South Africa. To apply for this reduced rate, non-SA taxpayers should complete and submit a declaration form to the respective registrars. The declaration form can be found at:

CLICK HERE

SEGMENT REVIEWS

DO GREAT THINGS EVERY DAY

Segment Reviews

MASS AND FOUNDATION CLUSTER

Our customer base has continued to be impacted by the devastating effects of the pandemic. We continued to fulfil our commitment to our customers and paid R1.9 billion in mortality claims in the first half of 2021, with approximately 90% paid within 4 hours. We also stood by our customers by granting 20 000 people premium holidays on their funeral policies.

Retention rates are still under pressure but our rewards activities continue to gain traction. To date, one million individuals have joined Old Mutual Rewards, of these, approximately 600 000 are Mass and Foundation Cluster target customers. We have leveraged Old Mutual Rewards to provide additional support to our customers with bonus points and an expanded set of reward partners. We further laid the building blocks for a retail risk proposition to Foundation Market customers which speaks to better access and delivery on our financial inclusion objectives.

Customer engagement through our digital platforms continued to increase, with the digital adoption by our customer base growing by 57% in the first half of 2021.

Our tied adviser force's productivity and sales volumes improved in a very challenging economic and operating environment. Continuing to manage the size of the adviser force in line with expected short to medium-term demand resulted in us having 821 fewer advisers than in the first half of 2020. This translated into improved profitability off a lower cost base.

In pursuit of our integrated financial services objectives, we further expanded our non-advice funeral proposition so that it can now be accessed throughout our branch network. This is in line with our strategy of enhancing customer access by increasing our points of presence and footprint through alternative channels. Non-advice sales across all channels increased to 20% of overall sales, delivering appropriate solutions to our customers through lower cost distribution channels.

Maintaining a tied sales force in line with market demand and driving the growth and expansion of our alternative channels helped boost risk sales during this period to pre-COVID-19 levels and provides a firm foundation to regain previously lost market share.

We continue to optimise revenue growth and product mix and to tightly manage expenses. This focus contributed to a strong recovery in VNB from the very depressed prior year outcomes.

In the lending business we maintained a more cautious lending approach to our highly indebted customers. This resulted in a 10% decline in the loan book from the start of the year, but drove a material increase in profitability through improved credit experience. We are comfortable with the decline in the loan book in the current climate and will optimise our growth off this lower base whilst maintaining our credit risk within appetite levels.

Segment Reviews

PERFORMANCE HIGHLIGHTS

Gross flows of R6,349 million decreased by 5% largely due to the decline in the life in-force book following lower sales in the prior year. NCCF of R2.3 billion was 39% down on the prior year on the back of a significant increase in funeral claims, coupled with lower gross flows.

Life APE sales of R1,656 million rose by 21%, driven by a strong recovery in risk sales. These sales improved as a result of the steadily improving productivity of our adviser sales force as well as sales of the non-advice funeral product in branches gaining more traction. We continue to manage the size of our adviser sales force in line with demand. This had a positive impact on distribution efficiencies and productivity levels. Management actions taken to reduce loan issuances to improve the quality of the business written, impacted credit life sales volumes which were down 7% from the prior year.

Loans and advances declined by 10% to R14,472 million through prudent management of the lending book which saw us tightening credit criteria to mitigate the potential impact of job losses and economic difficulties as a result of the pandemic. Reduced footfall in the branches due to the pandemic also contributed to the decline in loan disbursements.

Net lending margin of 14.9% increased by 1,110 bps from the prior year, reflecting the impacts of tighter credit criteria, lower new business strain and our focus on better quality sales which has resulted in improved credit experience. As a result, our credit loss ratio fell by 1,130 bps to 4.1%.

RFO of R1,254 million increased significantly from prior year largely due to improved credit experience, higher life sales volumes, good cost management and improved retention experience. In addition, prior year included the impact of significant net pandemic and expected credit loss provisions. We utilised R619 million of the R1,024 million mortality provisions in place at the start of the year for excess claims incurred in the first half of 2021. Although our claims experience in this period was lower

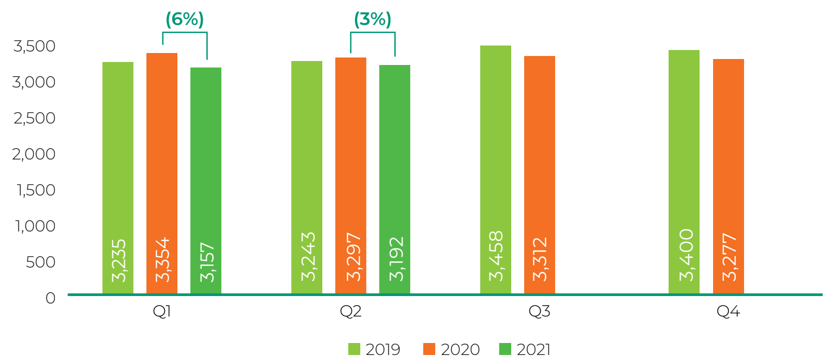
Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	**1,254**	(70)	>100%
Gross flows	**6,349**	6,651	(5%)
Life APE sales	**1,656**	1,366	21%
NCCF (Rbn)	**2.3**	3.8	(39%)
FUM (Rbn)[1]	**16.1**	15.0	7%
VNB	**355**	(48)	>100%
VNB margin (%)	**6.7%**	(1.3%)	800 bps
Old Mutual Finance			
Results from Operations	**505**	(128)	>100%
Loans and advances[1]	**14,472**	16,019	(10%)
Net lending margin (%)	**14.9%**	3.8%	1,110 bps
Credit loss ratio (%)	**4.1%**	15.4%	(1,130 bps)

1 *The comparative amount references FY 2020.*

Rm (unless otherwise stated)	H1 2020	H1 2020	% change
Results from Operations	**1,254**	(70)	>100%
Direct COVID-19 impacts	**181**	720	(75%)
Net pandemic provision[1]	**181**	550	(67%)
Forward looking information – ECL	**–**	104	(100%)
COVID-19 related expenses	**–**	66	(100%)
RFO excluding direct COVID-19 impacts	**1,435**	650	>100%

1 *Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.*

Gross flows (R million)



than expected, we have increased the remaining provision by R251 million to R630 million due to the slower than anticipated uptake of the vaccination programme. This provision will be available to cover anticipated excess deaths for future waves. Higher sales volumes and effective cost management positively affected distribution efficiencies.

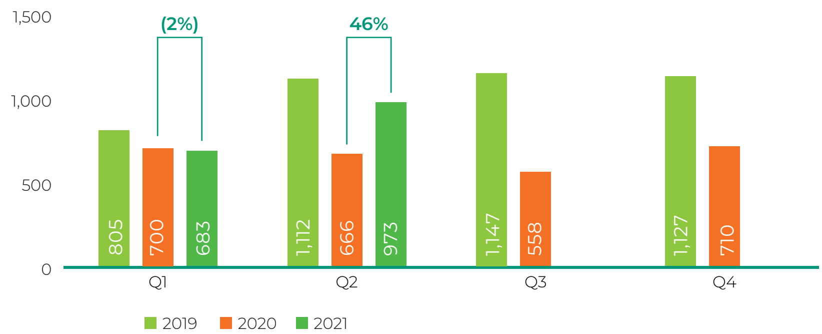
Persistency experience improved relative to prior year following the strengthening of our persistency provisions. However because of slow economic recovery, recent unrest and municipal wage negotiations, we have further strengthened our persistency provisions. This has been offset by the partial release of discretionary margins as a result of enhancements to the new investment strategy for risk products.

Our Banking and Lending business was well up on prior year losses due to improved credit experience with a more favourable sales mix towards lower risk customers and enhanced collection strategies. Prior year results included a one off impact of an IFRS 9 modelling enhancement to strengthen provisioning.

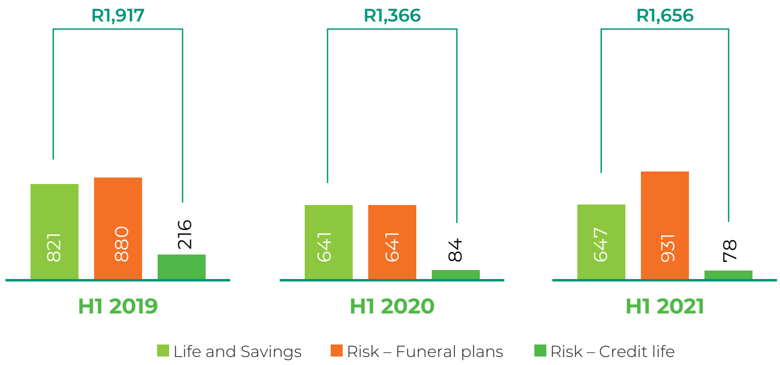
RFO excluding COVID-19 impacts increased significantly from the prior year, largely the result of an improved credit experience, higher life sales volumes, good cost management and improved retention experience.

VNB of R355 million increased significantly from a loss position in H1 2020, on the back of higher sales volumes. The VNB margin of 6.7%, up 800 bps from the prior year, is attributable to the significant increase in issued risk sales volumes while we efficiently managed the acquisition costs. This is a very pleasing result particularly in these tough economic conditions where customers tend to purchase lower margin products.

Life APE sales (R million)



Life APE sales by product (R million)



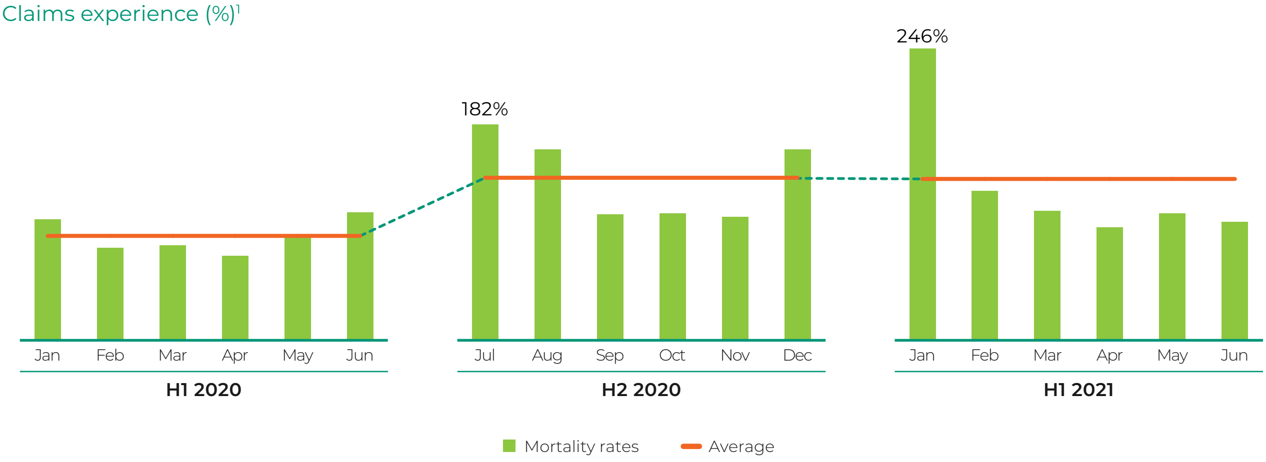
18 month rolling collection

Performing Loan Book

Default Loan Book

Segment Reviews

Claims experience (%)[1]



1 *This represents actual mortality claims paid vs expected mortality claims paid on the Retail Mass Market (RMM) Funeral book and excludes Foundation Market and Savings.*

Outlook 2021

We believe wave 3 will have a material impact on mortality experience in the third quarter and are anticipating wave 4 in the upcoming summer months as a result of the slower than anticipated response to the vaccination programme. We have therefore increased our COVID-19 pandemic provision to cover additional expected excess deaths before the full impact of the vaccination efforts take effect.

We expect the improvement in adviser productivity to continue into the second half of the year. However, the rate of economic recovery and the opening of more worksites will determine when a full recovery to prior year levels will be possible.

We will continue the rollout of Old Mutual Protect to our alternative channels. Our expansion into the funeral services industry has been negatively impacted by the pandemic but we will continue to pursue this to access more customers and improve our end-to-end value chain capabilities.

Investing further in alternative channels to reduce reliance on our adviser force will remain a priority. Our 6.7% new business margin is already within our long term target range of 6%-9% and we aim to maintain our full year margins towards the bottom end of this range. Balancing revenue growth whilst gradually investing more into the business will be key to driving these outcomes.

The lending book will be grown prudently off the lower base as we balance the size of book, strong credit experience and desired profitability outcomes. The good first half credit loss ratios and net lending margins were supported by a declining book and we expect our credit loss ratios and net lending margins to revert to longer term target ranges (credit loss ratio 7%-9% and net lending margin 10%-12%) for the second half of the year.

Growing our rewards base and expanding our offering will remain a key focus as we continue to give value back to our customers whilst rewarding and driving good financial behaviour.

Our RFO in the first half compared to full year is influenced by various factors such as annual premium and cover increases, and various other one-off factors, which do not recur during year end.

PERSONAL FINANCE AND WEALTH MANAGEMENT

After a slower, pandemic-related start to the beginning of the year, sales improved significantly in the second quarter as productivity ramped up and advisers focused on improving digital customer engagements. For the first half of the year, sales were well up on those of the previous year and even above 2019 levels.

In Personal Finance we saw strong customer take-up of new solutions, particularly Old Mutual Protect (OMP), the growth of which supported a recovery in risk sales. Sales trends point to customers seeking to make safer choices as guaranteed annuity sales continue to grow at rates that far exceed that of living annuities, while savings and investment sales are seeing a shift towards lower-risk funds. We continue to experience fewer lapses and surrenders on risk compared to savings products.

In Wealth Management, we implemented improvements to the Wealth adviser portal and digital capabilities which have simplified processes for advisers. The new Wealth Management client portal went live in December 2020, giving customers improved online and digital functionality. Wealth Management inflows rose sharply, highlighting an increased capacity for investing. However, we also observed higher levels of disinvestments and retirement outflows. This is partly due to higher market levels, but also points to economic stress facing some customers and employers.

The strong market performance at the start of the year has resulted in an overall improvement in our asset-based fees and morbidity experience has also improved. The combined effect of these developments helped to absorb some of the severe negative impact that wave 2 of COVID-19 claims had on our mortality experience, which was significantly worse than the wave 2 provision raised. We paid out approximately R4.3 billion in claims during the first half of the year with a significant increase in mortality claims in the first quarter. Our claims experience improved in the second quarter, but we experienced an increase in claims as we entered COVID-19 wave 3 in June.

We have reviewed our COVID-19 mortality modelling and are increased the provision by R1,255 million which allows for an increase in our expectation of the impact of wave 3. We have also allowed for future waves, which are smaller than previous waves based on the expectations that vaccinations will dampen the potential impact of these subsequent waves, partly offset by the impact of identified management actions.

Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	22	1 165	(98%)
Personal Finance	(226)	858	(>100%)
Wealth Management	248	307	(19%)
Gross flows	41 034	32 541	26%
Life APE sales	2 024	1 539	32%
NCCF (Rbn)	(1.4)	(2.4)	42%
FUM (Rbn)[1]	573.3	538.1	7%
VNB	268	91	>100%
VNB margin (%)	1.7%	0.8%	90 bps

1 *The comparative amount references FY2020.*

Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations[1]	(226)	858	(>100%)
Direct COVID-19 impacts	1,720	551	>100%
Net pandemic provision[2]	1,720	510	>100%
COVID-19 related expenses	–	41	(100%)
RFO excluding direct COVID-19 impacts[1]	1,494	1,409	6%

1 *This relates to Personal Finance only, there were no material COVID-19 impacts to Wealth Management's RFO.*
2 *Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.*

Segment Reviews

PERFORMANCE HIGHLIGHTS

Gross flows increased by 26% to R41,034 million largely due to strong flows across Wealth Management's local and offshore platforms. Improved rates on our fixed bond products led to increased flows on the local platform. Aside from market dynamics, we made good progress on implementing operational improvements and product offerings on the international platform, further assisting flows. Gross flows in Personal Finance were 13% ahead of the prior year due to strong growth in single premium flows.

Life APE sales of R2,024 million rose by 32% due to the continued momentum on single premium guaranteed annuity sales which were 51% up on prior year, as well as higher recurring premium risk sales which derived from the continuing success of our OMP rollout. Risk sales were up 30% on prior year, with OMP sales now making up 61% of total risk sales. Sales in Wealth Management were up 48% through strong living annuity and endowment sales, with investment flows into fixed bonds being a major contributor. Although prior year sales were impacted by the lockdown, efforts to improve productivity have helped sales recover to 14% ahead of 2019 levels. This was achieved by the strong growth in annuity sales, with risk sales in line with those in 2019, while savings sales have yet to recover to 2019 levels.

The segment's NCCF improved by R 1.0 billion with strong growth in inflows in Wealth Management. NCCF for Personal Finance worsened significantly as R2.2 billion more was paid out on mortality claims than in the previous year as a result of excess deaths seen during wave 2. We also saw more customers withdrawing money and larger payments being made on a growing annuity book. NCCF for Wealth Management improved by R3.8 billion due to strong inflows, partly offset by higher disinvestments from customers as a result of stronger markets as well as higher retirement fund outflows and maturing fixed bonds.

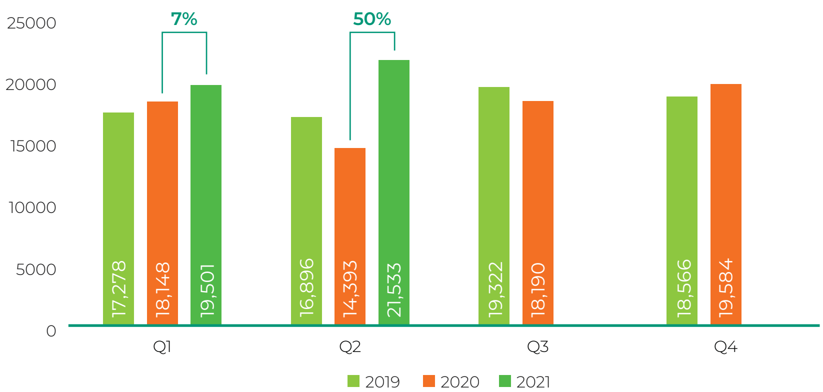
FUM was up by 7%, supported by strong market performance at the start of the year, in contrast to the downturn seen last year, and further helped by the improvement in Wealth Management NCCF.

Personal Finance recorded a RFO loss of R226 million largely due to the pandemic impact of R1,720 million (H1 2020: R551 million). Mortality losses from excess deaths were partly offset by a R1,273 million provision release. We have allowed for an additional R1,255 million in COVID-19 provisions to absorb the impacts of a worse than expected wave 3, as well as allowing for future waves after taking account of the vaccination rollout and agreed management actions.

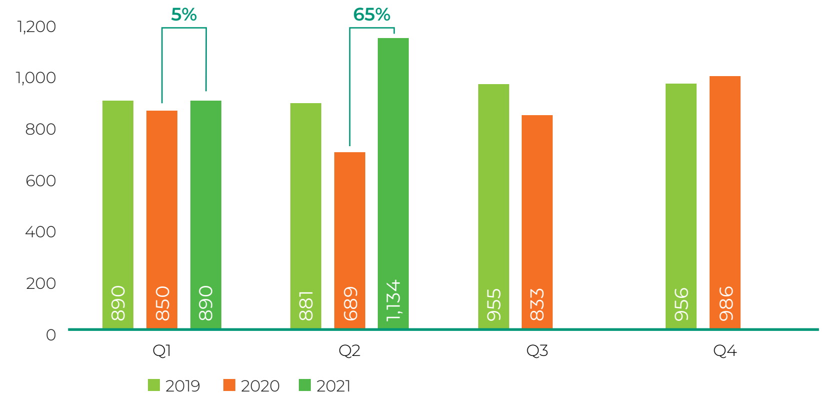
Personal Finance RFO excluding COVID-19 impacts improved by 6%. This was driven by a partial release of discretionary margins following enhancements to the modelling and hedging methods behind the new investment strategy for risk products, and higher asset-based fees earned from higher average market levels. Expense management within Personal Finance was good with expenses for the first half of the year marginally above 2020 levels. Release of reserves from a change of investment strategy for the closed annuity fund in the prior year was not repeated.

Wealth Management RFO declined by 19% as foreign exchange gains of R67 million in Old Mutual International in the previous year were not repeated. Excluding this impact, RFO was slightly ahead of prior year due to a growth in fee revenue resulting from higher equity market levels and positive NCCF.

Gross flows (R million)

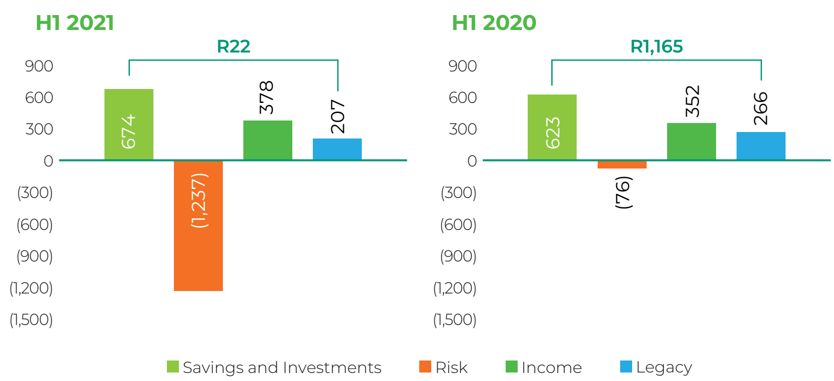


Life APE sales (R million)

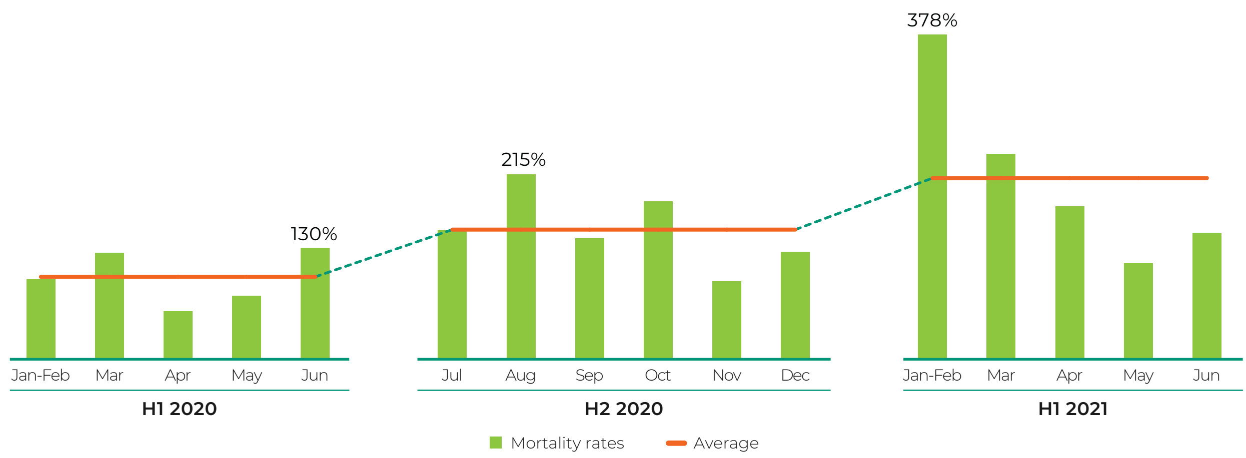


VNB of R268 million improved significantly from prior year, with a corresponding increase of 90 bps in VNB margin to 1.7%. In Personal Finance, VNB increased by 284% and the VNB margin by 180 bps, due to higher sales volumes as well as improvements in margin for both guaranteed annuity and risk products. VNB from savings products declined with client preference switching to lower-risk, lower-margin funds. Wealth Management's VNB of R24 million decreased by 11% and the VNB margin reduced by 23 bps, due to a change in persistency basis applied in December 2020 to the living annuities and a shift in sales mix towards external funds.

RFO split by product (R million)



Claims experience (%)[1]



1 *Calculated as actual claims over expected claims in absolute values and is gross of any COVID-19 provision releases.*

Outlook 2021

We witnessed a rise in Greenlight claims towards the end of June as wave 3 began impacting our claims experience. We expect the vaccination rollout programme to continue gathering momentum, but now believe that wave 4 is likely at the end of the year, albeit with a lower impact than the first 3 waves.

We continue to focus on efficient servicing and processes, and are prepared for increased claims volumes so that we can pay claims timeously, giving customers access to money when they need it most. We are also exploring opportunities to optimise our customer value proposition through enhanced reward offerings.

Migration of the Old Mutual Unit Trust platform will be a key delivery for Wealth Management in the second half of the year. This will enable us to provide enhanced servicing processes and digital capabilities to our customers.

We shall continue to focus on adviser recruitment and retention as well as improving adviser experience through enhanced platform planning processes and tools.

Supporting activity levels remains key, as does pushing sales recovery well past 2019 levels, albeit in an environment where adviser productivity may yet be interrupted by potential future lockdowns or civil unrest. We intend to achieve this with the continued rollout of OMP and of our new savings and investment products.

OLD MUTUAL INVESTMENTS

During the first half of the year, the uncertain operating environment has continued to be dominated by a few key themes. These include the COVID-19 vaccine rollouts, the ongoing recovery of local and global equity markets amid low bond yields, the potential inflationary pressures and resultant policy responses.

The recent civil unrest in South Africa, coupled with a regulatory shake up in the Chinese market, further added to a prevailing climate of uncertainty. In this context, Old Mutual Investments' key performance indicators proved the business's resilience, benefitting from our historical areas of investment and the diverse portfolio of assets we manage.

Our Asset Management business benefitted from gains in both local and global equity markets which, when combined with positive NCCF, resulted in a 7% increase in Assets Under Management (AUM). In our Alternatives business, we continue to grow the asset base with R1.4 billion of capital committed during the year and a further R3.1 billion deployed. Specialised Finance originated R1.7 billion of unlisted credit assets in a challenging environment.

The investment performance of our funds demonstrated continued recovery post the 2020 financial markets crash with most of our flagship multi-asset funds achieving top quartile performance over the course of the past twelve months. Similarly, our unlisted asset portfolios continue to deliver good returns for our customers with most outperforming benchmarks since inception.

PERFORMANCE HIGHLIGHTS

Our results benefitted from strong local and global equity markets, no material widening of credit spreads and some improved earnings post the onset of the COVID-19 crisis in 2020. Our business continued to report strong inflows which, when combined with equity market gains saw AUM increase by 7% from the December 2020 close to R750.7 billion.

Investment performance continued to build on the positive trend established following the March 2020 financial market crash. Our flagship multi-asset funds have benefitted from positions in resources and South African focused counters, establishing top quartile performance over twelve months which helped lift performance to above median over three and five years.

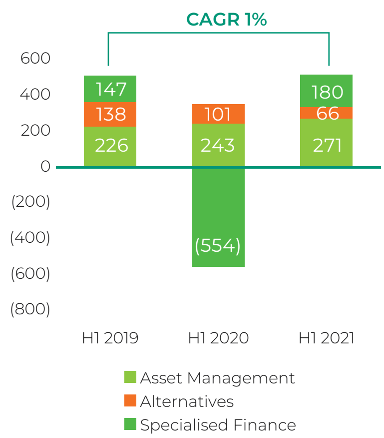
Gross flows improved by 23% to R26,046 million, boosted by new mandates secured, specifically into our Liability Driven Investment (LDI) and Indexation capabilities, plus strong flows into Marriott. NCCF of R2.9 billion improved by more than 100% on the back of strong LDI inflows and some significant client outflows in the prior year that did not repeat.

Annuity revenue was 13% higher on the strength of higher average asset levels and the yield enhancement on assets impacted by negative mark to market movements in the prior year. These gains were offset, to an extent, by lower fees on foreign currency denominated assets given the relative strengthening of the rand in the first half of 2021.

Non-annuity revenue was positive mainly because the significant COVID-19 related mark to market losses in our Specialised Finance business in the previous year were not repeated. Other non-annuity revenue was 69% lower than prior year, mainly due to lower performance fees in our Alternatives and Specialised Finance businesses as the prior year included final performance fees as part of the transition to the Three Manager Model framework. The strengthening of the rand has resulted in foreign currency losses, reducing non-annuity revenue.

RFO was more than 100% higher than prior year and aligned to June 2019 RFO levels as mark to market losses in Specialised Finance were not repeated and annuity revenue improved.

RFO by line of business (R million)



RFO, excluding direct COVID-19 impacts, decreased by 20% from the prior year, largely due to lower non-annuity revenue and increased expenses.

Asset Management

RFO was 12% higher than the prior year as a result of the positive impact of higher local and global equity market levels. Base fees increased by 10% while expenses were well managed. Strong flows into our LDI and Indexation capabilities and continued strong flows into Marriott Funds contributed to positive NCCF of R2.6 billion. Flows in our retail channels were also positive and we continue to see strong inflows into the Old Mutual Shari'ah and ESG Funds.

Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	517	(210)	>100%
Gross flows	26,046	21,186	23%
NCCF (Rbn)	2.9	(4.1)	>100%
Assets under management (AUM)[1,2,3](Rbn)	750.7	701.9	7%
FUM	235.7	219.6	7%
Intergroup assets	515.0	482.3	7%
Total revenue	1,395	593	>100%
Annuity	1,254	1,113	13%
Non-annuity	141	(520)	>100%

1 The comparative amount references FY 2020.
2 AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM of these respective segments.
3 During the year, we revised our AUM reporting processes which has resulted in a restatement of previously reported AUM. This has resulted in a R10.7bn increase in the Dec 2020 comparative AUM.

Alternatives

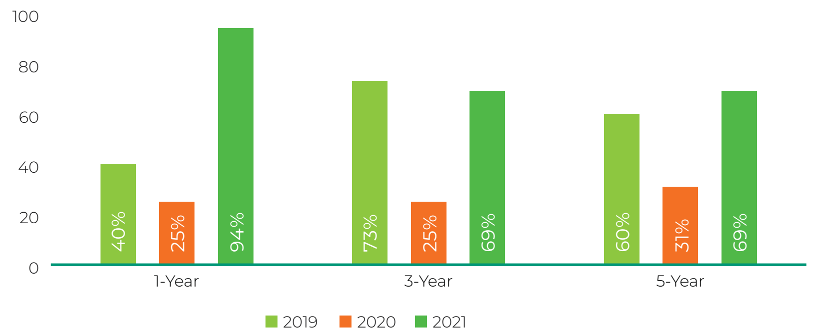
The diversity of the asset portfolio and the defensive nature of alternative assets contributed to the overall business performance despite a challenging environment. Annuity revenue has grown by 11%, benefitting from the capital raised by the new Hybrid Equity team and existing Private Equity funds. Non-annuity revenue is significantly lower compared to prior year given that most of our funds are still in their respective investment cycles and not yet at maturity, coupled with the payment profile of performance fees.

Management controlled expenses have increased in line with inflation however, there were additional one-off expenses during the current year given the launch of our new Hybrid Equity fund and other special projects.

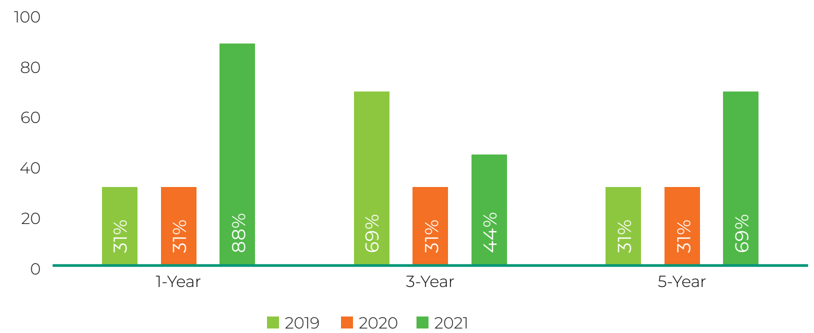
NCCF was a positive R0.3 billion due to drawdowns for investments and the successful realisation of assets resulting in the return of capital to investors (a negative impact on NCCF). We continue to grow our asset base with R1.4 billion of capital committed and R3.1 billion deployed during the year. The pipeline for both capital raising and deployment over the remainder of the year is expected to remain strong.

Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	517	(210)	>100%
Direct COVID-19 impacts	(128)	699	(>100%)
Unrealised Mark to Market (gains)/losses	(128)	698	(>100%)
COVID-19 related expenses	–	1	–
RFO excluding direct COVID-19 impacts	389	489	(20%)

Funds above median – 30 June 2021 (%)



Funds above benchmark – 30 June 2021 (%)



Segment Reviews

Specialised Finance

The Specialised Finance business has delivered well against its asset and liability management mandate and maintained a flat balance sheet in a challenging environment, supported by R1.7 billion of high quality deal flow. Similarly, its credit portfolio has been well managed with no deterioration on our internal risk watch list. RFO increased significantly from the prior year mainly due to COVID-19 related mark to market losses in prior year that did not repeat. Excluding COVID-19 related mark to market losses in prior year and the related current year reversal, RFO was 64% lower. This was due to the prior year including a final performance fee as part of the transition to the Three Manager Model framework, the negative impact of a strengthening rand, as well as other valuation related adjustments.

1 *During the year, we revised our AUM reporting processes which has resulted in a restatement of previously report AUM. This has resulted in a R10.7bn increase in the Dec 2020 comparative AUM.*

Outlook 2021

Going into the second half of the year, we remain cautiously optimistic that there remains value in being long equity given the continued low rates available on government bonds, corporate bonds and cash. Market valuations have reached extended levels and from here on, earnings will need to deliver for further progress to be made.

The underlying momentum in investment performance, flows and annuity revenue remains good with strategic delivery and launch of new capabilities being on track across our affiliates. We continue to place significant focus on fund raising across our businesses and we are anticipating strong deal flow and origination activity for the rest of the year, building on the positive momentum gained in the first half.

OLD MUTUAL CORPORATE

Amidst the ongoing COVID-19 pandemic, activity in the employee benefits market has started to pick up compared to prior year, while not yet at 2019 levels. Customer service levels were under pressure and our efforts to improve turn-around times led to a significant improvement in Net Promoter and Net Effort Scores from the first to the second quarter of the year. Adoption of digital self-service channels continues to increase, although off a very low base. Member digital adoption and active digital usage were higher by 31% and 38% respectively, compared to last year.

During the first half of the year, management responses to the COVID-19 pandemic included price increases, reinsurance optimisation and the launch of COVID-19 support services for our Group Assurance Products (GAP) customers. Despite these actions, mortality underwriting losses emerged in the Group Life Assurance portfolio off the back of the slower than expected national rollout of vaccinations as well as the emergence of new COVID-19 variants. The net of reinsurance excess death claims experience from wave 2 and the start of wave 3 in the first half of 2021 of R879 million was more severe than the partial unwinding of R766 million of the COVID-19 pandemic provision that was set aside at December 2020. However, the Group Income Protection product line provided good diversification with its underwriting experience having benefitted from price increases and improved claims experience. This meant that we have achieved positive underwriting experience on our overall GAP portfolio. While comparatively lower in exposure, mortality experience on our Non-profit Annuity portfolio benefitted from the COVID-19 pandemic in line with our expectations at the time that we set aside the COVID-19 pandemic provision in December 2020.

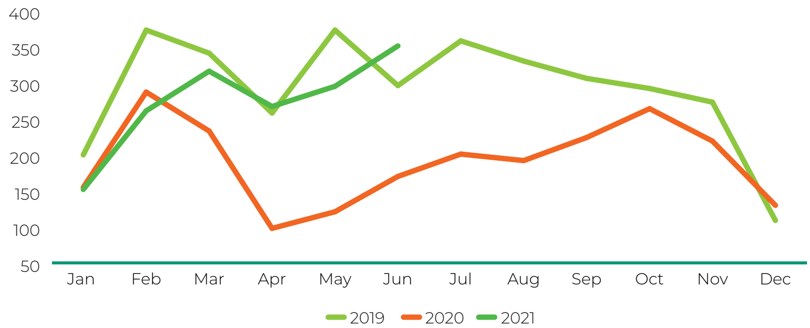
In light of recent group-wide experience (to take account of the reporting delays in the Group Life Assurance portfolio) and national COVID-19 mortality data, we have revised our expectations for wave 3 excess deaths upwards from 100% to 200% of wave 1 excess deaths. This change in outlook takes into account a slower than anticipated vaccine rollout, the emergence of new COVID-19 variants, the fact that 40-50% of our Group Life Assurance exposure is concentrated in Gauteng which is experiencing a worse third wave than most other provinces as well as higher average claims sizes. The net strengthening of COVID-19 provisions across our GAP and Non-profit Annuity portfolios, after taking account of pricing and reinsurance optimisation management actions, was R253 million at June 2021.

Although we unwound almost all the customer premium relief offered last year, new business sales and NCCF continued to come under significant pressure due to the weak economic environment and lockdown impacts. SuperFund quote activity was 54% higher than H1 2020, although still 11% lower than in 2019. However, it will take some time to mature the pipeline given the typically longer sales cycle in employee benefits. Price increases in the Group Assurance market led to a considerably higher number of rebrokes than normal. Good client relationships allowed us to retain most of our key customers. Competition and pricing in the industry remain aggressive and we will therefore monitor high risk customers closely and develop appropriate action plans to retain our existing business.

Funding levels for our pre-retirement smoothed bonus products have continued to recover in the first half of the year. Bonus smoothing reserves remain in positive territory for all our major products and we believe that our Absolute Growth Portfolios are well placed to meet our customers' needs.

The integration of the acquisition of RemChannel, which added a human capital advisory capability complimentary to our leading existing employee benefits offering, is largely complete with early signs of benefits being realised.

SuperFund sales quote levels



Segment Reviews

PERFORMANCE HIGHLIGHTS

Gross flows decreased by 8% to R16,070 million on the back of a decline in both single and recurring premiums. Single premiums reduced in pre-retirement and annuity product lines with the prior period including one very large umbrella deal while recurring premiums were impacted by the elevated levels of retrenchments in the second half of 2020. Life APE sales declined by 20% to R1,009 million mainly due to lower group risk and umbrella sales, with the prior period having included two very large deals. It was encouraging, however, to see strong growth from retail platform and OMART cell-captive sales.

Negative NCCF deteriorated to R8.8 billion. This was largely driven by a few large client terminations and higher benefit outflows. The latter was impacted by Group Life Assurance excess death claims due to COVID-19 and higher outflows of retirement savings benefits that were impacted by higher market returns which, in turn, increased benefit values. Although retrenchments were lower than elevated levels of the second half of 2020, these remained higher than the first half of 2020.

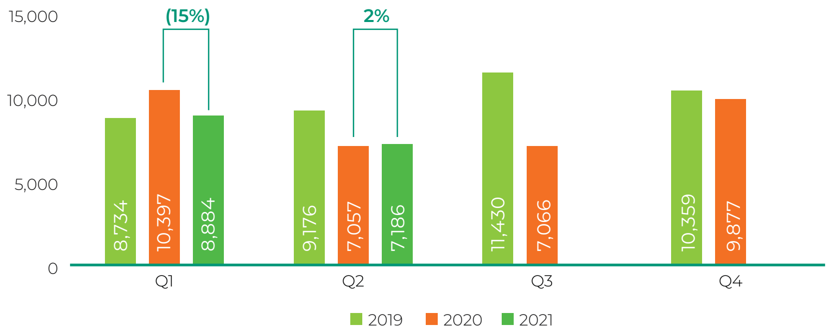
Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	**457**	649	(30%)
Gross flows	**16,070**	17,454	(8%)
Life APE sales	**1,009**	1,262	(20%)
NCCF (Rbn)	**(8.8)**	(2.4)	(>100%)
FUM (Rbn) [1]	**284.1**	271.5	5%
VNB	**58**	102	(43%)
VNB margin (%)	**0.7%**	1.0%	(30bps)

1 *The comparative amount references FY 2020.*

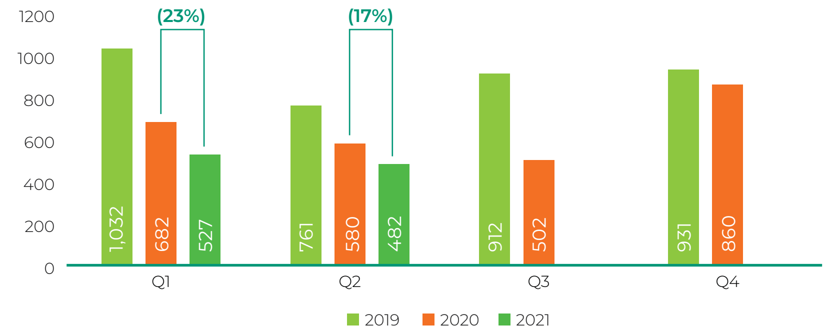
Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	**457**	649	(30%)
Direct COVID-19 impacts	**304**	234	30%
Net pandemic provision[1]	**304**	228	33%
COVID-19 related expenses	**–**	6	(100%)
RFO excluding direct COVID-19 impacts	**761**	883	(14%)

1 *Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.*

Gross flows (R million)



Life APE sales (R million)



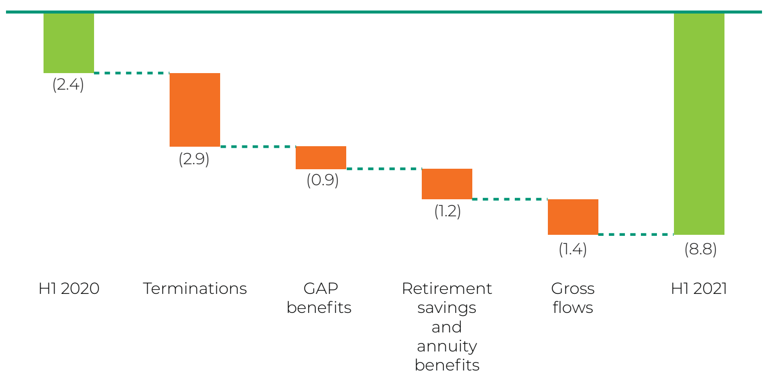
FUM of R284.1 billion increased by 5% from the prior period due to a strong recovery in equity markets, partly offset by the impact of negative NCCF.

VNB fell by 43% to R58 million and VNB margin decreased by 30 bps to 0.7%. Lower sales volumes were the biggest contributor to the decline in VNB and VNB margin.

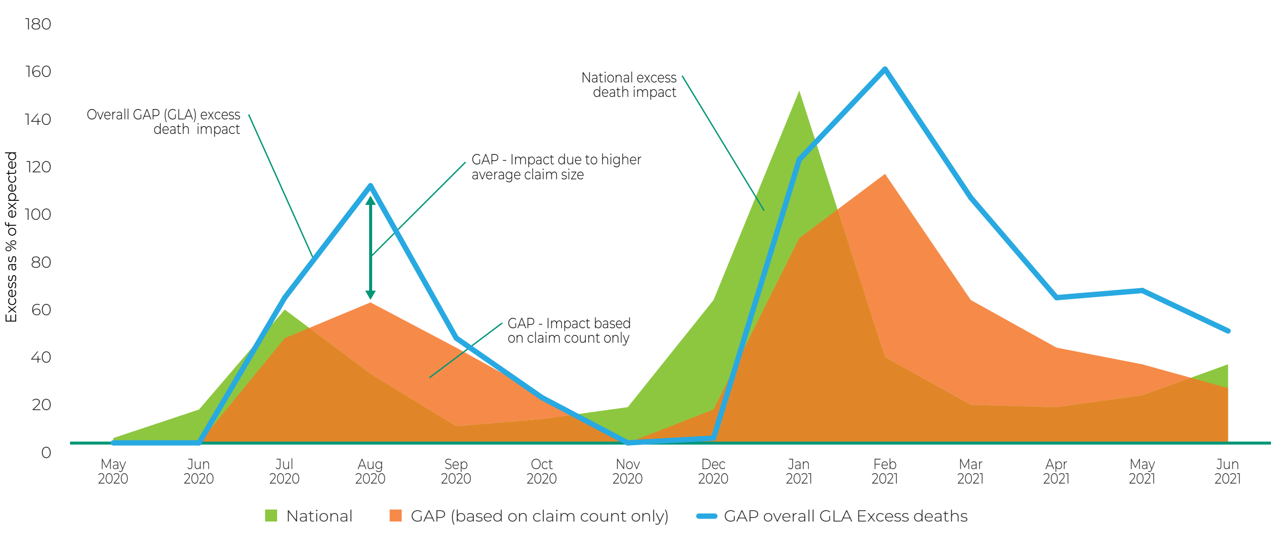
Results from Operations of R457 million decreased by 30% from the prior period. An improved Group Income Protection underwriting experience was offset by worse Group Life Assurance (GLA) underwriting experience and the subsequent strengthening of COVID-19 pandemic provisions by R253 million. The improved morbidity experience benefitted from lower new claims, better claims-in-payment termination experience as well as a partial release of the COVID-19 pandemic provision set up in December 2020 for this product line. This improved experience is the result of sustained rate adjustments over several years and was also a direct consequence of the COVID-19 pandemic experience. While we are closely monitoring the impact of long COVID-19 claims, this has been less severe than expected. Relative to the assumptions that were made when COVID-19 pandemic provisions were set aside at December 2020, GLA underwriting experience was adversely impacted by more and larger average death claims as well as a change in the mix of claims that led to a lower proportion of claims being covered by facultative reinsurance treaties.

RFO, excluding the direct impacts of COVID-19, decreased by 14%. This was due to the non-repeat of positive non-COVID-19 related basis changes in the prior period and worse mortality underwriting experience. These impacts were partly offset by the improvement in morbidity underwriting experience.

NCCF outcomes (Rbn)



GAP excess deaths vs national excess deaths



Outlook 2021

Businesses in many industries are still negatively impacted by the ongoing pandemic and lockdowns. Notwithstanding this, we are seeing increased new business activity but with slightly longer sales cycle times on larger deals.

We anticipate that the mortality impact of COVID-19 wave 4 will be muted compared to earlier waves as the vaccination rollout gathers momentum and given the additional protection from our ongoing re-pricing at scheme renewal dates, reinsurance optimisation and other management actions.

As described, the impact from long COVID-19 claims has been less severe than anticipated. However, our outlook remains cautious as we may yet experience a deterioration in morbidity experience due to conditions which have not been diagnosed as people avoid medical check-ups or treatment during the pandemic. There remains considerable uncertainty about the ultimate impact that COVID-19 and the weak economic outlook will have on underwriting experience and business outcomes. We will continue to monitor experience and review our pricing, benefit features and reinsurance strategy accordingly. During the second half of the year, we will conduct a thorough review of our reserving methodology and assumptions for some product lines to ensure that they remain fit for purpose in these unusual circumstances.

We believe that employment growth has to be driven by small and medium sized enterprises (SMEs) in the private sector. We are therefore gearing up to better support and participate in these markets for both core employee benefits as well as logical adjacent services to strengthen client value propositions.

OLD MUTUAL INSURE

We have focused this year on leveraging our resilience and ensuring that our foundation remains strong during this period of heightened uncertainty. We have adapted successfully and made progress on the implementation of our strategic objectives through focused investment in operations, technology and talent. We continue to drive efficiencies and embed sustainable savings in an effort to actively contain costs in a rapidly changing environment, both from a customer and regulatory perspective.

Our underwriting transformation projects go well beyond automating routine, labour-intensive data gathering and processing tasks and are aimed at better leveraging artificial intelligence, alternative data sources, and developing more advanced predictive models.

Product innovation was a key focus during the period. We launched CommaInsure in the first quarter, which offers on-demand insurance cover, we partnered with SwiftVee to provide the first Agri-auction digital solution, and launched our new Glass straight through processing framework (Glass STP) which aims to process glass related motor claims with little to no human intervention. In addition to our digital progress, we launched several direct products through iWYZE, and continued to deploy enablement solutions for our employees and intermediaries.

PERFORMANCE HIGHLIGHTS

Effective 1 January 2021, to better reflect the segment's underlying operations, the Retail division now comprises the Personal and Commercial lines of business (both previously reported separately) while iWYZE (our Direct line), is reported as a separate business. We have re-presented comparative amounts to reflect this change.

Gross written premiums of R7,761 million grew by 8% despite the challenges of COVID-19. Growth was driven mainly by the CGIC division, which reflected a 19% increase in premiums as well as growth in the iWYZE and Specialty divisions. The Retail division reported marginal growth due to the Commercial lines experiencing a reduction in premiums.

Net underwriting results increased significantly, due to large COVID-19 related claims in prior year which did not repeat, as well as the release of attritional loss reserves in the current year in the CGIC business. This led to a net underwriting margin of a positive 3.4%, from a negative 1.4% in the prior year. The business interruption reserves raised in prior year remain our best estimate and so did not further impact the underwriting results in the first half of 2021.

RFO increased significantly to R265 million due to the higher underwriting result, which was partially offset by a reduction in investment returns on insurance funds, a result of the low interest rate environment.

The Retail division saw marginal growth in premiums despite run-off Crop market premiums of R47 million included in prior year. Growth in Personal lines resulted from strong sales of the Elite product, a solution that provides tailored general insurance to high net worth individuals, which contributed 3.5% toward the growth achieved. Premium relief actions increased marginally to R86 million. Commercial lines' growth remained negative at 1.4% due to the weak economic environment and premium relief measures implemented. The decline in underwriting profits was due to attritional and large claims experiences increasing in all product lines compared to prior year where attritional frequencies reduced by as much as 70% during level 5 lockdown restrictions.

iWYZE delivered premium growth of 10.4%. Policy volume growth of 5.4% was mainly attributable to the contribution from strategic business partners. Net underwriting profit fell as a result of claims volumes being closely related to lockdown levels with an increase in claims as lockdown restrictions were lifted and claims related activities resume. Non-motor claims frequency increased when compared to the prior year due to new business from strategic partnerships.

The Specialty division reported premium growth of 13%, most of this from the Corporate Property and Engineering and Marine lines of business. Growth in prior year had been reduced by the impact of COVID-19 on the economy. Although more prudent underwriting and risk selection was apparent in the loss experience, the net underwriting result remains negative. This had a great deal to do with the recent fire at the UCT campus and resultant claim with a gross and net value of R102 million and R25 million, respectively. A reduction in reinsurance inwards treaty cessions has further contributed to the negative underwriting result.

CGIC's gross written premium growth of 19% was mainly supported by policy increases of 10%, which became effective in November 2020. CGIC saw a significant increase in its underwriting results compared to the prior year. H1 2020 was defined by the pandemic, with trade credit insurance class being profoundly affected. The increase in economic activity and ongoing remedial actions such as reduction in risk exposure and price increases have resulted in recovery in revenue and profitability.

Segment Reviews

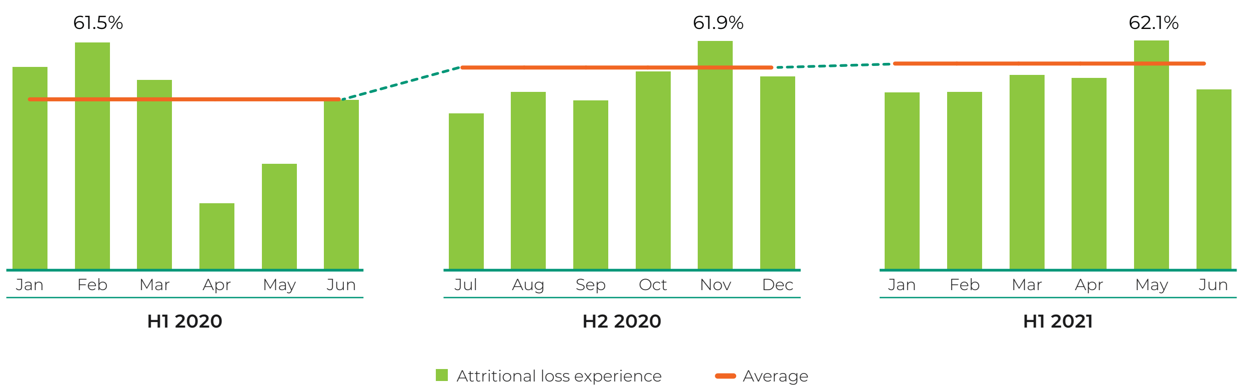
Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Gross written premiums	**7,761**	7,199	8%
Net earned premiums	**4,621**	4,649	(1%)
Net underwriting result	**159**	(64)	>100%
Results from Operations	**265**	43	>100%
Net underwriting margin (%)	**3.4%**	(1.4%)	480 bps
Insurance margin (%)	**5.7%**	0.9%	480 bps

Rm (unless otherwise stated)	H1 2021	H1 2020	% change
Results from Operations	**265**	43	>100%
Direct COVID-19 impacts	–	479	(100%)
Business interruption and rescue reserves	–	464	(100%)
COVID-19 related expenses	–	15	(100%)
Results from Operations excluding direct COVID-19 impacts	**265**	522	(49%)

	H1 2021	H1 2020	
Rm (unless otherwise stated)	Reported results	Reported results	% Change
Retail	**5**	92	(95%)
iWYZE	**16**	65	(75%)
Specialty	**(45)**	(63)	29%
CGIC	**183**	(171)	>100%
Central expenses[1]	–	13	(100%)
Net underwriting result	**159**	(64)	>100%
Investment return on insurance funds	**106**	114	(7%)
Other income and expenses	–	(7)	100%
Results from Operations	**265**	43	>100%

1 *Represents unallocated central expenses, largely due to the refinement of allocations across business lines.*

Personal lines – Attritional loss experience (%)



Outlook 2021

In H2 2021, we intend developing IT support capabilities for the Value-Added Products, implementing the next stages of our digitilisation plan, upskilling and training of staff as well as simplifying our Commercial lines products.

The recent civil unrest in South Africa saw an increase in claims received from our customers, to date most affected customers have SASRIA cover in place and we are confident that there will be minimal impact on our underwriting result. At the time of reporting, it was difficult to ascertain the impact that the unrest will have on CGIC.

In line with the communications between the industry and SASRIA, Old Mutual Insure has committed to pay claims below R1 million within 21 days while pledging R10 million towards rebuilding SMEs in affected areas.

Rest of Africa

Our Rest of Africa markets experienced worse COVID-19 impacts than they did in 2020. The most adverse experiences were in Southern Africa, and to some extent in East Africa. In Southern Africa, Namibia was impacted much harder than the other markets with significant increase in cases and deaths. This resulted in a worse mortality experience over the period, prompting an increase in pandemic provisions to cover anticipated excess deaths, which had an adverse impact on our Life profits.

The countries' capacity to continue imposing hard lockdowns began to wane, as a result, we saw economic activity trending towards historical levels. With this return to more normal economic activity, we also witnessed an increase in claims loss ratios in our Property and Casualty businesses. The impact of the economic challenges, caused by the pandemic, has adversely impacted our customers' disposable income, resulting in the deterioration of credit quality in our loan book in East Africa.

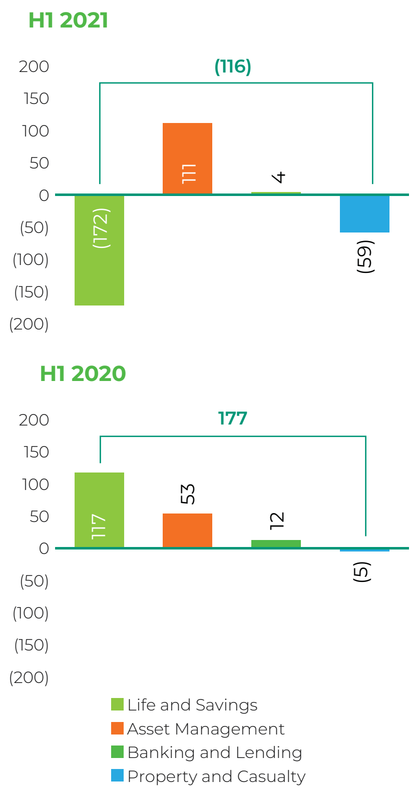
The rand strengthened against the Malawian kwacha and Kenyan shilling, negatively impacting our overall performance on translation of results from these countries. Ongoing expense management initiatives from Southern and East Africa regions supported our overall performance, however, this was partially offset by an increase in central expenses, driven by the increase in project costs.

We continued to enhance our digital channels to improve customer experience by enabling them to access products and services through alternative service channels. In Nigeria, we have enabled the USSD platform for motor, travel and family risk plan product sales, and in eSwatini, we have added our new risk product, Likandlela, on the USSD platform. We have enabled customers in Nigeria, Kenya, and eSwatini to access banking and mobile money payments.

Rm (unless otherwise stated)	**H1 2021 (Reported)**	**H1 2021 (Constant currency)[1]**	% change (Reported)	% change (Constant currency)	H1 2020
Results from Operations	**(116)**	**(90)**	(>100%)	(>100%)	177
RFO excluding direct COVID-19 impacts	**282**	**320**	4%	18%	272
Gross flows	**8,858**	**9,970**	(36%)	(28%)	13,912
Life APE sales	**520**	**582**	3%	15%	506
NCCF (Rbn)	**(0.2)**	**0.2**	(>100%)	(96%)	5.3
FUM (Rbn)[2]	**90.8**	**92.3**	2%	4%	88.7
VNB	**59**	**62**	>100%	>100%	(20)
VNB margin (%)	**2.3%**	**2.3%**	320 bps	320 bps	(0.9%)
Loans and advances[2]	**4,250**	**4,294**	(1%)	(0.2%)	4,301
Net lending margin (%)	**10.2%**	**10.2%**	50 bps	50 bps	9.7%
Gross written premiums	**2,190**	**2,557**	3%	21%	2,119
Net underwriting margin (%)	**(11.2%)**	**(11.2%)**	(840 bps)	(840 bps)	(2.8%)

1 Constant currency reflects current period numbers, converted using prior period exchange rates.
2 The % change has been calculated with reference to FY 2020.

RFO split by LOB (R million)



Southern Africa (excluding Zimbabwe)

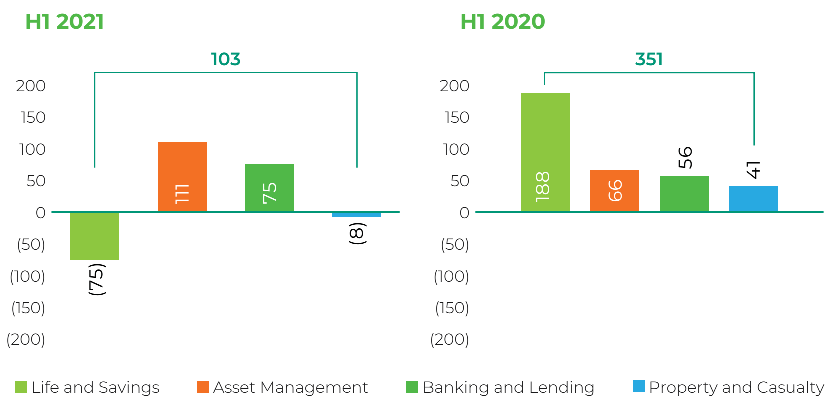
Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)[1]	% change (Reported)	% change (Constant currency)	H1 2020
Results from Operations	**103**	**147**	(71%)	(58%)	351
Gross flows	**5,352**	**5,738**	(32%)	(28%)	7,925
Life APE sales	**321**	**343**	(7%)	(0.3%)	344
NCCF (Rbn)	**(1.1)**	**(0.9)**	(>100%)	(>100%)	1.6
FUM (Rbn)[2]	**56.3**	**57.1**	1%	2%	56.0
VNB	**69**	**75**	>100%	>100%	22
VNB margin (%)	**4.3%**	**4.3%**	300 bps	300 bps	1.3%
Loans and advances[2]	**1,405**	**1,405**	1%	1%	1,387
Net lending margin (%)	**16.0%**	**16.0%**	210 bps	210 bps	13.9%
Gross written premiums	**502**	**516**	2%	4%	494
Net underwriting margin (%)	**(4.7%)**	**(4.7%)**	(1 610 bps)	(1 610 bps)	11.4%

1 Constant currency reflects current period numbers, converted using prior period exchange rates.
2 The % change has been calculated with reference to FY 2020.

Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)	H1 2020	% change (Constant currency)
Results from Operations	**103**	**147**	351	(58%)
Direct COVID-19 impacts[1]	**350**	**350**	38	>100%
Net pandemic provisions[2]	**350**	**350**	18	>100%
Forward looking information – ECL	**–**	**–**	8	(100%)
COVID-19 related expenses	**–**	**–**	12	(100%)
RFO excluding direct COVID-19 impacts	**453**	**497**	389	28%

1 The direct COVID-19 impacts amounts have not been converted for constant currency.
2 Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.

RFO split by LOB (R million)



PERFORMANCE HIGHLIGHTS

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

Gross flows decreased by 28% to R5,738 million due to lower inflows driven by the non-repeat of strong institutional flows that occurred in the prior year in Namibia and eSwatini, coupled with the continued financial pressure on customers. This performance was partially offset by strong inflows from segregated pension funds in Malawi. NCCF fell by R2.5 billion from the prior year, primarily because of lower inflows and an increase in outflows driven by institutional and retail withdrawals as a result of the economic strain brought on by the pandemic, coupled with COVID-19 related claims, especially in Namibia.

Life APE sales decreased marginally to R343 million, largely due to lower credit life sales and recurring premiums corporate sales in Namibia. This was partially offset by higher corporate and bancassurance sales in Malawi.

VNB increased to R75 million from R22 million in the prior year. In Namibia, VNB increased on strong retail savings business, and an expense basis change that removed project costs from the initial expense assumptions implemented in December 2020. In Malawi, VNB increased largely due to higher group risk sales that have positive margins and the impact of methodology changes made in December 2020 on retail savings VNB.

Loans and advances were marginally up, largely due to the continued growth in government payroll-linked disbursements. Net lending margin increased by 210 bps from the prior year due to lower credit losses driven by tighter credit criteria and improved collection efforts.

Gross written premiums increased by 4% to R516 million due to higher sales in Botswana driven by the increase in economic activity, following the adjustment of lockdown restrictions. In Namibia, gross written premiums fell marginally as a result of increased policy cancellations and ongoing premium relief initiatives provided to support customers. Net underwriting margin declined by 1 610 bps to negative 4.7%, largely due to an adverse claims experience relating to heavy rainfalls in Namibia and Botswana. Namibia was further impacted by claims associated with derailments on the rail network.

RFO decreased by 58% to R147 million largely due to the R350 million net pandemic impact on our Life and Savings business. We recorded mortality losses of R198 million, driven by the increase in COVID-19 related deaths in Namibia and eSwatini as the ongoing wave 3 and slow vaccination rollouts continue to adversely impact the infection rates. Additional pandemic provisions of R176 million were raised in anticipation of further COVID-19 related mortality experience. The increase in provisions and mortality loss was partially offset by the release of existing COVID-19 provisions of R24 million.

RFO excluding direct COVID-19 impacts increased by 28% to R497 million, largely due to lower credit losses in our Banking and Lending business in Namibia, and property revaluation gains recognised in our Asset Management business in Malawi. Higher corporate sales in Malawi and positive investment variances in Namibia contributed to an increase in our Life and Savings RFO. These positive outcomes were partially offset by adverse claims experience in our Property and Casualty businesses in Namibia and Botswana.

East Africa

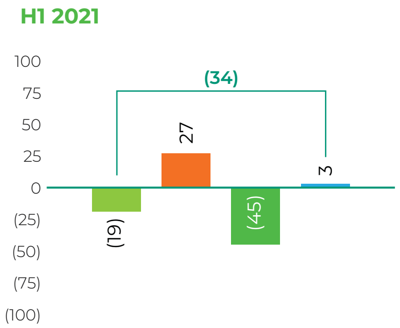
Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)[1]	% change (Reported)	% change (Constant currency)	H1 2020
Results from Operations	**(34)**	**(42)**	55%	44%	(75)
Gross flows	**3,167**	**3,826**	(44%)	(33%)	5,681
Life APE sales	**98**	**118**	69%	>100%	58
NCCF (Rbn)	**0.7**	**0.8**	(80%)	(77%)	3.5
FUM (Rbn)[2]	**33.0**	**33.5**	5%	7%	31.4
VNB	**(7)**	**(9)**	71%	63%	(24)
VNB margin (%)	**(1.5%)**	**(1.5%)**	1 760 bps	1 760 bps	(19.1%)
Loans and advances[2]	**2,845**	**2,889**	(2%)	(1%)	2,914
Net lending margin (%)	**7.3%**	**7.3%**	(90 bps)	(90 bps)	8.2%
Gross written premiums	**1,601**	**1,934**	3%	24%	1,560
Net underwriting margin (%)	**(7.9%)**	**(7.9%)**	(300 bps)	(300 bps)	(4.9%)

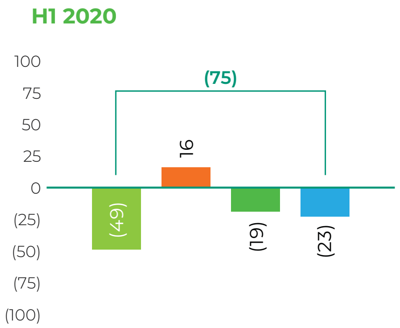
1 Constant currency reflects current period numbers, converted using prior period exchange rates.
2 The % change has been calculated with reference to FY 2020.

Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)	H1 2020	% change (Constant currency)
Results from Operations	**(34)**	**(42)**	(75)	44%
Direct COVID-19 impacts[1]	**23**	**23**	53	(57%)
Net pandemic provisions[2]	**23**	**23**	33	30%
Forward looking information – ECL	**–**	**–**	13	(100%)
COVID-19 related expenses	**–**	**–**	7	(100%)
RFO excluding direct COVID-19 impacts	**(11)**	**(19)**	(22)	14%

1 The direct COVID-19 impacts amounts have not been converted for constant currency purposes.
2 Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.

RFO split by LOB (R million)





PERFORMANCE HIGHLIGHTS

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

Gross flows fell 33% to R3,826 million mainly due to lower inflows from the non-repeat of large corporate flows into our Asset Management business in Kenya in the prior year. This was partially offset by a significant increase in gross flows in Uganda, on the back of strong unit trust and corporate inflows. NCCF decreased by 76% to R0.8 billion, largely because of lower gross flows and higher outflows stemming from higher institutional outflows in Kenya and unit trust withdrawals and surrenders in Uganda.

Life APE Sales increased to R118 million from R58 million in the prior year, largely due to higher corporate sales in Kenya and Uganda, supported by the on-boarding of a number of large corporate schemes. VNB improved to negative R9 million due to the inclusion of corporate business with positive margins in the current period, which was not included in the prior period.

Gross written premiums increased by 24% to R1,934 million due to strong new business acquisition and higher retention rates across most markets in the region. These were driven by improved customer servicing, effective cross-selling initiatives, and improved broker relationships. The net underwriting margin worsened to negative 7.9%, largely because of poor claims experience in our medical business driven by increased hospital visits in Kenya, Uganda and Rwanda, and higher retail and commercial vehicle claims in our general insurance business in Kenya and Uganda. Higher vehicle claims were due to the increase in economic activity relative to the prior year when lockdown restrictions were in place across various countries in the region.

Segment Reviews

Loans and advances were marginally lower than the prior year due to a slowdown in disbursements, driven by stricter lending criteria implemented to counteract the deteriorating credit quality of our book. Net lending margin decreased by 90 bps to 7.3% mainly due to lower interest and non-interest income driven by lower disbursements, and the ongoing waiver on mobile transactions fees imposed by the Central Bank of Kenya.

East Africa's RFO loss improved by 44% to R42 million largely due to improved performances across all our lines of business, except Banking and Lending. Higher asset based fees earned due to improved average equity market levels, lower net pandemic impact compared to the prior year and ongoing expense management initiatives resulted in lower RFO losses in our Life and Savings business. During the period, Life profits were affected by the net pandemic impact of R23 million, and as at 30 June 2021, R18 million remains available for future COVID-19 related mortality experience.

Our Property and Casualty business recorded profits largely due to higher returns on float assets that back claims liabilities, which were driven by a higher float assets base and fair value gains on listed securities compared to fair value losses recognised in the prior year. This was partially offset by higher claims in the medical and general insurance businesses.

The increase in Asset Management profits was largely due to an increase in management fees earned from higher asset levels, which were positively impacted by the recovery in equity markets. These positive RFO impacts were partially offset by the decrease in income in the Banking and Lending business driven by the impact of the slowdown in disbursements.

West Africa

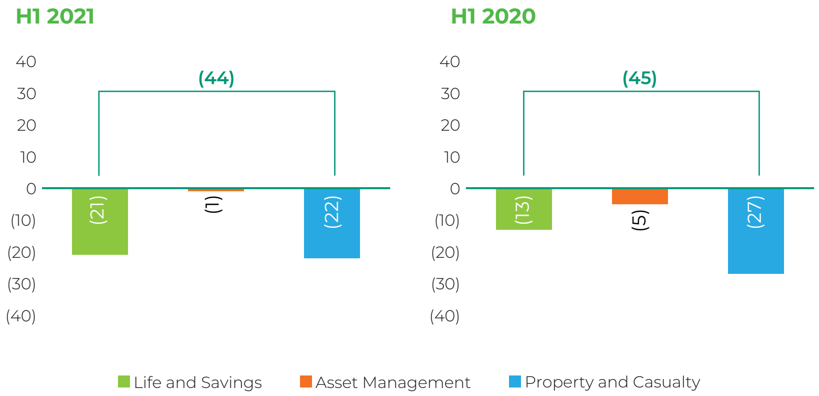
Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)[1]	% change (Reported)	% change (Constant currency)	H1 2020
Results from Operations	(44)	(54)	2%	(20%)	(45)
Gross flows	339	406	11%	33%	306
Life APE sales	101	121	(3%)	16%	104
NCCF (Rbn)	0.2	0.3	–	50%	0.2
FUM (Rbn)[2]	1.5	1.6	15%	23%	1.3
VNB	(3)	(3)	83%	83%	(18)
VNB margin (%)	(0.7%)	(0.7%)	340 bps	340 bps	(4.1%)
Gross written premiums	87	107	34%	65%	65
Net underwriting margin (%)	(89.5%)	(89.5%)	4 850 bps	4 850 bps	(138.0%)

1 *Constant currency reflects current period numbers, converted using prior period exchange rates.*
2 *The % change has been calculated with reference to FY 2020.*

Rm (unless otherwise stated)	H1 2021 (Reported)	H1 2021 (Constant Currency)	H1 2020	% change (Constant currency)
Results from Operations	(44)	(54)	(45)	(20%)
Direct COVID-19 impacts[1]	10	10	4	>100%
Net pandemic provisions[2]	10	10	–	100%
COVID-19 related expenses	–	–	4	(100%)
RFO excluding direct COVID-19 impacts	(34)	(44)	(41)	(7%)

1 *The direct COVID-19 impacts amounts have not been converted for constant currency purposes.*
2 *Includes the impact of excess deaths net of provision releases as well as additional provision raised at 30 June 2021.*

RFO split by LOB (R million)



PERFORMANCE HIGHLIGHTS

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

Gross flows increased by 33% to R406 million largely due to significant corporate inflows and new schemes onboarded in the pensions trust business in Ghana. In Nigeria, inflows rose through strong new business and an increase in our share of inflows from co-insured business in both the corporate and retail books. The increase in NCCF was a function of the higher inflows.

Life APE sales grew 16% to R121 million mainly as a result of increased corporate and traditional retail sales in Ghana. Negative VNB reduced to R3m, an improvement of 83%, as a result of improved margins on the corporate risk business in Nigeria, and higher corporate risk sales in Ghana.

Gross written premiums increased by 65% to R107 million due to higher renewal rates of existing schemes and strong new business sales, driven by improved broker relationships and brand perception. Negative underwriting margin improved to negative 89.5% largely due to higher net earned premiums driven by the increase in gross written premiums.

West Africa's RFO loss worsened by 20% to R54 million, driven by the net pandemic impact of R10 million. During the period, we raised R9 million additional pandemic provision in anticipation of further adverse COVID-19 related mortality experience. RFO loss excluding direct COVID-19 impacts increased by 7% to R44 million largely due to lower underwriting results in Nigeria driven by an increase in claims.

Outlook 2021

Our markets remain extremely vulnerable to further waves of COVID-19 infections and fatalities due to the slow vaccination rollouts in most countries. The opening up of much of the regions' trading partners bodes well for economic recovery especially the export of primary goods and commodities. However, the economies of countries which rely heavily on tourism are expected to remain subdued until free movement becomes more widespread and that to a large extent will depend on successful roll out of vaccines.

We continue to position our business to be resilient in a world that may remain in the current status for a protracted period. We have a strong focus on growing our top line and improving customer experience as we seek to grow our market share.

We capitalised our Nigeria and Ghana businesses to meet the new capital requirements that will be effective during H2 2021 and we expect this to provide our businesses in these markets with added impetus for further growth. Our actions to improve the business processes and controls in East Africa are progressing well and are expected to translate to greater stability in the results from the region in future.

We shall continue to manage the impact of COVID-19 on our businesses, staff and customers, and work with governments and other private sector peers to promote vaccinations across the continent.

04

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DO GREAT THINGS EVERY DAY

Index to the condensed consolidated interim financial statements

Condensed consolidated income statement

For the six months ended 30 June 2021

Rm	Notes	2021 (Unaudited)	2020 (Unaudited)
Revenue			
Gross insurance premium revenue		**41,035**	39,738
Outward reinsurance		**(5,427)**	(4,404)
Net earned premiums		**35,608**	35,334
Investment return (non-banking)		**75,781**	(758)
Banking interest and similar income		**2,144**	2,072
Banking trading, investment and similar income		**72**	212
Fee and commission income, and income from service activities		**5,777**	5,282
Other income		**791**	965
Total revenue and other income	D1	**120,173**	43,107
Expenses			
Gross claims and benefits (including change in insurance contract provisions)		**(66,012)**	(33,149)
Reinsurance recoveries		**5,415**	3,947
Net claims and benefits incurred		**(60,597)**	(29,202)
Change in investment contract liabilities		**(28,045)**	3,971
Credit impairment charges		**(608)**	(1,599)
Finance costs		**(266)**	(244)
Banking interest and similar expenses		**(393)**	(574)
Fee and commission expenses, and other acquisition costs		**(5,219)**	(4,904)
Change in third-party interest in consolidated funds		**(7,691)**	2,919
Other operating and administrative expenses		**(11,403)**	(11,745)
Total expenses		**(114,222)**	(41,378)
Share of gains of associated undertakings and joint ventures after tax		**1,074**	241
Reversal of impairment/(impairment) of investments in associated undertakings		**108**	(8,547)
Loss on disposal of subsidiaries and associated undertakings		**(42)**	–
Profit/(loss) before tax		**7,091**	(6,577)
Income tax (expense)/credit		**(3,740)**	579
Profit/(loss) after tax for the financial period		**3,351**	(5,998)
Attributable to			
Equity holders of the parent		**2,984**	(5,621)
Non-controlling interests			
Ordinary shares		**367**	(377)
Profit/(loss) after tax for the financial period		**3,351**	(5,998)
Earnings/(loss) per ordinary share			
Basic earnings/(loss) per ordinary share (cents)	C1(a)	**67.8**	(128.5)
Diluted earnings/(loss) per ordinary share (cents)	C1(b)	**67.0**	(125.9)

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2021

Rm	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) after tax for the financial period	**3,351**	(5,998)
Other comprehensive income/(loss) for the financial period		
Items that will not be reclassified to profit or loss		
Gains on property revaluations	**246**	280
Remeasurement gains on defined benefit plans	**82**	134
Fair value movements related to credit risk on borrowed funds	**(37)**	64
Share of other comprehensive income from associated undertakings and joint ventures	**43**	125
Shadow accounting[1]	**(8)**	(136)
Income tax on items that will not be reclassified to profit or loss	**(25)**	(47)
	301	420
Items that may be reclassified to profit or loss		
Currency translation differences on translating foreign operations	**(361)**	675
Share of other comprehensive (loss)/income from associated undertakings and joint ventures	**(75)**	204
	(436)	879
Total comprehensive income/(loss) for the financial period	**3,216**	(4,699)
Attributable to		
Equity holders of the parent	**2,905**	(4,651)
Non-controlling interests		
Ordinary shares	**311**	(48)
Total comprehensive income/(loss) for the financial period	**3,216**	(4,699)

1 *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 gains or losses 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 2021

Rm	Notes	2021 (Unaudited)	2020 (Unaudited)
Mass and Foundation Cluster		**1,254**	(70)
Personal Finance and Wealth Management		**22**	1,165
Old Mutual Investments		**517**	(210)
Old Mutual Corporate		**457**	649
Old Mutual Insure		**265**	43
Rest of Africa		**(116)**	177
Net expenses from central functions		**(209)**	(213)
Results from operations		**2,190**	1,541
Shareholder investment return		**1,153**	680
Finance costs		**(266)**	(244)
Share of gains of associated undertakings and joint ventures after tax		**1,055**	364
Adjusted Headline Earnings before tax and non-controlling interests		**4,132**	2,341
Shareholder tax		**(1,097)**	(678)
Non-controlling interests		**(136)**	41
Adjusted Headline Earnings after tax and non-controlling interests[1]		**2,899**	1,704
Adjusted weighted average number of ordinary shares (millions)	C1(a)	**4,570**	4,574
Adjusted Headline Earnings per share (cents)[1]		**63.4**	37.3

Reconciliation of Adjusted Headline Earnings to IFRS profit/(loss) after tax

Rm	Notes	2021 (Unaudited)	2020 (Unaudited)
Adjusted Headline Earnings after tax and non-controlling interests[1]		**2,899**	1,704
Investment return on Group equity and debt instruments held in policyholder funds	A1.5(a)	**(187)**	1,335
Impact of restructuring	A1.5(b)	**(1,261)**	512
Operations in hyperinflationary economies	A1.5(c)	**1,720**	411
Non-core operations	A1.5(d)	**(16)**	253
Headline Earnings		**3,155**	4,215
Impairment of goodwill and other intangible assets and property, plant and equipment		**(190)**	(1,139)
Reversal of impairment/(impairment) of investments in associated undertakings		**108**	(8,697)
Remeasurement of non-current assets held for sale and distribution		**(47)**	–
Loss on disposal of subsidiaries and associated undertakings		**(42)**	–
Profit/(loss) after tax for the financial period attributable to equity holders of the parent		**2,984**	(5,621)

1 *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 2021 and 31 December 2020

Rm	Notes	2021 (Unaudited)	2020 (Audited)
Assets			
Goodwill and other intangible assets		**6,237**	5,925
Mandatory reserve deposits with central banks		**174**	235
Property, plant and equipment		**7,848**	8,952
Investment property		**32,314**	33,606
Deferred tax assets		**2,111**	2,007
Investments in associated undertakings and joint ventures		**6,969**	17,450
Deferred acquisition costs		**1,867**	1,890
Loans and advances		**17,593**	17,798
Investments and securities		**824,224**	772,037
Reinsurers share of policyholder liabilities	F1	**16,246**	15,610
Current tax receivable		**395**	371
Trade, other receivables and other assets		**20,941**	20,317
Derivative financial instruments		**7,076**	10,840
Cash and cash equivalents		**32,463**	33,560
Assets held for sale and distribution	A2(a)	**12,238**	84
Total assets		**988,696**	940,682
Liabilities			
Life insurance contract liabilities	F1	**150,237**	145,536
Investment contract liabilities with discretionary participating features	F1	**218,740**	203,117
Investment contract liabilities	F1	**359,640**	334,311
Property and Casualty liabilities	F1	**14,923**	14,455
Third-party interests in consolidated funds		**79,309**	73,020
Borrowed funds	F2	**17,094**	17,335
Provisions and accruals		**1,681**	1,760
Deferred revenue		**674**	662
Deferred tax liabilities		**6,326**	4,293
Current tax payable		**687**	459
Trade, other payables and other liabilities		**55,315**	60,213
Amounts owed to bank depositors		**5,095**	5,044
Derivative financial instruments		**8,203**	11,154
Total liabilities		**917,924**	871,359
Net assets		**70,772**	69,323
Shareholders' equity			
Equity attributable to the equity holders of the parent		**68,147**	66,995
Non-controlling interests			
Ordinary shares		**2,625**	2,328
Total non-controlling interests		**2,625**	2,328
Total equity		**70,772**	69,323

Condensed consolidated statement of cash flows

For the six months ended 30 June 2021

Rm	Notes	2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Profit/(loss) before tax		**7,091**	(6,577)
Non-cash movements in profit before tax		**(10,970)**	31,869
Net changes in working capital		**807**	(15,524)
Taxation paid		**(1,471)**	(1,884)
Net cash (outflow)/inflow from operating activities		**(4,543)**	7,884
Cash flows from investing activities			
Disposal/(acquisition) of financial investments		**6,916**	(1,827)
Acquisition of investment properties		**(104)**	(158)
Proceeds from disposal of investment properties		**–**	34
Dividends received from associated undertakings		**93**	763
Acquisition of property, plant and equipment		**(262)**	(336)
Proceeds from disposal of property, plant and equipment		**19**	37
Acquisition of intangible assets		**(528)**	(599)
Acquisition of interests in subsidiaries, associated undertakings and joint ventures		**(50)**	–
Net cash inflow/(outflow) from investing activities		**6,084**	(2,086)
Cash flows from financing activities			
Dividends paid to			
Ordinary equity holders of the Company	C4	**(1,565)**	(3,340)
Non-controlling interests and preferred security interests		**(29)**	(68)
Interest paid (excluding banking interest paid)		**(253)**	(371)
Lease repayments		**(247)**	(408)
Net (additions)/disposal of treasury shares – ordinary shares		**(235)**	800
Proceeds from issue of subordinated and other debt		**930**	161
Subordinated and other debt repaid		**(1,079)**	(1,751)
Net cash outflow from financing activities		**(2,478)**	(4,977)
Net cash (outflow)/inflow for the period		**(937)**	821
Effects of exchange rate changes on cash and cash equivalents		**(221)**	(67)
Cash and cash equivalents at beginning of the period		**33,795**	30,615
Cash and cash equivalents at end of the period		**32,637**	31,369
Comprising			
Mandatory reserve deposits with central banks		**174**	150
Cash and cash equivalents		**32,463**	31,219
Total		**32,637**	31,369

Cash and cash equivalents comprise 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 R174 million (2020: R150 million), cash and cash equivalents of the Zimbabwean operations of R557 million (2020: R1,049 million), and cash and cash equivalents consolidated as part of the consolidation of funds of R10,574 million (2020: R8,162 million), management do not consider that there are any significant 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 2021

For the six months ended 30 June 2021 Rm	Notes	Millions Number of shares issued and fully paid	Share capital	Fair-value reserve[3]
Shareholders' equity at beginning of the period		**4,709**	**85**	**10**
Profit after tax for the financial period		**–**	**–**	**–**
Other comprehensive (loss)/income for the financial period		**–**	**–**	**(33)**
Total comprehensive (loss)/income for the financial period		**–**	**–**	**(33)**
Transactions with the owners of the Company				
Contributions and distributions				
Dividends for the period	C4	–	–	–
Share-based payment reserve movements		–	–	–
Transfer between reserves		–	–	–
Other movements in equity[2]		–	–	–
Total contributions and distributions		**–**	**–**	**–**
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		**–**	**–**	**–**
Shareholders' equity at end of the period		**4,709**	**85**	**(23)**

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.*

2 *Other movements in equity includes a movement in retained earnings of R235 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 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.*

For the six months ended 30 June 2020 Rm	Notes	Millions Number of shares issued and fully paid	Share capital	Fair-value reserve
Shareholders' equity at beginning of the period		4,709	85	(80)
Loss after tax for the financial period		–	–	–
Other comprehensive income for the financial period		–	–	53
Total comprehensive income/(loss) for the financial period		–	–	53
Transactions with the owners of the Company				
Contributions and distributions				
Dividends for the period	C4	–	–	–
Share-based payment reserve movements		–	–	–
Transfer between reserves		–	–	–
Other movements in equity		–	–	–
Total contributions and distributions		–	–	–
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		–	–	–
Shareholders' equity at end of the period		4,709	85	(27)

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
550	749	(271)	(7,854)	73,726	66,995	2,328	69,323
–	–	–	–	2,984	2,984	367	3,351
235	–	(37)	(346)	102	(79)	(56)	(135)
235	–	(37)	(346)	3,086	2,905	311	3,216
–	–	–	–	(1,565)	(1,565)	(29)	(1,594)
–	124	–	–	(12)	112	–	112
–	(101)	–	–	51	(50)	50	–
–	–	–	–	(259)	(259)	–	(259)
–	23	–	–	(1,785)	(1,762)	21	(1,741)
–	–	–	–	9	9	(35)	(26)
–	–	–	–	9	9	(35)	(26)
–	23	–	–	(1,776)	(1,753)	(14)	(1,767)
785	772	(308)	(8,200)	75,036	68,147	2,625	70,772

Property revaluation reserve	Share-based payments reserve	Liability credit reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
615	763	(180)	(7,404)	80,964	74,763	3,162	77,925
–	–	–	–	(5,621)	(5,621)	(377)	(5,998)
116	–	86	515	200	970	329	1,299
116	–	86	515	(5,421)	(4,651)	(48)	(4,699)
–	–	–	–	(3,340)	(3,340)	(68)	(3,408)
–	77	–	–	–	77	–	77
24	(20)	–	–	393	397	(397)	–
–	–	–	–	(314)	(314)	(2)	(316)
24	57	–	–	(3,261)	(3,180)	(467)	(3,647)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
24	57	–	–	(3,261)	(3,180)	(467)	(3,647)
755	820	(94)	(6,889)	72,282	66,932	2,647	69,579

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

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 2021 (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 2021, 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 2021 and selected explanatory notes. The interim financial statements have been prepared under the supervision of C.G. Troskie CA(SA) (Chief Financial Officer). The Directors of the Group take full responsibility for the preparation of the interim financial statements and have reviewed and approved the interim financial statements on 30 August 2021.

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 2020 consolidated financial statements.

Amendments to standards effective from 1 January 2021 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 2020.

1.2 Going concern

The Group has performed a detailed going concern assessment in order to support the 2021 interim reporting process. This assessment has relied on the Group's 2021 to 2023 business plan and has considered the profitability and solvency projections over the plan period. Due to the unprecedented impact on our operating environment, the Group focussed on key priorities and management actions to ensure that we were able to appropriately respond to what can be considered a 1-in-100-year event. This along with various economic scenarios modelled during 2020 helped provide appropriate inputs into the Group's business plan. As part of the 2020 planning process, a downside scenario has also been modelled that factored in future waves of infections, with no economic growth until 2022 as well as lower expected market levels.

An updated COVID-19 Scenario Analysis was presented to the Board in April 2021, considering the actual impact of the second wave of infections, as well as the potential outcome of additional waves of infections. The results show that the Group remains sufficiently capitalised with appropriate levels of liquidity and no material uncertainty in relation to the going concern has been identified in the base business plan as well as the downside scenario.

A comprehensive and mature risk management framework is in place which is based on a three lines of assurance model. This ensures disciplined risk-based decision-making in the Group and active control over risk exposures to which earnings and capital are exposed. A comprehensive suite of risk policies is in place to direct how specific risks should be managed and controlled. Appropriate escalation mechanisms are in place for risk events and any breaches in risk limits and targets. A forward-looking Own Risk and Solvency Assessment (ORSA) is conducted annually. This assesses the robustness of the balance sheet in modelled severe conditions and supports the maintenance of strong solvency capital and liquidity positions.

Based on the above reviews, no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next 12 months. The Directors therefore consider it appropriate for the going concern basis to be adopted in preparing the interim financial statements.

1.3 External review and comparative information

The interim financial statements for the six months ended 30 June 2021 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 2020 was not reviewed by the Group's independent auditors. Comparative information presented at and for the year ended 31 December 2020 within these financial statements has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2020.

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 period. Cumulative translation gains and losses up to 1 January 2015, being the effective date of the Group's conversion to IFRS, were reset to zero. Other than in respect of cumulative translation gains and losses up to 1 January 2015, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries, the cumulative amount of exchange differences post 1 January 2015, deferred in shareholders' equity, 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(b) 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 2021		Six months ended 30 June 2020		Year ended 31 December 2020
	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	**20,1628**	**19,7612**	21,2852	21,5169	20,0650
US dollar	**14,5205**	**14,2854**	16,8843	17,3512	14,6836
Kenyan shilling	**0,1336**	**0,1324**	0,1613	0,1628	0,1344
Zimbabwean dollar	**0,1299**	**0,1299**	0,1569	0,1569	0,1335

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 01/2021 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. Adjustments applied in the determination of AHE for the six months ended 30 June 2021 are consistent with those applied for the year ended 31 December 2020.

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 or loss 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. In the current period, this includes the initial recognition of a deferred tax liability on the Group's total investment in Nedbank, as a result of the Group's intention to unbundle a significant portion of its total stake.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

A: Significant accounting policies

A1: Basis of preparation

(c) 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.

(d) Non-core operations

Represents the elimination of the results of businesses or operations classified as non-core. This adjustment represents the net gains or 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.

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 across the world and may not be comparable with similarly labelled measures and disclosures provided by other entities. The basis of preparation of each is outlined below. Non-IFRS measures are unaudited.

(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 B-BBEE 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.

1.7 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these interim financial statements.

A2: Critical accounting estimates and judgements

The preparation of financial statements requires management to make assumptions and judgements, in determining estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 2020, with the exception of certain judgements made in respect of assets and liabilities classified as held for sale and distribution and accounting matters related to Zimbabwe as described below.

Due to the impact that COVID-19 continues to have on the economies of the countries that the Group operates in, additional disclosure on the valuation impacts and sensitivities thereto of the Group's assets and liabilities has been provided in the notes to which they relate in the interim financial statements.

(a) Assets classified as held for sale and distribution

(i) Investment in Nedbank

Accounting for the Group's stake in Nedbank at 30 June 2021

Following the unbundling of Nedbank Group Limited (Nedbank) during 2018, the Group retained a strategic shareholder interest that has been accounted for in terms of the equity accounting method and has been classified as an investment in an associated undertaking.

On 23 June 2021, the Group announced its intention to unbundle 12.2% of its 19.4% stake in Nedbank by way of a distribution in specie. The Group believes that the unbundling is in the best interests of shareholders and allows shareholders to participate directly in the investment cases of both businesses whilst providing a return of capital to shareholders. The remaining 7.2% stake in Nedbank will be retained by the Group.

Classification as an asset held for sale and distribution

Based on the facts and circumstances that existed at 23 June 2021, the Directors have formally assessed and concluded that it is appropriate to classify the 12.2% stake being distributed as an asset held for sale and distribution. In concluding on this judgement, the Directors considered that based on the demonstrated and communicated commitment to unbundle the stake in Nedbank, the probability of obtaining regulatory approvals, the stake is available for immediate distribution in its present form and distribution is expected to conclude within the next 12 months, that this classification is appropriate. Due to the proximity of this date and the interim reporting date of 30 June 2021, we have noted the effective date of classification as held for sale and distribution at 30 June 2021.

No held for distribution liability has been recognised as the distribution has not been approved by the regulators at 30 June 2021.

Accounting treatment as an associated undertaking before classification as held for sale and distribution

Before classification as held for sale and distribution, IFRS requires that the entire 19.4% stake in Nedbank be assessed for impairment. At 30 June 2021, before any impairment tests, the equity accounted carrying value of the investment in Nedbank was R16,828 million. 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 to sell or its value in use. At 30 June 2021, the total value in use was calculated as R16,936 million and the fair value of the Group's stake was R16,901 million.

The Group has recognised a reversal of previously recognised impairments to the value of R108 million to reflect the recoverable amount. As such the value in use of the 12.2% to be distributed is R10,638 million and the value in use of the retained 7.2% is R6,298 million.

Classification of the 12.2% stake to be distributed and the 7.2% retained stake at 30 June 2021

In accordance with IFRS, assets held for sale and distribution must be measured at the lower of the carrying amount and fair value less costs to distribute the asset. As such estimated costs to sell or distribute have been included in the determination of fair value less costs to sell or distribute resulting in a net amount of R10,591 million being classified as held for sale and distribution at 30 June 2021. Accounting guidance also prescribes that upon classification, equity accounting is no longer applied to assets classified as held for sale and distribution.

The retained 7.2% will continue to be classified as an equity accounted associated undertaking until the date of distribution of the 12.2% stake.

Following the planned distribution, the Group will revalue its residual 7.2% stake at the fair value prevailing at the time. Due to the shareholding being significantly less than 20% and per the relationship agreement, the Group will lose the existing Board seat (the Board seat is lost when the stake is below 15%), and it is anticipated that the Group will therefore no longer have significant influence over Nedbank. As such, the retained stake will be accounted for as investments and securities at fair value through profit or loss from that date.

Deferred tax liability on the 12.2% stake to be distributed and the 7.2% retained stake at 30 June 2021

The general principle in IAS 12 is that deferred tax is recognised on all taxable temporary differences, with a deferred tax liability recognised on any increase in the carrying value of an investment over its tax base.

IAS 12 provides for certain exceptions on recognition of deferred tax, one of which was applied in the treatment of Nedbank. As there is now an intention to unbundle a significant stake in Nedbank, a deferred tax liability has been raised. For the 12.2% stake, the difference between the carrying value under IFRS 5 and the tax base of the investment will be a taxable difference in terms of IAS 12. Deferred tax has been recognised on this temporary difference at the capital gains tax rate amounting to R683 million at 30 June 2021.

Whilst the 7.2% retained stake will be accounted for as an investment in an associated undertaking until unbundling, the Group will no longer apply the exception per IAS 12 in terms of the deferred tax recognition. This is also due to the fact that, post unbundling, this stake will no longer be an associated undertaking and will be classified as investments and securities at fair value through profit or loss. Therefore, the difference between the carrying value and the tax base of the investment was a taxable difference in terms of IAS 12. Deferred tax has been recognised on this temporary difference at the capital gains tax rate amounting to R435 million at 30 June 2021.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

A: Significant accounting policies

A2: Critical accounting estimates and judgements

(ii) Other assets classified as held for sale and distribution

In addition to the R10,591 million (12.2%) investment in Nedbank classified as held for sale and distribution discussed above, the Group also classified other investments in associated undertakings (R839 million) and property, plant and equipment (R787 million) and investment properties (R21 million) as assets held for sale and distribution in the normal course of business. It is expected the disposal of these assets will be concluded within the next 12 months.

(b) Accounting matters relating to Zimbabwe

Zimbabwe as a hyperinflationary economy

During the period, the Group concluded that Zimbabwe continued to remain a hyperinflationary economy. This decision was made after careful assessment of the relevant factors including the continued high increase in official inflation rates.

The results of our operations with a functional currency of Zimbabwe dollar (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. Consistent with the prior period, the Group has elected to use the Zimbabwe Consumer Price Index (CPI) of 2,986.4 at 30 June 2021 (31 December 2020: 2,474); 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 first outlined in the 2019 financial statements. The impact of applying IAS 29 in the current period resulted in an increase in net asset value and profit after tax of R156 million.

Application of hyperinflationary accounting

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) announced that the 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 came into operation in the previous year and the rate derived from this system did appropriately reflect the rate for immediate delivery of foreign exchange, the Group had estimated an exchange rate for the ZWL$ that more appropriately reflected observable differences between ZWL$ and US dollar values. For the purposes of 30 June 2021 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 2020 financial statements. The inputs considered in the estimate include global relative fuel prices 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.

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 (ZSE) 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.

IFRS profits earned within Zimbabwe

During the current period, our operations in Zimbabwe reported pre tax IFRS profits of R2.0 billion, of which R1.5 billion was driven by an increase in investment returns earned on the Group's shareholder portfolio. Most of these investment returns relate to fair value gains earned on equities traded on the ZSE. The ZSE generated returns of 135% during the period, driven by investors seeking a safe haven due to the current economic conditions within the country. We caution users of these financial statements that these returns may reverse in the future.

Sensitivities

The table below illustrates the sensitivity of the condensed consolidated income statement and condensed consolidated statement of financial position of the Zimbabwe business to changes in the Zimbabwe CPI:

Condensed consolidated income statement for the six months ended 30 June 2021

Rm	As reported	+100 bps (CPI)	+250 bps (CPI)	+500 bps (CPI)
Total revenue	6,215	6,254	6,311	6,395
Total expenses	(4,214)	(4,257)	(4,308)	(4,395)
Profit before tax	2,001	1,997	2,003	2,000
Income tax expense	(59)	(46)	(44)	(42)
Profit after tax for the financial period	1,942	1,951	1,959	1,958

Condensed consolidated statement of financial position at 30 June 2021

Rm	As reported	+100 bps (CPI)	+250 bps (CPI)	+500 bps (CPI)
Total assets	17,411	17,416	17,424	17,438
Total liabilities	(14,656)	(14,658)	(14,661)	(14,666)
Net assets	2,755	2,758	2,763	2,772

The following table 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 2021 of ZWL$ 85.42 to 1 US dollar, which equates to 1 ZWL$ to 0.17ZAR has also been included.

Rm	As reported	1 ZWL$: 0.06ZAR	1 ZWL$: 0.03ZAR	1 ZWL$: 0.17ZAR
Profit after tax attributable to equity holders of the parent	1,733	866	433	2,231
Equity attributable to the equity holders of the parent	2,465	1,232	616	3,174

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

B: Segment information

B2: Segmental income statement

For the six months ended 30 June 2021 (Unaudited) Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate
Revenue				
Gross insurance premium revenue	6,324	8,542	–	13,323
Outward reinsurance	(19)	(699)	–	(696)
Net earned premiums	6,305	7,843	–	12,627
Investment return (non-banking)	2,242	29,110	4,179	24,734
Banking interest and similar income	1,466	–	–	–
Banking trading, investment and similar income	–	–	–	–
Fee and commission income, and income from service activities	210	3,831	1,047	211
Other income	126	183	41	300
Total revenue and other income	10,349	40,967	5,267	37,872
Expenses				
Net claims and benefits (including change in insurance contract provisions)	(5,147)	(16,300)	–	(31,625)
Reinsurance recoveries	20	1,833	–	1,324
Net claims and benefits incurred	(5,127)	(14,467)	–	(30,301)
Change in investment contract liabilities	(18)	(19,495)	(3,722)	(4,429)
Credit impairment charges	(319)	(34)	–	(61)
Finance costs	–	–	–	–
Banking interest payable and similar expenses	(229)	–	–	–
Fee and commission expenses, and other acquisition costs	(1,232)	(2,214)	(196)	(399)
Change in third-party interest in consolidated funds	–	–	–	–
Other operating and administrative expenses	(2,064)	(3,557)	(823)	(2,117)
Policyholder tax	(106)	(1,178)	(9)	(108)
Total expenses	(9,095)	(40,945)	(4,750)	(37,415)
Share of gains of associated undertakings and joint ventures after tax	–	–	–	–
Impairment of investments in associated undertakings	–	–	–	–
Loss on disposal of subsidiaries and associated undertakings	–	–	–	–
Results from operations	1,254	22	517	457
Shareholder investment return	–	–	–	–
Finance costs	–	–	–	–
Income from associated undertakings	–	–	–	–
Adjusted Headline Earnings before tax and non-controlling interests	1,254	22	517	457
Shareholder tax	(384)	(15)	(148)	(126)
Non-controlling interests	(89)	(1)	(17)	–
Adjusted Headline Earnings	781	6	352	331
Investment return adjustment for Group equity and debt instruments held in policyholder funds	9	20	–	78
Impact of restructuring	(137)	–	–	–
Operations in hyperinflationary economies	–	–	–	–
Non-core operations	–	–	–	–
Headline earnings	653	26	352	409
Adjustments				
Remeasurement of non-current assets held for sale and distribution	–	–	–	–
Impairment of goodwill and other intangibles and property, plant and equipment	–	1	1	–
Reversal of impairment of investments in associated undertakings	–	–	–	–
Profit/(loss) on disposal of subsidiaries, associated undertakings	–	–	8	–
Profit/(loss) after tax for the financial period attributable to equity holders of the parent	653	27	361	409
Profit after tax for the financial period attributable to non-controlling interests	91	4	18	15
Profit/(loss) after tax for the financial period	744	31	379	424

The Group operates within two main geographic areas, being South Africa and other African regions collectively known as Rest of Africa. Note B1 in the audited consolidated financial statements for the year ended 31 December 2020 provides more information about the primary segments of the Group.

Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassifications	Total IFRS
7,836	4,533	(59)	40,499	–	536	41,035
(3,215)	(787)	58	(5,358)	–	(69)	(5,427)
4,621	3,746	(1)	35,141	–	467	35,608
108	2,272	(1,318)	61,327	8,516	5,938	75,781
–	374	–	1,840	–	304	2,144
–	39	–	39	–	33	72
535	515	(646)	5,703	(323)	397	5,777
3	139	1	793	19	(21)	791
5,267	7,085	(1,964)	104,843	8,212	7,118	120,173
(4,508)	(5,042)	80	(62,542)	–	(3,470)	(66,012)
1,863	404	(47)	5,397	–	18	5,415
(2,645)	(4,638)	33	(57,145)	–	(3,452)	(60,597)
–	(311)	151	(27,824)	–	(221)	(28,045)
–	(78)	–	(492)	–	(116)	(608)
–	–	–	–	–	(266)	(266)
–	(141)	–	(370)	–	(23)	(393)
(1,277)	(458)	816	(4,960)	(133)	(126)	(5,219)
–	–	–	–	(7,691)	–	(7,691)
(1,080)	(1,569)	882	(10,328)	(388)	(687)	(11,403)
–	(6)	(127)	(1,534)	–	1,534	–
(5,002)	(7,201)	1,755	(102,653)	(8,212)	(3,357)	(114,222)
–	–	–	–	–	1,074	1,074
–	–	–	–	–	108	108
–	–	–	–	–	(42)	(42)
265	(116)	(209)	2,190	–	4,901	7,091
55	364	734	1,153	–	(1,153)	–
(14)	(45)	(207)	(266)	–	266	–
–	–	1,055	1,055	–	(1,055)	–
306	203	1,373	4,132	–	2,959	7,091
(113)	(119)	(192)	(1,097)	–	(2,643)	(3,740)
(37)	8	–	(136)	–	(231)	(367)
156	92	1,181	2,899	–	85	2,984
–	19	(313)	(187)	–	187	–
–	(5)	(1,119)	(1,261)	–	1,261	–
–	1,720	–	1,720	–	(1,720)	–
–	–	(16)	(16)	–	16	–
156	1,826	(267)	3,155	–	(171)	2,984
–	–	(47)	(47)	–	47	–
–	–	(192)	(190)	–	190	–
–	–	108	108	–	(108)	–
–	–	(50)	(42)	–	42	–
156	1,826	(448)	2,984	–	–	2,984
37	202	–	367	–	–	367
193	2,028	(448)	3,351	–	–	3,351

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

B: Segment information

B2: Segmental income statement

For the six months ended 30 June 2020 (Unaudited) Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate
Revenue				
Gross insurance premium revenue	6,545	7,420	–	14,124
Outward reinsurance	(19)	(648)	–	(501)
Net earned premiums	6,526	6,772	–	13,623
Investment return (non-banking)	(103)	(2,253)	(1,139)	(395)
Banking interest and similar income	1,836	–	–	–
Banking trading, investment and similar income	–	–	–	–
Fee and commission income, and income from service activities	263	3,387	1,066	177
Other income	122	166	32	291
Total revenue and other income	8,644	8,072	(41)	13,696
Expenses				
Net claims and benefits (including change in insurance contract provisions)	(3,697)	(6,152)	–	(11,088)
Reinsurance recoveries	11	666	–	798
Net claims and benefits incurred	(3,686)	(5,486)	–	(10,290)
Change in investment contract liabilities	5	3,284	817	57
Credit impairment charges	(1,367)	(17)	–	(27)
Finance costs	–	–	–	–
Banking interest payable and similar expenses	(384)	–	–	–
Fee and commission expenses, and other acquisition costs	(1,317)	(2,047)	(214)	(222)
Change in third-party interest in consolidated funds	–	–	–	–
Other operating and administrative expenses	(2,068)	(3,182)	(766)	(2,940)
Policyholder tax	103	541	(6)	375
Total expenses	(8,714)	(6,907)	(169)	(13,047)
Share of gains of associated undertakings and joint ventures after tax	–	–	–	–
Impairment of investments in associated undertakings	–	–	–	–
Results from operations	(70)	1,165	(210)	649
Shareholder investment return	–	–	–	–
Finance costs	–	–	–	–
Income from associated undertakings	–	–	–	–
Adjusted Headline Earnings before tax and non-controlling interests	(70)	1,165	(210)	649
Shareholder tax	(9)	(349)	44	(176)
Non-controlling interests	50	–	(15)	–
Adjusted Headline Earnings	(29)	816	(181)	473
Investment return adjustment for Group equity and debt instruments held in policyholder funds	9	26	–	87
Impact of restructuring	447	47	–	–
Operations in hyperinflationary economies	–	–	–	–
Non-core operations	–	–	–	–
Headline earnings	427	889	(181)	560
Adjustments				
Impairment of goodwill and other intangibles and property, plant and equipment and other Headline Earnings adjustments	(1,127)	–	–	–
Impairment of associated undertakings	5	15	–	53
(Loss)/profit after tax for the financial period attributable to equity holders of the parent	(695)	904	(181)	613
(Loss)/profit for the financial period attributable to non-controlling interests	(427)	–	14	(7)
(Loss)/profit after tax for the financial period attributable to equity holders of the parent	(1,122)	904	(167)	606

Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassifications	Total IFRS
7,307	4,531	(381)	39,546	–	192	39,738
(2,658)	(570)	49	(4,347)	–	(57)	(4,404)
4,649	3,961	(332)	35,199	–	135	35,334
114	353	(1,664)	(5,087)	(2,226)	6,555	(758)
–	487	–	2,323	–	(251)	2,072
–	40	–	40	–	172	212
482	505	(731)	5,149	–	133	5,282
(3)	93	(33)	668	18	279	965
5,242	5,439	(2,760)	38,292	(2,208)	7,023	43,107
(5,172)	(3,207)	76	(29,240)	–	(3,909)	(33,149)
2,092	413	(42)	3,938	–	9	3,947
(3,080)	(2,794)	34	(25,302)	–	(3,900)	(29,202)
–	77	14	4,254	–	(283)	3,971
–	(172)	8	(1,575)	–	(24)	(1,599)
–	–	–	–	–	(244)	(244)
–	(145)	–	(529)	–	(45)	(574)
(1,196)	(435)	699	(4,732)	(118)	(54)	(4,904)
–	–	–	–	2,919	–	2,919
(923)	(1,744)	1,757	(9,866)	(593)	(1,286)	(11,745)
–	(49)	35	999	–	(999)	–
(5,199)	(5,262)	2,547	(36,751)	2,208	(6,835)	(41,378)
–	–	–	–	–	241	241
–	–	–	–	–	(8,547)	(8,547)
43	177	(213)	1,541	–	(8,118)	(6,577)
75	124	481	680	–	(680)	–
(20)	(68)	(156)	(244)	–	244	–
–	–	364	364	–	(364)	–
98	233	476	2,341	–	(8,918)	(6,577)
(63)	(166)	41	(678)	–	1,257	579
21	(15)	–	41	–	336	377
56	52	517	1,704	–	(7,325)	(5,621)
–	90	1,123	1,335	–	(1,335)	–
–	18	–	512	–	(512)	–
–	411	–	411	–	(411)	–
–	–	253	253	–	(253)	–
56	571	1,893	4,215	–	(9,836)	(5,621)
–	–	(12)	(1,139)	–	1,139	–
–	–	(8,770)	(8,697)	–	8,697	–
56	571	(6,889)	(5,621)	–	–	(5,621)
(22)	65	–	(377)	–	–	(377)
34	636	(6,889)	(5,998)	–	–	(5,998)

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

B: Segment information

B3: Segmental statement of financial position

At 30 June 2021 (Unaudited) Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate
Total assets	**33,402**	**387,326**	**63,761**	**295,975**
Policyholder liabilities	**(14,964)**	**(352,204)**	**(54,266)**	**(266,804)**
Life insurance contracts liabilities	**(417)**	**(81,840)**	**(3)**	**(60,115)**
Investment contract liabilities with discretionary participating features	**(14,460)**	**(15,948)**	**–**	**(162,610)**
Investment contract liabilities	**(87)**	**(254,416)**	**(54,263)**	**(44,079)**
Property and Casualty insurance liabilities	**–**	**–**	**–**	**–**
Other liabilities	**(15,247)**	**(30,883)**	**(4,947)**	**(28,813)**
Total liabilities	**(30,211)**	**(383,087)**	**(59,213)**	**(295,617)**
Net assets	**3,191**	**4,239**	**4,548**	**358**

At 31 December 2020 (Audited) Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate
Total assets	31,455	361,052	59,845	287,336
Policyholder liabilities	(13,544)	(328,673)	(50,765)	(253,143)
Life insurance contracts liabilities	(195)	(77,893)	(3)	(60,201)
Investment contract liabilities with discretionary participating features	(13,280)	(15,377)	–	(151,384)
Investment contract liabilities	(69)	(235,403)	(50,762)	(41,558)
Property and Casualty insurance liabilities	–	–	–	–
Other liabilities	(14,625)	(28,836)	(5,310)	(33,741)
Total liabilities	(28,169)	(357,509)	(56,075)	(286,884)
Net assets	3,286	3,543	3,770	452

Old Mutual Insure	**Rest of Africa**	**Other Group Activities and inter-company eliminations**	**Consolidation of funds**	**Total IFRS**
19,169	**72,125**	**33,419**	**83,519**	**988,696**
–	**(42,760)**	**2,381**	**–**	**(728,617)**
–	**(8,345)**	**483**	**–**	**(150,237)**
–	**(25,722)**	**–**	**–**	**(218,740)**
–	**(8,693)**	**1,898**	**–**	**(359,640)**
(11,060)	**(3,863)**	**–**	**–**	**(14,923)**
(4,126)	**(12,419)**	**6,245**	**(84,194)**	**(174,384)**
(15,186)	**(59,042)**	**8,626**	**(84,194)**	**(917,924)**
3,983	**13,083**	**42,045**	**(675)**	**70,772**

Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Consolidation of funds	Total IFRS
19,850	65,980	38,884	76,280	940,682
–	(39,106)	2,267	–	(682,964)
–	(7,758)	514	–	(145,536)
–	(23,076)	–	–	(203,117)
–	(8,272)	1,753	–	(334,311)
(11,202)	(3,253)	–		(14,455)
(4,862)	(12,684)	3,022	(76,904)	(173,940)
(16,064)	(55,043)	5,289	(76,904)	(871,359)
3,786	10,937	44,173	(624)	69,323

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

C: Other key performance information

C1: Earnings per share

Cents	Source of guidance	Notes	2021 (Unaudited)	2020 (Unaudited)
Basic earnings/(loss) per share	IFRS	C1(a)	**67.8**	(128.5)
Diluted earnings/(loss) per share	IFRS	C1(b)	**67.0**	(125.9)
Headline earnings per share	JSE Listing Requirements SAICA Circular 01/2021	C1(c)	**71.7**	96.3
Diluted headline earnings per share	JSE Listing Requirements SAICA Circular 01/2021	C1(c)	**70.8**	94.4

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period 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.

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

	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) for the financial period attributable to equity holders of the parent (Rm)	**2,984**	(5,621)
Weighted average number of ordinary shares in issue (millions)	**4,709**	4,709
Shares held in charitable foundations and trusts (millions)	**(18)**	(19)
Shares held in ESOP and similar trusts (millions)	**(121)**	(116)
Adjusted weighted average number of ordinary shares (millions)	**4,570**	4,574
Shares held in policyholder and consolidated investment funds (millions)	**(152)**	(186)
Shares held in Black Economic Empowerment trusts (millions)	**(16)**	(13)
Weighted average number of ordinary shares used to calculate basic earnings per share (millions)	**4,402**	4,375
Basic earnings/(loss) per ordinary share (cents)	**67.8**	(128.5)

(b) Diluted earnings/(loss) per share

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

The following summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

	Notes	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) for the financial period attributable to equity holders of the parent (Rm)		**2,984**	(5,621)
Weighted average number of ordinary shares (millions)	C1(a)	**4,402**	4,375
Adjustments for share options held by ESOP and similar trusts (millions)		**37**	75
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**16**	13
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		**4,455**	4,463
Diluted earnings/(loss) per ordinary share (cents)		**67.0**	(125.9)

(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 01/2021 '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/(loss) for the financial period attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		2021 (Unaudited)		2020 (Unaudited)	
Rm	Notes	**Gross**	**Net of tax and non-controlling interests**	Gross	Net of tax and non-controlling interests
Profit/(loss) attributable to ordinary equity holders (Rm)			**2,984**		(5,621)
Adjustments:					
(Reversal of impairment)/impairment of investment in associated undertakings		**(108)**	**(108)**	8,697	8,697
Impairments of intangible assets and property, plant and equipment		**247**	**190**	1,510	1,132
Remeasurement of non-current assets held for sale and distribution		**47**	**47**	–	–
Loss on disposal of subsidiaries, associated undertakings and joint ventures		**42**	**42**	6	6
Loss on disposal of property and equipment		**–**	**–**	2	1
Total adjustments		**228**	**171**	10,215	9,836
Headline Earnings (Rm)			**3,155**		4,215
Weighted average number of ordinary shares (millions)	C1(a)		**4,402**		4,375
Diluted weighted average number of ordinary shares (millions)	C1(b)		**4,455**		4,463
Headline Earnings per share (cents)			**71.7**		96.3
Diluted Headline Earnings per share (cents)			**70.8**		94.4

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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 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 2021 and 31 December 2020 Rand	2021 (Unaudited)	2020 (Audited)
Net asset value per share	**15.0**	14.7
Net tangible asset value per share	**13.7**	13.5

C3: Return on Net Asset Value (RoNAV)

The following table outlines the calculation of RoNAV for the six months ended 30 June 2021 and the year ended 31 December 2020, using AHE disclosed in the condensed consolidated supplementary income statement. The basis of preparation of RoNAV is described in note A1.6.

Rbn or %	2021 (Unaudited)	2020 (Unaudited)
Total RoNAV (%)	**9.0%**	3.8%
Average Adjusted IFRS Equity (Rbn)	**64.2**	65.2
Closing Adjusted IFRS Equity (Rbn)	**64.2**	64.2

Reconciliation of equity attributable to the holders of the parent to Closing Adjusted IFRS equity (Rbn)

	2021 (Unaudited)	2020 (Unaudited)
Equity attributable to the holders of the parent	**68.1**	67.0
Equity in respect of Nedbank classified as held for sale and distribution	**(9.9)**	–
Equity in respect of associated undertakings	**(5.9)**	(15.8)
Equity in respect of operations in hyperinflationary economies	**(2.5)**	(0.7)
Equity in respect of non-core operations	**(2.0)**	(2.7)
Consolidation adjustments	**0.7**	0.6
Equity attributable to operating segments	**48.5**	48.4
Equity attributable to the Group's stake in Nedbank	**15.7**	15.8
Closing Adjusted IFRS equity	**64.2**	64.2

C4: Dividends

Six months ended 30 June Rm	Ordinary dividend payment date	2021 (Unaudited)	2020 (Unaudited)
2019 Final dividend paid – 75.00c per share	4 May 2020	**–**	3,340
2020 Final dividend paid – 35.00c per share	24 May 2021	**1,565**	–
Dividend payments to ordinary equity holders for the period		**1,565**	3,340

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.

An interim dividend of 25 cents (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the directors and will be paid on 11 October 2021 to shareholders on all registers.

D: Other consolidated income statement notes

D1: Revenue from contracts with customers

Revenue from contracts with customers are disaggregated by primary segment and type of revenue. The Group believes it best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group does not apply significant judgements to determine the costs incurred to obtain or fulfil contracts with customers.

Six months ended 30 June 2021 (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 and inter-company eliminations	Consolidation of funds	Total
Revenue from contracts with customers									
Fee and commission income	210	3,798	1,014	211	515	584	(625)	(323)	5,384
Transaction and performance fees	–	35	33	–	–	326	(19)	–	375
Change in deferred revenue	–	(2)	–	–	20	–	–	–	18
Fee and commission income, and income from service activities	**210**	**3,831**	**1,047**	**211**	**535**	**910**	**(644)**	**(323)**	**5,777**
Non-IFRS 15 revenue									
Banking	1,466	–	–	–	–	750	–	–	2,216
Insurance	6,305	7,843	–	12,627	4,621	4,213	(1)	–	35,608
Investment return and other	2,379	29,315	4,225	25,124	230	7,809	(1,045)	8,535	76,572
Total revenue from other activities	**10,150**	**37,158**	**4,225**	**37,751**	**4,851**	**12,772**	**(1,046)**	**8,535**	**114,396**
Total revenue and other income	**10,360**	**40,989**	**5,272**	**37,962**	**5,386**	**13,682**	**(1,690)**	**8,212**	**120,173**

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D: Other consolidated income statement notes

D1: Revenue from contracts with customers

Six months ended 30 June 2020 (Unaudited) Rm	Mass and Founda-tion Cluster	Personal Finance and Wealth mana-gement	Old Mutual Invest-ments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company elimina tions[1]	Consoli-dation of funds	Total
Revenue from contracts with customers									
Fee and commission income[1]	263	3,352	1,015	177	460	522	(731)	–	5,058
Transaction and performance fees[1]	–	24	51	–	–	122	–	–	197
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

1 *Transaction and performance fees eliminations of (R731) million in Other Group Activities and intercompany eliminations have been reallocated to the fee and commission income line item within Other Group Activities and intercompany eliminations to align to the corresponding intercompany transactions to which it relates.*

E: Financial assets and liabilities

E1: 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. The most material financial asset measured at fair value relates to investments and securities. The Group has exposure to listed and unlisted investments, with a large portion of these investments backing policyholder liabilities.

At 30 June 2021 (Unaudited) **Rm**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	**3,424**	**3,424**	**–**	**–**
Investments and securities	**816,335**	**474,173**	**303,707**	**38,455**
Derivative financial instruments – assets	**7,076**	**–**	**7,076**	**–**
Total financial assets measured at fair value	**826,835**	**477,597**	**310,783**	**38,455**
Financial liabilities measured at fair value				
Investment contract liabilities	**360,522**	**186,453**	**174,069**	**–**
Third-party interests in consolidated funds	**79,309**	**–**	**79,309**	**–**
Borrowed funds	**7,028**	**–**	**7,028**	**–**
Other liabilities	**9,829**	**–**	**9,829**	**–**
Derivative financial instruments – liabilities	**8,203**	**–**	**8,203**	**–**
Total financial liabilities measured at fair value	**464,891**	**186,453**	**278,438**	**–**

At 31 December 2020 (Audited) **Rm**	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,422	3,422	–	–
Investments and securities	767,856	435,562	295,177	37,117
Derivative financial instruments – assets	10,840	–	10,840	–
Total financial assets measured at fair value	782,118	438,984	306,017	37,117
Financial liabilities measured at fair value				
Investment contract liabilities	332,634	168,207	164,427	–
Third-party interests in consolidated funds	73,020	–	73,020	–
Borrowed funds	7,085	–	7,085	–
Other liabilities	11,525	–	11,525	–
Derivative financial instruments – liabilities	11,154	–	11,154	–
Total financial liabilities measured at fair value	435,418	168,207	267,211	–

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For the six months ended 30 June 2021

E: Financial assets and liabilities

E1: Disclosure of financial assets and liabilities measured at fair value

(b) Level 3 fair value hierarchy disclosure

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

30 June 2021 and 31 December 2020 Rm	2021 (Unaudited)	2020 (Audited)
Level 3 financial assets – Investments and securities		
At beginning of the period	**37,117**	38,430
Total net fair value gains/(losses) recognised in profit or loss	**1,392**	(5,156)
Purchases	**1,468**	9,148
Sales	**(1,323)**	(2,485)
Transfers in	**–**	3,360
Transfers out	**–**	(41)
Net movement on consolidated investment funds[1]	**(144)**	(5,651)
Foreign exchange and other	**(55)**	(488)
Total Level 3 financial assets at end of the period	**38,455**	37,117
Unrealised fair value gains/(losses) recognised in profit or loss	**1,344**	(3,130)

1 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 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 R2,732 million were transferred from Level 1 to Level 2 as these securities were not actively traded on their primary exchange during the reporting period.

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 R2,304 million were transferred from Level 2 to Level 1 as these securities were actively traded on their primary exchange during the reporting period.

Pooled investments, equities and debt securities to the value of R492 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 2021, 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 there were no unlisted pooled investments transferred from Level 2 to Level 3.

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

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.

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

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 and interbank swap interest rate curves.

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

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

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

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

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

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
Discounted cash flow (DCF)	**Risk adjusted discount rate:**	
	– Equity risk premium	**3.0% – 20.0%**
	– Liquidity discount rate	**5.0% – 30.0%**
	– Nominal risk free rate	**5.0% – 13.0%**
	– Credit spreads	**1.1% –14.8%**
	– Dividend growth rate	**5.0% – 20.0%**
	– Preference dividend accrual rate	**7.0% – 17.0%**
	– Marketability discount	**8.0% – 30.0%**
Price earnings (PE) model/multiple/embedded value	**PE ratio/multiple**	**3.0 – 15.0 times**
Sum of parts	**PE ratio and DCF**	**See PE ratio and DCF**

E: Financial assets and liabilities

E1: Disclosure of financial assets and liabilities measured at fair value

All the business segments have performed an analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. As all the changes in assumptions are unique to each instrument, the disclosure of the range of changes in the assumptions would not provide the reader of the financial statements with any additional useful information as this is general information and does not relate to a specific instrument.

There has been no change to the nature of the key unobservable inputs to Level 3 financial instruments and the interrelationship therein from those disclosed in the financial statements for the year ended 31 December 2020. 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%. Although the variability of economic indicators may have been more severe during the current period than this, the use of this increment will afford the user the opportunity to assess the impact under multiple economic scenarios.

30 June 2021 and 31 December 2020 Rm	2021 (Unaudited)	2020 (Audited)			2021 (Unaudited)	2020 (Audited)
Types of financial instruments	**Fair values**		**Valuation techniques used**	**Significant unobservable input**	**Fair value measurement sensitivity to unobservable inputs**	
Financial assets						
Investments and securities	**38,455**	37,117	Discounted cash flows (DCF) Price earnings ratios Adjusted net asset values	Equity risk premium Liquidity discount rate Nominal risk free rate Credit spreads Dividend growth rate Preference dividend accrual rate Marketability discount PE ratio/multiple	**Favourable: 3,483** **Unfavourable: 3,273**	Favourable: 2,315 Unfavourable: 2,257

The table below shows the sensitivity of the fair value of investments and securities per type of instrument at 30 June 2021 and 31 December 2020:

Rm	2021 (Unaudited)	2020 (Audited)		2021 (Unaudited)		2020 (Audited)	
				Sensitivities			
Types of financial instruments	**Fair values**		**Most significant unobservable input**	**Favourable impact**	**Unfavourable impact**	Favourable impact	Unfavourable impact
Debt securities, preference shares and debentures	**13,172**	13,991	Discount rate Credit spreads	**545**	**546**	510	500
Equity securities	**22,428**	21,063	Discount rate Price earnings ratio/multiple Marketability discount rate	**967**	**953**	1,555	1,508
Pooled investments	**2,855**	2,063	Net asset value of underlying investments	**1,971**	**1,774**	250	249
	38,455	37,117		**3,483**	**3,273**	2,315	2,257

E2: Financial instruments designated as fair value through profit or loss

The Group has satisfied the criteria for designation of financial instruments as fair value through profit or loss in terms of the accounting policies as described in note E1 of the financial statements for the year ended 31 December 2020. Fair value movements on financial assets designated at fair value through profit or loss is recognised in investment return (non-banking) and banking interest and similar income in the consolidated income statement.

Where the business model of a portfolio met the definition of amortised cost or FVOCI, the Group elected to designate the portfolio at fair value through profit or loss. This was done to eliminate mismatches between the valuation of the investment assets and the valuation of the policyholder liabilities. Policyholder liabilities are valued at fair value through profit or loss and hence the assets backing the policyholder liabilities should also be as fair value through profit or loss.

Designation of instruments as fair value through profit or loss, is consistent with the Group's risk management strategy and investment mandates. The fair value of the instruments is managed and reviewed on a regular basis by the risk and investment functions of the Group. The risk of the portfolio is measured and monitored on a fair-value basis.

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:

	Financial liabilities where the change in credit risk is recognised in OCI			
Rm	Fair value	Current financial period	Cumulative	Contractual maturity amount
Borrowed funds at 30 June 2021	**7,028**	**37**	**308**	**6,750**
Borrowed funds at 31 December 2020	7,085	130	271	6,750

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.

E: Financial assets and liabilities

E3: 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 that are measured 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 fair value of these assets approximates its carrying value, except for loans and advanced for which the fair value is set out below.

The table below shows the fair value hierarchy only for those liabilities not measured at fair value. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table:

Rm	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowed funds at 30 June 2021	**10,066**	**–**	**10,066**	**–**	**10,066**
Borrowed funds at 31 December 2020	10,250	–	10,250	–	10,250

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).

F: Analysis of financial assets and liabilities

F1: Insurance and investment contracts

(a) Critical accounting estimates and judgements – Insurance and investment contract liabilities

(i) Life insurance contract liabilities

Whilst the directors consider that the gross life insurance contract liabilities and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

Pandemic provision

The emergence of the COVID-19 pandemic has had a significant impact on the level of judgement management had to apply in assessing the impact of the pandemic on the cashflows used to measure the insurance contract liabilities. In the 2020 annual financial statements, a short-term provision of R3,962 million for the anticipated impacts of worsening mortality, morbidity and persistency related to COVID-19 during the 2021 financial period was raised. The provision was finalised taking in account experience from early 2021 using available excess mortality and infection data released weekly by the South African Medical Research Council (SAMRC), internal claims experience and other observable sources that have been closely monitored. This data had confirmed wave 2 experience to be significantly worse than wave 1. Based on this data a simplified internal model was developed to estimate the future impact of the pandemic on our business. Due to the uncertainty around the future evolution of the pandemic, the model was developed to ensure suitability of the provision using both internal and external data points while allowing the integration of qualitative information available from subject matter experts. The model catered for differences in the claim lag period observed between the national data and our own claims experience. It was assumed Mass Foundation Cluster would experience a wave 2 of approximately 170% of its wave 1 claims experience while for Personal Finance and Old Mutual Corporate this was set to 200% of their wave 1 claim experience. Although provisions were raised for only wave 2 and wave 3 at December 2020, modelling of future waves were also performed at the time. No allowance was made for these, due to the uncertainty of the evolution of the pandemic and the then envisaged vaccination rollout (which was subsequently delayed and is affected by unexpectedly material vaccine hesitancy).

Rm	Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa	Group
Pandemic provision at 31 December 2020	1,024	1,979	891	68	3,962
Release of 31 December 2020 provision	(645)	(1,353)	(734)	(32)	(2,764)
H1 2021 additional provision	251	1,255	253	218	1,977
Pandemic provision at 30 June 2021	630	1,881	410	254	3,175
H1 2021 experience in (deficit)/excess of the provision	(70)	465	51	180	626
H1 2021 additional provision	251	1,255	253	218	1,977
Pandemic impact related to COVID-19	181	1,720	304	398	2,603

The pandemic impact related to COVID-19 in the table above represents the total impact in the current period Income Statement. The pandemic provision at 30 June 2021 is included within the financial statement line item Life Insurance Contract Liabilities on the Statement of Financial Position.

In light of the of the current wave 3 and emerging expectations of potential future waves, we have increased our provision by R1,977 million bringing the total provision to R3,175 million at 30 June 2021.

In Mass and Foundation Cluster, the claims experience over H1 2021 was better than modelled, and the remaining provision was increased by R251 million due to allowing for excess deaths from additional waves of the pandemic in light of the slower than anticipated rollout of the vaccination programme and the Delta variant being more infectious than what was previously modelled.

In Personal Finance, we raised additional provisions of R1,255 million to allow for the impact of wave 3 being worse than previously modelled as well as additional waves into the future. We have been able to significantly improve the data on which we model the waves for Personal Finance. However, Personal Finance has a higher average age profile than the national population as well as our other segments and future experience remains sensitive to vaccination take up as well as the impact of future virus variants on excess deaths. In response to the pandemic, management is actively encouraging customers to vaccinate through targeted programmes, investigating re-pricing on existing books as well as underwriting practices and pricing on new business. It remains the view of Old Mutual that the long term impacts of the pandemic can be managed within the existing assumptions and management actions available but with provisioning changes and volatility remaining in the short term.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

F: Analysis of financial assets and liabilities

F1: Insurance and investment contracts

In Old Mutual Corporate, we raised additional provisions of R253 million across the Group Assurance Products to absorb the impact of the Delta variant increasing the severity of experience beyond what was priced for with an allowance being made for mortality profit offsets from non-profit annuities. Given the annually renewable contracts in Old Mutual Corporate, it is possible to reprice contracts for the impacts of future waves beyond wave 4. Management has already begun repricing existing contracts that have come up for renewal to allow for expected worsening in experience, in line with our latest updated modelling, at the point of repricing.

Rest of Africa has seen varying mortality claims experience across the different regions and countries. Namibia had the most significant adverse mortality claims experience in the first half of the year. The additional provision raised at the end of June amounted to R218 million for waves 3 and 4, mainly driven by additional provisions raised in Namibia. Detailed data on the impact of the pandemic in countries in the Rest of Africa is sparse, affecting the ability to determine the impact of future waves with high levels of certainty. However, retail life insurance exposures in the Rest of Africa businesses are not significant, with the majority of contracts being annually renewable. To date very limited COVID-19 related experience has been seen outside of SADC both at a national and life company level. However, where appropriate we have provisioned for potential COVID-19 experience using South African experience as a base. At this stage we are comfortable that provisioning in the segment is appropriate given the size, short term nature and mortality profits still being experience on most of the risk books in the Rest of Africa portfolio.

Sensitivities

The following table shows the sensitivity of the Pandemic provision to changes in assumptions:

	Change in Provision			
Rm	**Base**	**Wave 3 +10%**	**Wave 4 onwards +10%**	**Vaccine hesitancy +10 %**
Provision	**3,175**	**193**	**108**	**233**

Discretionary reserves

Insurance and investment contract liabilities in South Africa are determined as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantees;
- Compulsory margins, prescribed in terms of South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of insurance and investment contract liabilities held; and
- Discretionary margins, permitted by SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice.

Discretionary margins of R6,843 million (1.0% of total insurance and investment contract liabilities) were held at 30 June 2021 (December 2020: R6,382 million, 0.9% of total insurance and investment contract liabilities). This consisted largely of:

- Margins held for Mass and Foundation Cluster protection business, which allow for the uncertainty related to mortality experience in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies;
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short-term nature of the equity option market in South Africa;
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk; and
- Margins for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Personal Finance and Wealth Management and Mass and Foundation Cluster businesses.

Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place.

(ii) Property and Casualty liabilities

Despite an inherent uncertainty regarding the exact timing and amount of payments related to COVID-19 Business Interruption (BI) claims, management and the directors remain comfortable that the 2020 gross claims provisions and reinsurance recoveries are adequate to cover the OM Insure liability and are fairly stated. The year to date experience has resulted in the maintenance of the R461 million net best estimate provision determined in the latter half of 2020. Adjustments to the amounts of claims provisions established in prior years are reflected in the profit or loss in the financial statements for the period in which the adjustments are made and disclosed separately if material.

It should be noted that the claims experience and provision results are subject to economic developments, which are unpredictable and often cannot be projected from past reporting patterns. One of the highest areas of uncertainty in the provisioning process are the assumptions.

COVID-19 impacts

By the end of June 2021, there have been a total of 1,943 BI claims received by OM Insure of which:

- 69 were paid in full and final settlement
- 60 partial payments
- 213 SME and other Relief Fund claims settled
- 30 were withdrawn by policyholders
- 4 were rejected
- 943 claims that are not covered and as such 'No cover' letters issued to claimants and
- The remaining 624 are still being assessed.

Claims experiences other than COVID-19 Business Interruption (BI) are closely correlated to the various restriction levels as a result of government response in the wake of wave 2 and wave 3 within the country. During stricter lockdown levels the frequency of claims reduced by up to 70%. This has therefore resulted in challenges to the predictability of 'business as usual' claims.

The table below illustrates the BI claims provisions and payments/recoveries position as at 30 June 2021 within OM Insure, excluding CGIC:

Rm	Gross	RI	Net
Provision as at December 2020	(5,193)	4,732	(461)
Claims paid/(recovered)	442	(181)	261
Provision as at June 2021	**(4,751)**	**4,551**	**(200)**

The net cost of large claims to CGIC , that resulted from the COVID-19 related lockdown increased by R19 million mainly as a result of increased reinsurance cost related to these claims.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

F: Analysis of financial assets and liabilities

F1: Insurance and investment contracts

(b) Analysis of policyholder liabilities

The Group's insurance and investment contracts are analysed as follows:

At 30 June and 31 December Rm	2021 (Unaudited) Gross	2021 (Unaudited) Reinsurance	2021 (Unaudited) Net	2020 (Audited) Gross	2020 (Audited) Reinsurance	2020 (Audited) Net
Life assurance policyholder liabilities						
Total life insurance contracts liabilities	**150,237**	**(3,948)**	**146,289**	145,536	(3,764)	141,772
Life insurance contracts liabilities	**146,286**	**(3,516)**	**142,770**	142,772	(3,475)	139,297
Outstanding claims	**3,951**	**(432)**	**3,519**	2,764	(289)	2,475
Investment contract liabilities	**578,380**	**(3,440)**	**574,940**	537,428	(3,436)	533,992
Unit-linked investment contracts and similar contracts	**357,923**	**(3,425)**	**354,498**	332,829	(3,422)	329,407
Other investment contracts	**1,717**	**–**	**1,717**	1,482	–	1,482
Investment contracts with discretionary participating features	**218,740**	**(15)**	**218,725**	203,117	(14)	203,103
Total life assurance policyholder liabilities	**728,617**	**(7,388)**	**721,229**	682,964	(7,200)	675,764
Property and Casualty liabilities						
Claims incurred but not reported	**2,413**	**(1,013)**	**1,400**	2,092	(860)	1,232
Unearned premiums	**3,419**	**(1,255)**	**2,164**	2,969	(1,136)	1,833
Outstanding claims	**9,091**	**(6,590)**	**2,501**	9,394	(6,414)	2,980
Total property and Casualty liabilities	**14,923**	**(8,858)**	**6,065**	14,455	(8,410)	6,045
Total policyholder liabilities	**743,540**	**(16,246)**	**727,294**	697,419	(15,610)	681,809

(c) Sensitivity analysis

(i) Life insurance contract 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 provision 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 period'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 2021 and year ended 31 December 2020	Change in assumption percentage 2021 and 2020	Increase/(decrease) in liabilities 2021 (Unaudited)	Increase/(decrease) in liabilities 2020 (Audited)
Assumption			
Increase in mortality and morbidity rates – assurance	**10**	**7,265**	6,955
Decrease in mortality rates – annuities (longevity)	**(10)**	**105**	1,011
Discontinuance rates	**10**	**(129)**	3
Expenses (maintenance)	**10**	**1,338**	1,255
Valuation discount rate	**1**	**216**	157

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 for the majority of products selected as the South African debt market 10-year bond yield. For non-profit annuities and protection products, where cash flows are hedged, the liabilities are discounted using the yield curve corresponding to the nature of the hedging assets.

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 as the asset movement fully or partially offsets the liability movement.

The insurance contract liabilities recorded for South African businesses are also impacted by the valuation discount rates assumed. Lowering the discount rate by 100 bps (with a corresponding reduction in the valuation inflation rate) would have no significant impact on insurance contract liabilities or profit in 2021 (2020: no impact). There continues to be no significant impact in 2021 due to management actions taken to reduce the impact of changing interest rates on operating profit.

This impact is also calculated with no change to the charges paid by policyholders.

(ii) Property and Casualty liabilities

Net business interruption claims estimates

The final net business interruption claims estimates remain unchanged from December 2020. Best estimate total claims net of reinsurance recoveries (and including claims already paid and reported to 30 June 2021) are R461 million. A number of sensitivity and scenario tests were conducted in order to determine the potential variability in the eventual outcome of business interruption claims. The key variables tested included: claim amounts; number of additional valid claims still to be submitted by clients; and reinsurance recoveries, allowing for aggregation of claims over time. Old Mutual Insure is actively engaging with reinsurers with regard to reinsurance recoveries. The resulting net business interruption claims estimates range from approximately 40% lower to 40% higher than December 2020 net reserves, illustrating that a significant degree of uncertainty remains.

F2: Borrowed funds

At 30 June 2021 (Unaudited) **Rm**	**Mass and Foundation Cluster**	**Old Mutual Insure**	**Rest of Africa**	**Other Group Activities**	**Total**
Term loans	**7,200**	**–**	**1,716**	**–**	**8,916**
Revolving credit facilities	**–**	**–**	**650**	**–**	**650**
Subordinated debt securities	**–**	**500**	**–**	**7,028**	**7,528**
Total borrowed funds	**7,200**	**500**	**2,366**	**7,028**	**17,094**

At 31 December 2020 (Audited) **Rm**	**Mass and Foundation Cluster**	**Old Mutual Insure**	**Rest of Africa**	**Other Group Activities**	**Total**
Term loans	7,200	–	1,900	–	9,100
Revolving credit facilities	–	–	650	–	650
Subordinated debt securities	–	500	–	7,085	7,585
Total borrowed funds	7,200	500	2,550	7,085	17,335

Breaches of covenants

As at 30 June 2021, the financial covenants on five existing loans were in breach. The funding was raised to support operations in the Rest of Africa segment.

The loans in breach totalled R123 million (US$8.6 million). Waivers for three of the five breached loans were received and the Group is still in negotiation with the lenders to either amend the breached covenants or to provide formal waivers. The lenders of these breached loans have the right to call the outstanding amounts at any time. At 30 June 2021, 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.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

G: Non-financial assets and liabilities

(a): Fair value of the Group's properties

The fair value of the Group's properties is categorised into Level 3 of the fair value hierarchy.

Overall, there has been a decrease in the property assets balance. This was largely attributable to fair value losses, primarily attributed to the South Africa property portfolio.

The majority of the Group's property assets are located in South Africa and are predominantly exposed to the retail property sector. COVID-19 continued to have a negative impact on the ability for retailers to trade during the 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 table below sets out information about significant unobservable inputs used at the end of the period in measuring investment and owner-occupied properties categorised at level 3.

Type of property	Valuation approach	Key unobservable inputs	Range of estimates for unobservable inputs
Income-generating assets – commercial/ retail/ industrial properties and owner occupied properties	Valued using the internationally and locally recognised Discounted Cash Flow (DCF) method. A minimum of five years (if required for specific leases, a longer period is used) of net income is discounted at a market-related rate, together with the present value of the capitalised net income in year six. Net income is determined by considering gross income, vacancies and lease obligations from which all normalised operating expenditure is deducted. The discount rate is determined with reference to the current market conditions and is constantly monitored by reference to comparable market transactions.	Valuation capitalisation and discount rates are based on industry guidelines predominantly from South African Property Owners Association (SAPOA) and Investment Property Databank (IPD) as well as comparison to listed property funds in South Africa. For properties in Bulgaria and Romania, valuation yields and discount rates are based on industry guidelines from the Bulgarian National Statistics Institute and Association of Authorised Romanian Valuers (ANEVAR) respectively. Where market rentals are used, these are based on the valuers assumptions and information they have based on similar valuations they have done or sourced from external brokers. Vacancy rates are based on property specific data.	**South African Properties:** **Retail** Capitalisation rates: 6.75% to 10.00% Discount rates: 11.75% to 15.50% Market rentals: R23 to R2,460 per m^2 Vacancy rates: 0.59% to 29.90% **Industrial** Capitalisation rates: 8.75% to 11.00% Discount rates: 13.25% to 15.00% Market rentals: R36 to R65 per m^2 Vacancy rates: 0.00% to 8.26% **Bulgarian Properties:** **Office** Capitalisation rates: 7.40% to 7.60% Discount rates: 9.10% to 9.30% Market rentals per: EUR : EUR 11 to EUR 12.60 per m^2 Vacancy rates: 2.00% to 2.50% **Romanian Properties:** **Office** Capitalisation rates: 7.20% Discount rates: 8.7% Market rentals: EUR 15 per m^2 Vacancy rates: 2.5% **East Africa** **Office** Capitalisation rates: 7.92% to 9.5% Discount rates: 8.75% to 16.63% Market rentals per: USD 15 per m^2 Vacancy rates: 7.00% to 20.00%

Type of property	Valuation approach	Key unobservable inputs	Range of estimates for unobservable inputs
Land	Valued according to the existing zoning and town planning scheme at the date of valuation. However, there are cases where exceptional circumstances need to be considered.	The land per m^2 and bulk per m^2 are based on comparable sales and zoning conditions. Discount rates are based on industry guidelines predominantly from SAPOA and IPD as well as comparison to listed property funds in South Africa.	**Land** Bulk per m^2 (net): R250 to R1,400

(b) Sensitivity analysis

Six months ended 30 June 2021 and year ended 31 December 2020 **Rm**	**2021 (Unaudited)**	2020 (Audited)
An increase of 1% in discount rates would decrease the fair value by:	**(1,753)**	(1,532)
A decrease of 1% in discount rates would increase the fair value by:	**2,055**	1,666
An increase of 1% in capitalisation rates would decrease the fair value by:	**(2,375)**	(2,673)
A decrease of 1% in capitalisation rates would increase the fair value by:	**3,061**	3,294
An increase of 10% in market rentals per m^2 would increase the fair value by:	**2,870**	2,821
A decrease of 10% in market rentals per m^2 would decrease the fair value by:	**(2,849)**	(2,699)

The assessment above depicts the potential impact on profit or loss as a result of the change in the parameter identified.

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2021

H: Other notes

H1: Related parties

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 2020.

H2: Contingent liabilities and commitments

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

Contingent liabilities – 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.

Tax

The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which the Group operates. All interpretations by management, are made with reference to the specific facts and circumstances of the transaction and in the context of relevant legislation, practice and directives.

Business and tax law complexity may result in the Group entering into transactions that expose the Group to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The Revenue authorities in various jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue Authorities.

The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review.

The Board is satisfied that adequate provisions have been made to cater for the resolution of uncertain tax matters and that the resources required to fund such potential settlements, where necessary, are sufficient. Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

Consumer protection

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

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 $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 licenced US life insurer.

Future potential commitments

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 R1.1 billion. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively). Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Group and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Following the listing of Old Mutual Limited on 26 June 2018, whilst Business Doctor became entitled to exercise the option to put the remaining shares to Old Mutual Limited, the option was not exercised.

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.

H3: Events after the reporting date

In July, South Africa experienced civil unrest in the Gauteng and KwaZulu-Natal provinces. To ensure the safety of our employees and customers we had to close a number of our branches and offices in the affected areas for a week. The direct impact on our business was however limited. Claims associated with the civil unrest are payable by SASRIA and Old Mutual Insure serves as an agent.