Old Mutual plc
Annual Report & Accounts 2016

OLDMUTUAL
Emerging Markets

NEDBANK GROUP

OLDMUTUAL WEALTH

OMAM

INVESTMENT | SAVINGS | INSURANCE | BANKING

OLDMUTUAL

OUR STORY

Old Mutual began in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times. Today, 172 years on, Old Mutual is made up of four strong businesses operating successfully in their respective markets and enabling positive futures for their stakeholders.

WE ARE CHANGING

Implementing our managed separation strategy

In March 2016, we announced a new strategy for Old Mutual plc that seeks to unlock and create significant long-term value for our shareholders. This will be achieved through the separation of the four underlying businesses – Old Mutual Emerging Markets (OMEM), Old Mutual Wealth (OMW), Nedbank and OM Asset Management (OMAM) – from each other. Implementation of the managed separation will require a balance between value, cost, time and risk and we intend for it to be materially complete by the end of 2018.

Since announcing the strategy, Old Mutual plc has had three fundamental areas of focus: ensuring the businesses are ready for independent futures; executing a number of transactions; and winding down the plc Head Office. Consequently, we are now running Old Mutual plc in the manner of an active portfolio manager and not running it as a Group as in previous years.

Contents

Strategic report

Governance

Financials

Business review

OLDMUTUAL Emerging Markets
AOP **£619m** (+1%)

www.oldmutual.co.za

NEDBANK GROUP
AOP **£799m** (+6%)

www.nedbank.co.za

OLDMUTUAL WEALTH
AOP **£260m** (-15%)

www.oldmutualwealth.com

OMAM
AOP **£143m** (-5%)

www.omam.com

'Group' refers to all business interests ultimately owned by the Old Mutual plc entity.

'plc' refers to Old Mutual plc, the ultimate parent and holding company of the Group companies.

'plc Head Office' collectively refers to the plc holding company and the other centre companies of the Group, which typically own and manage the investments across the Group.

Find out more about Old Mutual plc

Annual Report
www.oldmutualplc.com/reportingcentre

Corporate website
www.oldmutualplc.com

Positive Futures Plan
www.oldmutualplc.com/reportingcentre

OLD MUTUAL PLC FINANCIAL
KEY PERFORMANCE INDICATORS (KPIs)

Financial KPIs that we currently use to monitor the performance of our business. We expect to change and adapt these measures to reflect the managed separation strategy.

IFRS PROFIT PRE-TAX

£1,216m

(2015: £1,201m)

BASIC EARNINGS PER SHARE

11.9p

(2015: 12.7p)

Adjusted operating earnings per share[1] (p)

	Actual	Growth
2016	**19.4p**	**+1%**
2015	19.3p	+8%
2014	17.9p	-3%
2013	18.4p	+5%
2012	17.5p	+11%

1 Adjusted operating profit (AOP) is an Alternative Profit Measure used alongside basic IFRS profit to assess underlying business performance. It is a non-IFRS measure of profitability that reflects the directors' view of the underlying long-term performance of the Group. The calculation of AOP adjusts basic IFRS profit for a number of items as detailed in note C1.

Adjusted Return on Equity (RoE)[2] (%)

2016	**13.3%**
2015	14.2%
2014	13.3%
2013	13.6%
2012	13.0%

2 Group adjusted RoE is calculated as AOP (post-tax and NCI) divided by average ordinary shareholders equity (ie excluding the perpetual preferred callable securities). It excludes non-core operations.

plc managed separation costs (£m)

	Total
plc wind-down costs	8
Transaction costs relating to advisory/listing	14
Total	**22**

Capital strength (£bn)

(The Group Solvency II information has not been audited)

	Group Solvency II surplus	Group Solvency II ratio	Financial Group Directive surplus	Financial Group Directive ratio
2016	**1.3**	**124%**	**–**	**–**
2015*	1.7	138%	1.9	166%
2014	–	–	2.1	164%
2013	–	–	2.1	168%

* The Group Solvency II and coverage ratio represents 1 January 2016 position.

OLD MUTUAL PLC NON-FINANCIAL
KEY PERFORMANCE INDICATORS (KPIs)

Our employees
Cultural entropy

Target range 9%-13%

	%
2016	**11.9**
2015	11.9
2014	12.3

We maintained a positive entropy across the Group. Each business has ownership for ensuring a healthy culture is sustained during the managed separation.

Our customers
Customer numbers

	Total
2016	**19.4m**
2015	18.9m
2014	17.5m

OMEM
Nedbank
Other

Customer numbers are an indication of the scale of our business. Growth indicates that we have an attractive proposition for new customers, and are meeting the needs of our existing customers.

Forward-looking statements

This report contains certain forward-looking statements with respect to Old Mutual plc's and its subsidiaries' plans and expectations relating to their financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and general economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in territories where Old Mutual plc or its subsidiaries operate. As a result, Old Mutual plc's or its subsidiaries' actual future financial condition, performance and results may differ materially from the plans and expectations set forth in such forward-looking statements. Old Mutual plc undertakes no obligation to update any forward-looking statements contained in this Report or any other forward-looking statements that it may make.

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

This has been a year of significant change for the Group and for its four businesses, against a backdrop of unprecedented political and economic turmoil in some of our key markets.

Dear Shareholders

Overview of the year

Stock markets and currencies have been especially volatile in the aftermath of the UK's EU referendum and the US presidential election. The forces at play in the financial world, with increasing emphasis by regulators and politicians on ring-fencing and protectionism, support our strategy in ways that could not have been foreseen a year ago.

In March 2016, we announced that we would unlock value for shareholders by separating our underlying businesses, in what we are calling a managed separation. Since then we have made steady progress towards this goal; please see our Group CEO Bruce Hemphill's statement on page 3.

Despite the challenging external environment, our businesses performed resiliently during 2016. AOP earnings per share were 19.4 pence, broadly flat in constant and reported currency (basic earnings per share was 11.9 pence per share, 6% lower than 2015). This was a satisfactory performance.

2016 was the Group's first full year under the Solvency II regime. Our Solvency II capital ratio at the year-end was 124%, lower than in 2015, largely due to currency movements. As in 2015 it did not include the £1.7 billion of surplus relating to OMEM and Nedbank, which we are not permitted to include for regulatory reasons. However, the solvency capital position of all our individual businesses remains robust.

Managed separation

Our managed separation strategy follows the extended period since the original demutualisation and listing during which shareholder returns have been in aggregate disappointing, particularly for South African shareholders. Performance has significantly improved since late 2009 when we launched the original restructuring programme: from end-2009 to end-2016 our market capitalisation on the London Stock Exchange rose to £10.2 billion/R173.3 billion, a total shareholder return of 16.0% per annum in sterling and 22.4% per annum in rand.

Managed separation involves dividing the Group into its four strong businesses – unlocking the value in the current corporate structure by allowing each business to be held by the most appropriate shareholders and removing the risks of the current Group structure. To ensure that each business can stand alone, we have begun a process of enhancing underlying performance relative to each peer group. This has involved, and will continue to involve, making material improvements to our businesses where necessary. In addition, we are reducing the cost of central activities and reducing holding company debt.

During 2016, teams at the Company's Head Office and in the businesses have been developing the optimal strategies, board composition, operating models, leadership and business composition for the businesses as they move towards separation. This is a major exercise, especially in OMEM and OMW; your Board has been kept closely informed and provided oversight and guidance to Bruce Hemphill and his team. We have also spent more time with the subsidiary boards than ever before, exchanging expertise and insight to position each business for greater success.

I have also had greater interaction with our various regulators than in previous years, to keep them appraised of the Board's involvement with the managed separation.

Achieving the managed separation is a complex task but we expect it to be materially complete by the end of 2018.

Responsible business

We recognise the role which corporates have as agents of transformation, and are conscious that our long-term success depends on operating in sustainable societies. We have previously expressed our support for the Sustainable Development Goals (a UN initiative) and have signed the World Economic Forum Compact for Responsive and Responsible Leadership. I am focused on ensuring that, during and after the managed separation, our commitment to operating as a responsible business remains strong. This year, our Positive Futures Plan requires our four businesses to embed programmes dealing with stakeholders and to position themselves as responsible business leaders in their regions. I am proud of the progress we have made to date and we will update you as we complete managed separation. You can read our Positive Futures Plan on our corporate website at **www.oldmutualplc.com/rb**.

Outlook

The dual focus of readying the four businesses for separation and enhancing underlying performance, balancing stakeholder interests against value, cost, time and risk, will continue to demand exceptional leadership and commitment throughout the organisation. Though the global outlook is clouded in uncertainty, the Board looks forward to delivering further milestones on our road to managed separation. We are focused on sustained results and the opportunities to enhance stakeholder returns.

There has been no alteration to Board membership since Paul Hanratty stepped down in March 2016. We are very grateful to Paul for his dedication to the Group in both South Africa and the UK for over 30 years.

On behalf of my Board colleagues, I would like to sincerely thank all our people, particularly those in the Company's Head Office, for their contribution in this time of great change within the organisation.

Patrick O'Sullivan
Chairman

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders

The past year has been one of tremendous change for Old Mutual plc and for many of the countries in which we operate. In March we announced a new strategy, which is intended to create and unlock significant value for our shareholders by eliminating central costs and separating the four underlying subsidiaries from each other. This will give investors direct access to four strong and well-positioned businesses, all with attractive growth opportunities in their chosen markets:

OMEM: an attractive business with a dominant position in South Africa, well-placed to capitalise on sub-Saharan African growth as a diversified financial services provider with strong operations in key East and West African markets.

Nedbank: one of South Africa's four largest banks with very strong corporate, commercial and property finance franchises, and a growth opportunity in the retail market, as well as pan-African optionality through its stake in Ecobank Transnational Inc (ETI).

OMW: a leading, integrated wealth management business, focused on the UK upper and middle market, with strong prospects in a growing £3 trillion market.

OMAM: an institutionally focused, multi-boutique asset management business, delivering strong, diversified growth in attractive asset classes through organic initiatives and acquisitions.

We expect to materially complete the necessary work by the end of 2018, at which point we anticipate the market to begin valuing each business in line with its performance relative to its peers, unlocking the discount at which we believe the Group trades. Shareholders should also be able to realise the full benefit of the central cost savings at that time. Executing this strategy is a complex task, requiring careful balancing of diverse stakeholder interests in the UK and South Africa.

To affect the managed separation, we have focused our efforts on three areas, which I will discuss below. These are: ensuring business readiness for independence; executing the transactions needed for separation, including materially reducing holding company debt; and winding down the plc Head Office.

Ensuring business readiness

Business readiness remains a key determinant of the timing of the managed separation and we continue to deliver on our plans to capacitate the businesses appropriately to stand alone. Naturally, most of the work arises in the two unlisted businesses, OMEM and OMW. Over the course of 2016, we have reviewed their business portfolios, re-evaluated their operating models, and clarified and rearticulated their strategies.

For OMEM, we have concluded that it will focus on Sub-Saharan Africa going forward, and we are working on changes to its operating model designed to deliver meaningful cost savings in the near term and provide a foundation for demonstrating strong cost discipline while delivering business growth as an independent company.

In the case of OMW, we have worked with the management team to build capacity in critical areas such as operations, IT, audit, risk and compliance. We appointed Glyn Jones as the independent chair as well as five additional non-executive directors, each of which will add significant subject-matter and industry expertise to the Board. Following the review of OMW's operations and operating model, we rearticulated its strategy, simplified the business perimeter, and set financial targets that support the attractive investment case of this business. In our view, OMW can achieve significant growth going forward as it delivers increasing operating leverage across its growing asset and adviser base.

We have also worked with our two listed businesses to refine their respective strategies and to sharpen their propositions to investors. We worked closely with OMAM on the acquisition of Landmark, which we believe will contribute meaningfully to the growth and diversification of assets under management (AUM) going forward. Nedbank is a great business, whose management team continues to execute well in a difficult environment. We have worked with them over the course of 2016 to sharpen their focus on costs and on the evaluation of their investment in ETI.

Executing transactions

In December 2016, we executed a market sell-down of our OMAM stake, in line with our plans disclosed previously, reducing our ownership meaningfully from 66% to 51%, with net proceeds of £230 million.

We expect to continue on this path in 2017 and may also execute one or more sales to strategic investors. In January 2017, we completed the sale of OMW Italy for £210 million, simplifying the perimeter of the UK business, in line with the conclusions drawn from the aforementioned strategy review. When we announced the new strategy in early 2016, we committed to investors that we would materially reduce holding company debt, which we did through the repurchase of our outstanding Tier 1 bonds and the redemption of senior debt, for a total of £385 million.

Our current plan for materially completing the managed separation in 2018 envisages one or more transactions to deliver two separate entities, listed on both the Johannesburg Stock Exchange (JSE) and the London Stock Exchange (LSE), into the hands of shareholders. One will consist principally of the OMW operations, the other principally of the OMEM operations, delivered through a demerger and the creation of a new South African holding company, respectively.

Wind down of the plc Head Office

A key part of the strategy is the eventual closure of the plc Head Office in London. So far, we have reduced Head Office headcount by approximately 50%, while continuing to discharge all regulatory and statutory obligations inherent in running a financial services company listed on the LSE and the JSE. Our work on completing the transfer of capabilities needed by OMW and OMEM, and for winding down the remaining plc activities, is progressing and includes the resolution of legacy balance sheet exposures.

This has been an eventful and successful year, with robust business performance in the context of unprecedented political and economic uncertainty. The managed separation strategy will, in our view, unlock and deliver significant value for shareholders and we have made good progress against our implementation plans, with all activities on track to deliver within the timelines set out last year. I would like to echo the chairman's closing remarks in expressing my gratitude to all of our people for the contribution they have made to our businesses and the communities they served over the course of 2016.

Bruce Hemphill
Group Chief Executive

OUR STRATEGY, PRIORITIES AND VALUES

The managed separation remains on track for material completion by the end of 2018. We are focused on executing our plans to prepare the businesses for independence and delivering value to our shareholders.

Old Mutual plc managed separation strategy

Old Mutual plc continues to evolve, having completed a period of simplification since the global financial crisis, we have shifted to focusing on separating the four underlying businesses – OMEM, Nedbank, OMW and OMAM – from each other; with each business having the appropriate governance, capital, management, strategy and operating capabilities to succeed independently and access its natural shareholder base in respective markets. At the same time we are managing the wind down of the plc Head Office. Following the managed separation, the lead regulator for each business will then be the same as the local regulator.

The managed separation of Old Mutual plc into four separate businesses is driven by the limited tangible synergies between the businesses and the evolving regulatory environment in Europe and South Africa adding cost and complexity to the current Old Mutual plc structure, constraining underlying business growth and value potential.

We continue to strengthen our four underlying businesses by investing in technology and capabilities and preparing the businesses to stand alone, whilst maintaining capital strength. In relation to the two unlisted businesses which require the most preparation, OMEM and OMW, we are: clarifying and tightening their strategies; reviewing their portfolios; setting stretch targets; re-evaluating their operating models; and strengthening their Boards and governance; while maintaining a focus on operational performance.

Despite volatile and uncertain market conditions, each of our businesses has exciting growth prospects in sizeable markets, with strong competitive positions.

Implementing our managed separation strategy

As we implement our managed separation strategy, we will be guided by the trade-offs between four principal considerations: the value unlocked, costs involved in delivering the strategy, the time it takes to do so and the risks incurred or mitigated by our actions.

The ultimate nature and timing of the transactions required to execute the strategy depends on factors such as business readiness to standalone, stakeholder consent and available alternatives. Our current intention envisages a phased reduction of our stake in OMAM and the creation of two separate entities both of which will be listed on the London and Johannesburg stock exchanges. One listed entity will comprise principally the operations of OMW and the likely mechanism for achieving this is a demerger to existing shareholders with the possibility of a small IPO element. The second listed entity will involve the creation of a new South African holding company to hold Old Mutual plc's remaining operations. After a period, it is intended that, subject to fulfilling certain conditions, the new South African holding company will distribute to its shareholders a significant proportion of the current Nedbank shareholding, whilst retaining an appropriate minority stake meaning that it will, at that time, consist primarily of the operations of OMEM.

> **"Our current intention envisages a phased reduction of our stake in OMAM and the creation of two separate listed entities"**
>
> **Rob Leith**
> Director of Managed Separation

We also intend to reduce the current plc Head Office and its activities and to make a material reduction in the holding company debt. We have made significant progress in transitioning the capabilities needed by listed companies from the plc Head Office to OMEM and OMW and have reduced the plc Head Office headcount by approximately 50%. We have also reduced the holding company debt with a repayment of £112 million of senior debt in October 2016 and £273 million of Perpetual Preferred Callable Securities in February 2017.

We expect the managed separation to be materially complete by the end of 2018 which includes the reduction of our OMAM stake and the creation of the two separate listed entities. Ideally this would also include the distribution of the Nedbank stake but, if circumstances dictate otherwise, the distribution could occur after that date.

Managed separation strategic priorities

- Working with our businesses to separate from Old Mutual plc, prepare to be standalone businesses and continue to deliver enhanced performance relative to their peer groups
- Stewardship of the managed separation process, balancing value, costs, time, and risks
- Fulfilling Old Mutual plc's ongoing regulatory obligations; and managing its debt obligations, central cost reductions and distributions to shareholders.

Our values

We are committed to being a responsible business with a view to the long term and will focus on areas where our businesses can make a material impact and create meaningful change. Our businesses will continue to be guided by our strong values:

- Respect
- Integrity
- Accountability
- Pushing beyond boundaries.

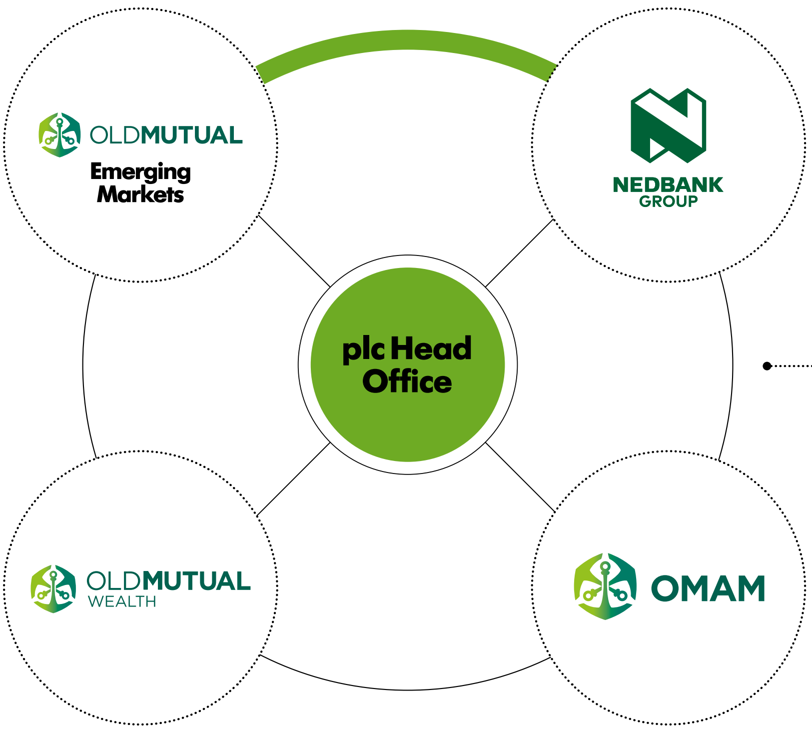
Our businesses' strategies and strategic priorities

OUR BUSINESSES' STRATEGIES	OUR BUSINESSES' STRATEGIC PRIORITIES
Old Mutual Emerging Markets An African financial services champion with strong, differentiated franchises in select emerging markets	—Ensure OMEM remains competitive in South Africa and keeps growing as a market leader, with our asset management capability being recognised as the leading African asset manager —Deliver a sustained turnaround in our Property & Casualty capability —Protect and defend our dominant market positions across the Southern African Development Community (SADC) region —Build an East Africa financial services champion —Drive our businesses in West Africa to achieve scale —Compete on a differentiated basis in Latin America and Asia and make tactical portfolio shifts to create value in the medium to longer term p10
Nedbank Africa's most admired financial services provider by our staff, clients, shareholders, regulators and communities	—Deliver innovative market-leading client experiences —Grow our transactional banking franchise faster than the market —Be operationally excellent in all we do —Manage scarce resources to optimise economic outcomes —Provide our clients with access to the best financial services network in Africa p22
Old Mutual Wealth A unique advice-led, investment and wealth manager blending peer-leading capabilities to build solutions that deliver better customer outcomes	—Grow multi-channel advice capabilities —Deliver good customer outcomes through conviction-based investing and solutions —Leverage scale benefits and drive efficiencies —Deliver market-leading client service p30
OM Asset Management A leading multi-boutique institutional asset management business	—Generate core Affiliate growth through strong investment performance and positive net client cash flows —Invest in collaborative organic growth with existing Affiliates —Increase global distribution opportunities for Affiliates —Execute new Affiliate partnerships —Efficiently manage our balance sheet p40

MANAGED SEPARATION
BUSINESS MODEL TRANSITION

Actively manage the separation of our four strong businesses to realise their full potential as standalone entities, in a manner that creates maximum value to shareholders over time.

Current state



Four strong underlying businesses have benefited from significant investment. Each has excellent growth prospects in sizeable markets, is competitively positioned, with strong balance sheets and appropriate governance.

Our three transition anchors

1

Working with our businesses to separate from Old Mutual plc, prepare to be standalone businesses and continue to deliver enhanced performance relative to their peer groups.

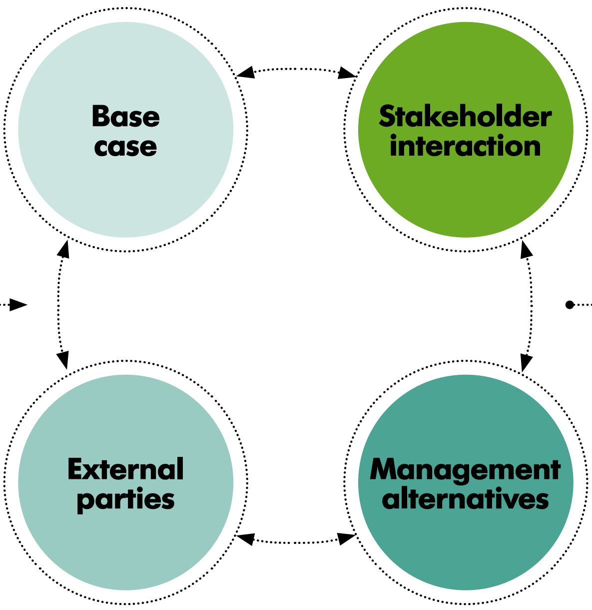
2

Stewardship of the managed separation process, balancing value, cost, time and risk.

3

Fulfilling Old Mutual plc's ongoing regulatory obligations; and managing its debt obligations, central cost reductions and distributions to shareholders.

Managed separation



We have designed a base case route that will be evaluated on an ongoing basis taking into account stakeholder interaction, management alternatives and dependencies on external parties to deliver the managed separation according to our key principles:

Balance **value, cost, time** and **risk**

Focus on **distributing assets** to shareholders

Limit market and **third-party dependencies**

Retain strong operational focus on **subsidiaries**

End state

OLDMUTUAL Emerging Markets

NEDBANK GROUP

OLDMUTUAL WEALTH

OMAM

Four strong independent businesses with continued collaboration between OMEM and Nedbank.

MANAGED SEPARATION
BUSINESS MODEL TRANSITION CONTINUED

Old Mutual plc and our four businesses deploy resources that create value for our stakeholders

Our future success under the managed separation strategy depends on us managing our resources in a different way which sustainably delivers greater value to stakeholders over time.

Financial capital

In 2016, Old Mutual plc generated £1,667 million AOP (pre-tax) (2015: £1,663 million) and FUM were £394.9 billion as at 31 December 2016 (2015: £327.9 billion). The 2016 IFRS profit (pre-tax) was £1,216 million compared to £1,201 million in 2015. We will work with each of our businesses to deliver enhanced performance relative to their peer groups, while repurposing the plc Head Office to become an active portfolio manager and to eventually close.

Human capital

Our businesses recognise that investing in their people is key to partnering successfully with their customers to do great things. We have 68,527 employees across the plc head office and our four businesses and are proud to have a diverse workplace with 53%* of employees being female. Since the announcement of our managed separation strategy in March 2016, we have reduced the number of employees at the plc Head Office by approximately 50%.

Manufactured capital

Our businesses partner with their customers by delivering a range of products through face-to-face support, branch advisers and virtually through digital platforms.

Our businesses will continue to enhance their capabilities and develop innovative solutions to meet their customers' needs.

Intellectual capital

We have four strong brands that are leaders in their respective markets:

OMEM, Nedbank, OMW and OMAM.

Each of the businesses works with its customers to enable their goals. We recognise that partnerships are key to delivering value and we have identified a number of key partnerships to help deliver value at an operational and strategic level. These include the Cambridge Institute for Sustainability Leadership, GlobeScan, Opportunity International and many more.

Social and relationship capital

Old Mutual's four businesses have a role to play in creating a thriving society and have identified the stakeholders with whom they should work to deliver value through the business. The businesses' focus on financial wellbeing and responsible investment will ensure that they are doing their part to support their customers, their families, communities and the wider society.

The four businesses have invested a total of £15.2 million to date in community programmes focusing on financial education and financial literacy. OMEM has committed investment of £3.5 billion in other infrastructure to date. OMEM and Nedbank together are the biggest debt and equity investors in renewables in South Africa with £3.2 billion of committed investment to date.

Natural capital

A clear position on climate change is central to the commitment of our businesses to enable positive futures and their main objective is to play a significant role in the transition to a sustainable-energy future. Our four businesses track and monitor their direct carbon footprint and are deepening their understanding of the carbon intensity of their investment portfolios. Our carbon emissions cover our Scope 1 and 2** emissions in our employee occupied locations and our investment property portfolio. Our total carbon footprint (Scope 1 and 2 emissions) was 489,949 tonnes CO_2e (2015: 502,728). Our carbon intensity for 2016 was 1.2 tonnes CO_2e/£m FUM (2015: 1.5).

The activities of Old Mutual plc and our four businesses enable us to create value for our stakeholders

	£m 2016
Returns to shareholders[1]	**451**
Returns to bondholders[2]	**88**
Taxes to governments[3]	**2,109**

1 Ordinary cash dividend
2 Interest paid on plc debt
3 Total taxes paid and collected.

* Gender split for permanent staff only, including those on long-term disability
** We use Defra stipulated country-specific emission factors for Scope 1 and 2.

AT A GLANCE

Old Mutual plc, the active portfolio manager company whose managed separation strategy will result in four standalone businesses

plc reported

IFRS PROFIT PRE-TAX	ADJUSTED OPERATING PROFIT	ADJUSTED NET ASSET VALUE	TOTAL IFRS GEARING
£1,216m	**£1,667m**	**228.6p**	**15.9%**
(2015: £1,201m)	(2015: £1,663m)	(2015: 178.9p)	(2015*: 16.2%)

* 2015 restated to adjust for equity debt in capital base

OLD MUTUAL Emerging Markets

AOP
£619m
(+1%)

Customers
10.9m
(+2%)

Covered sales (APE)
£679m
(+4%)

We provide
Financial solutions to retail and corporate customers across key market segments in Africa, Latin America and Asia.

Highlights and position
Launched South Africa's first responsible investment equity index fund.

2016 Most Empowered Employment Equity Company Award.

NEDBANK GROUP

(55% shareholding)

AOP
£799m
(+6%)

Customers
7.7m
(+4%)

Credit loss ratio
0.68%
(2015: 0.77%)

We provide
A wide range of wholesale and retail banking services, as well as insurance, asset management and wealth management.

Highlights and position
Headline earnings up 5.9% to R11,465 million.

Nedgroup Investments won Offshore Management Company of the Year at the Annual Raging Bull Awards.

OLD MUTUAL WEALTH

AOP
£260m
(-15%)

Customers
0.8m
(+0%)

FUM
£124bn
(+18%)

We provide
Advice-led and investment solutions to customers in the UK and a number of cross-border markets.

Highlights and position
42% of total FUM managed by OMGI and Quilter Cheviot.

Defaqto Gold rating for UK platform service; Defaqto Silver rating for International platform service.

OMAM

(51% shareholding)

AOP
£143m
(-5%)

Affiliates
8

FUM
£195bn
(+35%)

We provide
A diverse range of investment strategies and products, delivered via a multi-boutique model to institutional investors.

Highlights and position
Achieved solid margins relative to peers and a strong level of revenue growth from net new money flows across core affiliates.

Leading institutional asset manager.

OLDMUTUAL
Emerging Markets

Business review
Old Mutual Emerging Markets

Iain Williamson
Interim Chief Executive Officer

Old Mutual Emerging Markets

"Our integrated financial services offering positions us to meet customers' various financial needs through our leading multi-channel distribution network, our extensive branch network and an enhanced customer experience"

Our strategy

Our strategy is rooted in our vision and brand promise of "Enabling Positive Futures". Our customers span all income segments and include both retail and corporate relationships. Our business model uniquely positions us to deliver on this vision. By focusing on our customers' needs both in our asset gathering (eg, by promoting financial inclusion and providing financial education and advice) and in our asset management (eg, by deploying funds responsibly into infrastructure, renewable energy and housing) activities we remain relevant in the face of social, environmental and technological change. This vision is in line with our heritage and we believe it aligns with the expectations of our current and future customers as well as broader stakeholder groups such as employees we want to attract and retain, the communities we operate in, regulators, governments and shareholders.

We execute on our vision through an integrated financial services offering across our core African markets, where this holistic proposition is most appropriate. This positions us to meet customers' various needs including life insurance, property & casualty insurance, savings, and lending through our unique distribution footprint, with a leading multi-channel network, our extensive branch network and an enhanced customer experience. This enables us to be competitive in the mass market in South Africa and the other markets we serve across Africa. Given the demographic trends in these markets, our strong customer proposition positions us for superior growth and returns into the foreseeable future, to the benefit of all stakeholders.

www.oldmutual.co.za

Business review

Old Mutual Emerging Markets

We are investing in maintaining our strong South African base and positioning it to capitalise on the significant further growth and returns opportunities. At the same time, we are making measured investments in growth markets for the future, principally in East and West Africa. One in two customers and one in three employees are now from outside South Africa. By leveraging our core competencies and resources off this strong base we are able to create a highly-rated and well-diversified business, generating superior growth and cash across our growth markets over a three- to five-year timeframe. During this period we will extend the customer base, grow our sources of earnings, diversify risk and generate a return on equity (on a fully diluted IFRS basis) of between 15% and 20%.

We believe that our integrated financial services customer proposition, which has dominated in Southern Africa, will enable us to succeed in these and other markets that share similar customer profiles and demographic trends; and that we have the skills and competencies to build valuable franchises in other emerging markets in the medium to longer term.

We are well positioned for future growth through our investment in technology and in driving our direct and digital offerings we can deliver product innovations that are also cost effective.

The strength of our story is based on:

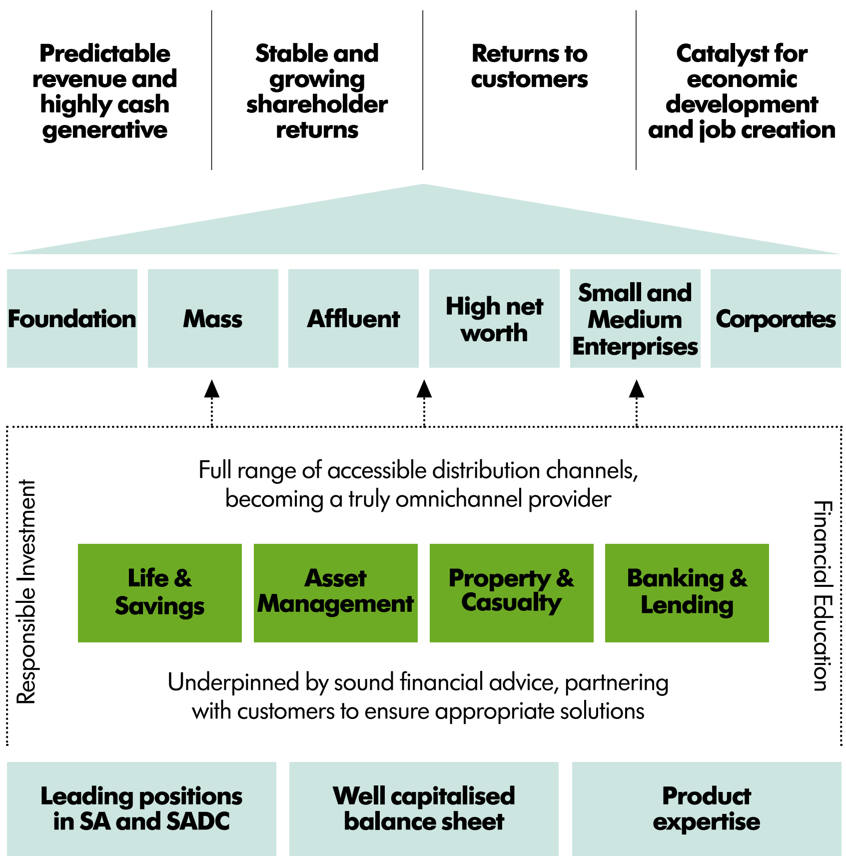
- A leading brand and heritage in financial services in South Africa
- Significant further growth and returns opportunities in South Africa
- Positioning as an African financial services champion in the medium term
- A strategic and preferred partnership with Nedbank
- A track record of strong returns and cash generation combined with disciplined capital management
- A unique distribution network and capabilities, with a leading multi-channel network
- Leveraging capabilities and experience to drive growth
- A strong and focused management team

How our business works

We provide financial solutions to retail and corporate customers across key market segments in 19 countries across Sub-Saharan Africa, Latin America and Asia. These solutions which include life insurance, property & casualty insurance, investments, asset management and credit are underpinned by financial education and advice.

In our insurance, savings and certain lending businesses we are operators, whereas in other businesses we seek to form long-term partnerships (typically distribution platforms such as banks, direct distribution, digital or mobile businesses). We have built a proven track record in delivering shareholder value through such partnerships, with both public and private sector enterprises, and within and across geographical borders. We believe that such mutually beneficial partnerships are a strategic differentiator, unlocking value-added services for customers and growth potential for all partners involved.

OMEM integrated financial services model



Business review

Old Mutual Emerging Markets

South Africa

In South Africa we have strong market share positions in life, property & casualty insurance, asset management and credit solutions. We continue to build leading businesses with attractive economics through growing distribution scale, product innovation, strong partnerships, brand strength, ability to cross-sell, and realising the retailisation opportunity in the corporate customer base.

Rest of Africa

We aim to expand our operations through both acquisitions and organic growth. Over the past year we have significantly increased our sales force, continued building strategic partnerships and alliances, and developed several innovative new solutions to meet our customers' financial needs.

We have leading market share positions in the Southern African Development Community (SADC) markets, where we offer leading financial solutions to our retail and corporate customers.

We are on track to realise our vision of becoming an East African financial services champion. Through our recent acquisitions of UAP and Faulu, we are now in a position to deliver an integrated financial services model which will enable us to offer a full suite of financial solutions to customers. Although the operational performance of the combined UAP-Old Mutual delivered results approximately one year behind our initial expectations, we believe that our desired return on investment will be achieved in the medium term.

In West Africa, our businesses in Ghana and Nigeria are still relatively small but we are growing through our bancassurance partnership with Ecobank Transnational Inc. (ETI) and by leveraging our established capabilities for delivering competitive customer solutions.

Latin America

In Colombia, Mexico and Uruguay, we look to provide leading life insurance, investment and asset management solutions to our customers. We are focused on driving growth through high-quality distribution relationships by leveraging our product and distribution capabilities in South Africa. AIVA continues to deliver results through its third-party agency channel in the affluent segment in Mexico.

Asia

In China and India we look to provide leading life insurance and investment solutions to retail customers through a partnership model, leveraging our product and distribution capabilities in South Africa and competing on a differentiated basis.

Our market environment

Macroeconomic headwinds continued to challenge many of the markets in which we operate, with market and currency volatility remaining high in a year of many unexpected global events and an uncertain domestic political environment. Climatic conditions were also severe in many of our markets with an extended drought further hampering economic growth and extreme weather events permeating through the year. The regulatory environment remains dynamic across our businesses and markets. For example, regulated interest rate caps have been introduced in South Africa and Kenya, which have impacted our lending operations in both markets.

South Africa

During 2016 South Africa averted a credit rating downgrade of its sovereign debt to sub-investment grade status, however, the threat of a downgrade remains with all ratings agencies placing the country on a 'negative' outlook. The South African equity market enjoyed strong growth during the first half but a slowdown in the second half of the year, and by the end of December the All Share index was still c.7% below the all-time peak reached early in 2015. The rand made a strong recovery in the second half of the year to trade around R14/US Dollar, after reaching its weakest levels in history relative to major currencies in Q1 2016.

Despite a challenging environment, we successfully protected and grew our position as South Africa's leading life insurer. Based on market share data as at June 2016, we remain the largest market participant with respect to Annual Premium Equivalent (APE) and have improved our market share by 1.4% across the big five competitors over the past year and by 3.7% over the past five years achieving a total market share of over 29%. In addition to gaining APE market share, we have also significantly increased our share of VNB to 40%, gaining c.9% over one year and 11% over five years. In the Mass and Foundation Cluster (MFC) we have maintained our dominant position with 58% across the big five, increasing by c.10% over the past five years. Our Retail Affluent business maintained an 18% share over both one and five year periods. Old Mutual Corporate continues to perform excellently gaining 5% life APE share over the past year and c.6% over the past five years, now holding a 35% market share. Mutual & Federal (M&F) South Africa remains the industry's second-largest property & casualty player, with 11% of total gross premiums written.

Rest of Africa

Although the US Dollar remains Zimbabwe's official currency, bond notes were introduced in November 2016 and the equity market responded with a 30% rally as investors moved capital to 'safer' value investments. Many African countries experienced currency depreciation in 2016, with Nigeria the most notable with a 50% depreciation in the official rate, whilst the East African economies were generally more stable.

We continue to hold dominant market positions in the SADC region, with leading market positions in Malawi, Namibia and Zimbabwe. In our key growth markets of East and West Africa, we are developing rapidly from a relatively small base. In East Africa we are leveraging our recent acquisitions towards becoming East Africa's leading integrated financial services provider. In West Africa our growth is driven primarily through our bancassurance partnership with ETI, leveraging our established capabilities to deliver competitive customer solutions.

> **We are creating an ecosystem of partnerships and investing to gain early exposure and insights into financial services innovation and disruption models**

Our primary competitors in Sub-Saharan Africa are our large South African insurance peers and local firms, rather than large international insurers.

Asia and Latin America

India remained a growth economy during 2016 and economic growth in China remained high, at 6.7% for 2016, however slowed from previous years. Latin American economies suffered from the lag effects of the 2015 low commodity prices and financial strain from escalating government debt.

In India, our joint venture Kotak Life Insurance continues its excellent performance with growth consistently outstripping peers – the business now ranks seventh out of 23 life companies with a 5% share. In China, our joint venture with Guodian will need to manage some key challenges in the regulatory and distribution space.

Across emerging markets

Across our markets, customer preferences and attitudes are evolving in an 'always on, always connected' world. Digital and mobile technology is changing the way customers interact with financial services providers. Overall, these changes are positive as they drive greater financial inclusion and independence, particularly across Africa; but they also bring new challenges to industry incumbents. Industry convergence is accelerating, and the rise of non-traditional competitors such as mobile network operators is compounded by the emergence of the sharing economy, and 'fintech' and 'insurtech' start-ups that disrupt traditional business models. In response, we are creating an ecosystem of partnerships and investing to gain early exposure and insights into financial services innovation and disruption models.

From a human capital perspective: changes in regulations, the socio-political landscape, an increasingly digital world and a growing move towards localisation are affecting our ability to attract and retain skilled people in each of our markets. To support our growth ambitions, it is critical that we continue developing local talent across both leadership and technical areas as we grow our emerging markets business. To this end, we have established programmes where we have identified high-performing individuals and are mentoring and supporting them in our quest to grow our next leaders from within. We have also crafted a market-leading employee value proposition to enable us to attract the best local talent within each of our markets.

Strategic review of our portfolio perimeter and governance model

During 2016 we communicated the six top priority areas of management focus as we prepare the business for an independent future, with a primary listing in South Africa. This included, amongst others, a review of our portfolio perimeter and our governance model.

We have completed the strategic review of our portfolio of businesses and concluded that we will prioritise our high-return and cash generative businesses in Sub-Saharan Africa and seek to improve returns from our recent investments in East and West Africa. Any changes to our current portfolio of assets and businesses are likely to be effected through various corporate actions which will balance time, value and risk in delivering enhanced value. We will provide further updates as to the timing and nature of any possible consequential transactions in due course.

The governance model review is near completion and aims to simplify our target operating model and unlock efficiencies in our governance structures in order to speed up decision making, effect change and implement our strategy. Our strong executive and experienced management team are committed to successfully lead OMEM through the changes in our organisation, while deepening and building future leadership capabilities from within our diverse talent pool.

Business review

Old Mutual Emerging Markets

Leading in responsible business

Old Mutual has for over 170 years contributed to the socio-economic, political and environmental development of South Africa and its people. Our purpose is to help our customers thrive by enabling them to achieve their lifetime goals, while investing their funds in ways that will create a positive future for them, their families, their communities and broader society. In this way, we significantly contribute to improving the lives of our customers and broader society while ensuring a sustainable future for our business. We do this by:

- Pursuing commercial success in ways that honour ethical values and respect people, communities and the natural environment, and we are purposeful in the role we play in society
- Intentionally deploying our customers' assets in a manner that is in line with environmental, social and governance (ESG) principles
- Being transparent and communicating what we do in a coherent and impactful manner

Our Positive Futures Plan focuses on two areas where we believe we can add value to both the business and society. These are:

- Financial Wellbeing (Financial inclusion and financial education) – driving these outcomes is not only good for Old Mutual but is critical for the long-term sustained growth of the economies in which we operate. Efforts in these areas will helps us attract new customers and retain existing ones – growing Net Client Cash Flows (NCCF), enhancing our persistency rates and increasing mandate terms. The challenge lies in designing, distributing and servicing financial products in a manner that enables positive futures for our clients but also solves for some of societies biggest problems (ie, financial literacy and financial inclusion)
- Responsible Investment – this means allocating and stewarding our customers' capital in a manner that factors in ESG issues as well as driving low carbon, socially inclusive and resource-efficient growth. This is central to achieving appropriate risk-adjusted returns, while at the same time building resilience in the economies in which we operate. Our challenge is to go beyond responsible business and find ways to get capital to productively work in those parts of the economy that need it most.

Our work in the area of responsible business was acknowledged in the 2016 Trialogue Corporate Social Investment Survey, which lists the top ten companies doing the most to uplift and positively impact communities; and the 2016 Sunday Times Brands Survey, which placed Old Mutual amongst the top 10 companies in the "community impact" category.

Some of our responsible business achievements:

- Old Mutual boasts the largest distribution network in South Africa, with a focus on providing financial solutions that reach the neediest members of our society across all provinces
- Old Mutual is a significant player in renewable energy investment, with the recent solar power installation at our Cape Town head office (Mutualpark) being the largest corporate solar carport in the southern hemisphere, making a positive contribution to carbon emission reductions. The installation consists of 3,600 solar panels which generate 1 MWp, reducing Mutualpark's energy consumption by up to 8%
- Old Mutual has made substantial investments in the areas of affordable housing, schools and agriculture. The Schools Fund, for example, with R1.4 billion in assets managed by our investment manager Old Mutual Alternative Investments, has invested in 24 schools, benefiting approximately 16,000 learners and creating jobs for more than 1,000 employees during 2016.

"Our purpose is to help our customers thrive by enabling them to achieve their lifetime goals, while investing their funds in ways that will create a positive future for them, their families, their communities and broader society"

Measuring our performance

OMEM delivered a robust set of results amidst challenging operating conditions. AOP of R12.3 billion is up 3% on 2015, after improved results were achieved in the second half of 2016. IFRS profit of R10.7 billion was 3% down on the prior year, largely due to an impairment on goodwill of R1.3 billion in Old Mutual Southern and East Africa (OMSEA), which is part of the Rest of Africa. The AOP growth was supported by the Life & Savings operations in South Africa, which delivered a strong improvement in Return on Embedded Value from 13.6% in 2015 to 15.7% in 2016. Higher asset-based fee income, lower expenses and the net positive impact of assumption changes of R1.3 billion (2015: R0.8 billion) were partly offset by less favourable risk underwriting experience and new business strain. Net positive assumption changes included the positive impact of transferring classes of the existing risk business into a new fifth tax fund following a change in tax legislation on risk business. The other lines of business in South Africa delivered lower profits as a result of the tougher macroeconomic environment. In the Rest of Africa profits were 18% higher due to a solid performance from the Zimbabwe business and the full year inclusion of UAP.

NCCF was strongly positive at R17.0 billion, with solid growth in covered sales in all regions and large inflows into Old Mutual Investment Group's (OMIG's) Liability Driven Investment boutique in the second half of the year. Outflows were under pressure due to higher disinvestments from savings solutions by mainly retail customers as well as an increase in disability claims in both the retail and corporate segments.

Despite the tough environment we maintained a strong Present Value of New Business Premiums (PVNBP) margin of 3.2% in 2016. Sales volumes contributed positively to the new business margin through improved distribution efficiencies in MFC and Corporate, partly offset by higher distribution costs in Retail Affluent. This was partly offset by the impact of strengthening of operating and methodology assumption changes in South Africa.

The balance sheet remains strong, well diversified and resilient and will be able to withstand a number of shocks, including a possible South African sovereign credit rating downgrade.

Highlights

	2016	2015	Change
			Rm
IFRS profit (pre-tax)	10,723	11,108	(3%)
AOP (pre-tax)	12,333	12,001	3%
Gross sales (Rbn)	213.0	215.5	(1%)
Covered sales (APE)	13,526	12,732	6%
NCCF (Rbn)	17.0	34.3	(50%)
FUM (Rbn)[1]	1,008.7	989.9	2%

1 FUM is shown on an end manager basis.

Strategic priorities and outlook

Our journey so far

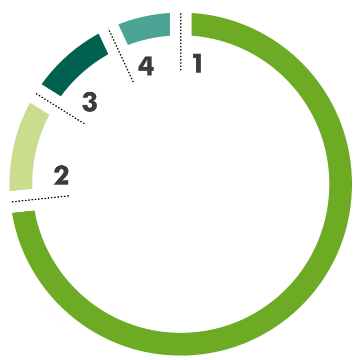
Over the past several years we have focused on:

— Ensuring that our core businesses in South Africa and the SADC region are optimally positioned and future fit

— Laying a strong foundation for growth across the rest of our emerging market businesses

We have made significant strides in achieving these objectives which have delivered high levels of growth and brings us closer to ultimately becoming an African financial services champion with strong, differentiated franchises in other select emerging markets.

AOP (PRE-TAX)* BY LINE OF BUSINESS
(Rm)



1. Life & Savings **R9,467m**
2. Banking & Lending **R1,357m**
3. Asset Management **R1,146m**
4. Property & Casualty **R892m**

* Excludes debt costs of R529m.

Business review

Old Mutual Emerging Markets

Our core businesses in South Africa and SADC have successfully defended and grown their dominant market positions:

- We continue to gain market share in the South African life insurance industry over the past five years, both at total level and across all our business units
- We maintained our dominant market positions across our SADC businesses
- We have a very strong alternatives capability in OMIG which we further bolstered through acquiring the remaining 50% of African Infrastructure Investment Management (AIIM)
- In conjunction with Business Doctor Consortium we have built Old Mutual Finance (OMF) from the ground up. This business now generates more than R750 million of pre-tax profits per annum and is a core component of our mass market business and our integrated financial services offering. In 2015 we increased our stake in OMF from 50% to 75%
- Through the launch of our transactional account (Old Mutual Money Account) in South Africa and Namibia, we are able to complete our integrated financial offering and gain a competitive advantage relative to traditional competitors
- We consolidated our control position in Credit Guarantee Insurance Corporation (CGIC), which complements M&F South Africa and provides a strategic advantage in Africa
- The strength of our core businesses has enabled us to invest in other key growth businesses and markets, to realise our vision of becoming an African financial services champion
- A majority stake in leading East African financial services company UAP, has given us regional presence and scale which will enable us to realise our vision of becoming an East African financial services champion
- A majority stake in Faulu, a leading Kenyan microfinance organisation with a respected brand, extensive branch network and a strong presence in the informal market
- A majority stake in the life and property & casualty businesses of Oceanic (rebranded to Old Mutual Nigeria), a Nigerian-based company has given us access to West Africa's long- and short-term insurance markets
- A majority stake in Ghana-based life company Provident Life (rebranded to Old Mutual Ghana)
- Investment in the Apis Growth Fund, giving us early exposure to fintech innovations in Africa and India

Our progress in 2016

Our focus in 2016 was to position the South African businesses to be future fit and laying a platform for growth. We achieved the following milestones over the past year:

- Good progress with our Integrated Financial Services strategy, continuing the roll-out of retail branches and improving adviser productivity. Our Money Account offering, identified by MoneyWeb as the leading retail banking innovation in 2015, proved popular with customers
- Formed a partnership with some experienced entrepreneurs to build a direct proposition in life and property & casualty insurance, which we expect to rival the market leaders and have already seen substantial progress in the first year of operation
- Progressed the integration of our East African business, rebranding it to UAP-Old Mutual
- Formalised a new distribution agreement with ETI, which will deliver improved revenue for both parties, enhance the distribution opportunity, facilitate customer growth and drive improved retention
- Continue to make good progress on collaboration across Nedbank, OMEM and M&F – we are on track to deliver R1 billion pre-tax value of synergies by the end of 2017
- Received the '2016 Most Empowered Employment Equity Company Award', recognising the progress made in transforming our workplace and driving socio-economic change in South Africa

We formalised two new strategic partnerships which will bolster our traditional distribution reach across our core markets. In South Africa, we entered into a partnership with Telkom. The initial phase of this initiative is focused on the launch of a pre-paid funeral offering, however there are several additional opportunities which are being investigated.

Across the Rest of Africa, our new partnership with Jumo will enable a digital distribution channel for the delivery of products to unbanked customers across the continent.

Our priorities going forward

The South African businesses form the bedrock of the OMEM business and we will ensure that we stay competitive in South Africa and keep growing as a market leader. Integral to this is simplifying and improving the customer experience and enabling our asset management capability (OMIG) to grow and contribute meaningfully to the broader group. This encompasses:

- Enhancing the customer experience by delivering industry-leading solutions, simplifying critical processes and customer communication and improving the accessibility and quality of advice
- Winning in key target markets/customer segments. We will do this by further enhancing our integrated financial services model, further developing the Black Middle Income value propositions, leveraging our mass market dominance into the middle market, and continued investment in the Wealth proposition
- Given changing customer preferences and increased regulatory pressures we will implement changes to our distribution model to ensure we remain future fit
- Unlocking further value through collaboration across Old Mutual South Africa and more broadly Old Mutual, Nedbank and M&F
- Driving growth in OMIG to realise our vision to become recognised globally as Africa's leading asset manager. This will be through: continuing to build an investment track record, strengthen our distribution, leverage our market-leading capabilities in alternative investment to drive growth into Africa and leveraging Old Mutual Specialised Finance (OMSFIN) capabilities to support Old Mutual Life Assurance Company South Africa (OMLAC(SA)) product offerings

In M&F we continue with business performance improvement to deliver a sustained turnaround in profitability to ultimately enable the business to contribute meaningfully to OMEM earnings over time.

This will be done by:

— Restoring the profitability of the core book, through remediation, growing on platform business and enhanced underwriting skills
— Improving the customer experience with new customer value propositions, digital solutions, improved claims processes and improved 'ease of doing business'
— Ensuring that we have the correct skills and talent in place to improve business performance
— Further collaboration across Old Mutual and Nedbank

In the Rest of Africa, we aim to build a business that provides leading financial solutions to customers, primarily through an integrated offering of life, property & casualty, asset management and credit solutions:

— In Southern Africa, we will defend and maintain our leading market positions.
— In East Africa, we will build out an East African Financial Services Champion over the next five to seven years. We have invested significantly in this region and now have a strong platform to drive profit growth which, in time, will be an important source of cash generation. In West Africa, our approach over the next three years is to focus on a capital-light approach, but be ready and able to take on the right inorganic growth opportunities when they arise. To this extent, we will further expand our distribution partnership with ETI, growing our bancassurance premiums

In Latin America and Asia, we will compete on a differentiated basis and make tactical portfolio shifts to create strategic optionality and deliver value in the medium to longer term:

— In Colombia and Mexico, we will continue to drive the growth and profitability of the businesses
— In India, we have a strong partner in Kotak Bank and are exploring options to maximise value for the joint venture
— In China, we are exploring options with our partner to strengthen and optimise our distribution reach.

We continue to invest in IT to enable growth and manage risk, through a refresh of our IT landscape, including improving our direct and digital offerings, replacing legacy systems from time to time and IT enablement of our East Africa business.

In South Africa we are investing to improve the customer experience, add new propositions and address ageing systems. The key driver is to replace IT platforms that will reach end-of-life by 2020 and we have taken the opportunity to enhance our South African retail propositions. We are implementing the changes in a staged manner covering both the enhancing of retail propositions and migrations from the end-of-life platforms.

Having refined our plans we now estimate the total cost of this delivery at R3.1 billion and are holding an additional R350 million as operational risk capital against potential uncertainties and risks related to an investment of this nature. The delivery timeline will run until 2020. To de-risk delivery we have included a strategic implementation partner and entered into fixed price contracts with delivery partners. We continue to take a prudent approach to the capitalisation of intangible assets with c.40% of the annual investment being expensed through AOP. This expenditure aligns with our historic annual spend on strategic IT investments and with our future growth aspirations by enhancing the customer experience through direct and digital offerings. The net financial position of this investment, taking into account the benefits that will be realised, increased cost and depreciation, remains positive. We are committed to growing our investment in technology over time to enable innovative growth of our business and improvement of the customer experience.

Outlook

Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy changes to support growth, and some firming of commodity prices. Economic conditions are however expected to remain challenging in many markets and continued currency and market volatility is likely.

South Africa

Consumers remain under pressure due to subdued economic growth, high inflation and interest rates, and tax increases announced in February 2017. However, the economy is showing signs of recovery with inflation expected to decline below 5.5% in 2017. Interest rates are expected to reduce in the second half of 2017 once inflation remains sustainably inside the 3% to 6% target range. Although the rand has continued its recovery into 2017, it remains volatile amidst political uncertainty. The risk of a downgrade of South Africa's sovereign credit rating remains a threat. While all the ratings agencies maintained the sovereign debt's investment grade rating in 2016, all have placed the country on a 'negative' outlook. An improvement will require a less fluid political environment, improved economic outlook, decisive policy reforms and convincing fiscal consolidation.

Rest of Africa

Africa is expected to deliver growth below the long-term average in 2017, due largely to struggling manufacturing sectors. Persistent low oil prices and falling production in Nigeria could further slow economic growth in the continent's most populous country. On the upside, recent rains are expected to boost agriculture in Southern and Eastern Africa and sustained higher commodity prices may improve growth prospects across the continent.

Asia and Latin America

India is set to continue strong annual growth of at least 7%, propelled by healthy domestic dynamics. Economic growth in China is expected to slow to 6% over the medium term as the government strives to balance growth, stability and financial reform. Latin America is expected to return to growth on the higher commodity prices, however growth is expected to remain slow with high inflation and the influence of the new US administration's stance on the North America Free Trade Agreement.

Business review

Old Mutual Emerging Markets

Managing our risk

Our risk strategy is integrally linked with our business strategy. Our capital allocation decisions consider both the return on risk-based capital and the resultant projected risk profile versus risk appetite, under both normal and stressed business conditions, to ensure that business plans are robust and within the agreed risk appetite limits.

We have embarked on a programme to further enhance our enterprise risk management capability. Some of the key outcomes include better risk-based decision making and capital allocation, a governance framework that is appropriate for a primary listing on the Johannesburg Stock Exchange, improved focus on strategic and forward-looking risks, and a more effective control function using an integrated assurance approach.

Management recognises the value and importance of a good risk management culture to complement risk management processes that accurately identify, measure and manage risk exposures.

Our key risks, summarised in the table below, are closely monitored by management and regularly reported to the Board.

Current impact and risk outlook	Risk mitigation and management actions
1. Macroeconomic conditions	
Emerging markets continue to face a subdued economic environment – particularly in South Africa, where a number of factors could influence economic recovery positively or negatively. A sovereign credit downgrade to sub-investment grade remains possible given weakness in fundamental growth measures. Other factors that could have a negative impact include emerging markets falling out of favour and/or a further decline in commodity prices. Although our balance sheet is very resilient to financial market shocks, our customers are likely to face increased pressure from higher inflation and interest rates, and likely tax increases in 2017 in South Africa. Our Zimbabwe business faces considerable macroeconomic challenges, putting pressure on our customers and our ability to invest in assets that will generate required returns.	We regularly monitor external economic factors and incorporate them into group-wide stress and scenario testing to understand our resilience to severe macroeconomic events. In 2016 we undertook scenario testing on the possible economic impacts of a South African sovereign downgrade. Market and liquidity risks arising from guaranteed products, and the hedges in place to manage them, are actively managed by the Balance Sheet Management team. We focus on quality of business in the low- and middle-income market, which is most impacted by the economic environment, and are intensifying post-sale persistency actions. Asset-based fee risk is managed by offering customers a comprehensive range of internally managed investment solutions and by diversifying our product offering. Our Zimbabwe management team has proved resilient and able to guide the business through a weak and uncertain environment.

Current impact and risk outlook	Risk mitigation and management actions
2. Socio-political risk	
South Africa shows growing signs of social discontent – partly attributable to a significant income divide and high unemployment rates. There is a significant amount of political uncertainty which will also weigh on a possible ratings downgrade. Indigenisation remains on the agenda in Namibia and Zimbabwe, and management continues to engage with regulatory authorities in this regard.	Old Mutual will continue to engage and work with relevant stakeholders to be alert to adverse political developments, including leading the engagement with government and South Africa's 'big businesses' on South Africa's investment case. The Board continues to monitor and assess the impact of political risks. We have implemented strict protocols for media releases and contentious issues to avoid reputational risk and to support healthy stakeholder relationships.
3. Strategic execution risk	
We take on execution risk in pursuing new initiatives that support our business plan ambitions, including large scale IT programmes to replace legacy IT as well as development of digital solutions to meet the expectations of our target markets and improve the customer experience. Execution risk also arises from integrating businesses that we have acquired – particularly in East Africa, where we aim to become an African financial services champion. The managed separation initiative also carries execution risk and is receiving significant management attention.	Independent third-party reviews, strong programme governance and de-risking of deliverables have contributed to a reduction in risk exposure associated with the large and complex South African transformation programme. Our processes are designed to ensure that we understand the risks in newly-acquired businesses and can manage post-acquisition integration. We have our own managed separation project in place to ensure that we strengthen and enhance governance structures and activities previously undertaken or supplemented by Old Mutual plc.
4. Credit and liquidity risk	
Strong growth in our retail lending businesses in South Africa, Zimbabwe and Kenya – as well as in our wholesale investment credit business – has led to an increase in our credit risk exposure. Investment credit risk arises in Old Mutual Specialised Finance and the South African life business, predominantly through the management of credit assets backing annuity products but also through direct wholesale credit exposure on shareholder funds. Retail credit risk originates from our retail lending franchises. Liquidity risk arises predominantly in the retail lending businesses, our wholesale investment credit business and from certain derivative transactions.	We have commissioned independent reviews to ensure that individual businesses' credit risk management and governance frameworks are elevated to best market practice levels, and to secure an appropriate balance of risk and return. We have defined exposure limits and early warning thresholds for wholesale and retail credit risk exposure that remained within their target range throughout 2016. We follow a prudent credit origination process and continuously monitor credit analytics to allow proactive remedial action. Liquidity risk is managed by our Balance Sheet Management team at enterprise level, with oversight from the central risk team. Management in our banking subsidiary Central African Building Society (CABS) in Zimbabwe has navigated the systemically stressed liquidity environment and the knock-on impacts on counterparty credit risk. This is expected to remain a challenge due to the public's lack of confidence in bond notes. We regularly perform stress tests on credit and liquidity risk to ensure exposure remains within risk appetite under stress events.

Business review

Old Mutual Emerging Markets

Current impact and risk outlook	Risk mitigation and management actions
5. Regulatory and market conduct risk	
Significant regulatory change in South Africa and other emerging markets drives changes in operating models, processes and systems. Market conduct risk is increasingly focused on customer outcomes, and we will continue to engage with regulators to promote financial inclusion and positive outcomes for customers. The Retail Distribution Review will increase the responsibility of the Financial Adviser's role and, due to Old Mutual's large tied sales forces, this will increase market conduct risk. The process of embedding a Treating Customers Fairly culture in the organisation is well advanced.	Various projects are underway to ensure compliance with current and forthcoming regulatory changes. Management engages regularly with the regulator to ensure positive outcomes for customers and other stakeholders. In line with both local and international trends, we have focused on improving the efficacy of our control environment with respect to anti-money laundering and counter-financing of terrorism, as well as increasing awareness of how these risks could manifest themselves across our integrated financial services business. This work will continue as part of a multi-year programme.
6. Cybercrime	
This risk could manifest in a number of different ways, including breaches of client confidentiality or unauthorised payments if treasury systems are attacked. As the use of digital channels increase, the level and nature of cybercrime will keep changing.	We have made substantial investments in our ability to mitigate cybercrime, focused on prevention, detection and response, and governance and awareness. Moreover, we recognise that ongoing investment is needed to keep pace with changing risks.
7. Disruptive new digital technologies	
There is a threat that new digital technologies could lower barriers to entry and result in financial products being commoditised, thereby changing the nature of competition. New competitors could also develop a digital delivery channel that is more appealing to customers, causing us to lose market share.	Our business strategy is increasingly designed around a customer-centric model. Our processes and systems are aligned to support this strategy, including digital distribution and data analytics to better understand the needs of customers. We believe we have the resources and flexibility to adapt quickly and copy new models that show signs of success.

Blue Marble Farmers, Zimbabwe.

Smallholder farmers in Zimbabwe insured against drought

> **Old Mutual is proud to be a founding partner of Blue Marble Microinsurance, offering protection to vulnerable societies**

In Zimbabwe, there is a significant shortfall in local maize production. Smallholder farmers struggle to get loans because rainfall is uncertain and affects their ability to repay. In response to this challenge, in 2016 we launched *Ruzhowa*, a drought insurance protection product for smallholder maize farmers. *Ruzhowa*, in the local language, Shona, refers to a fence around the homestead that protects the household assets such as cows. In the same way, Old Mutual's Ruzhowa protects farmers by paying them if there is a drought. Under this new crop insurance initiative we use satellite data to automatically determine when farmers experience a drought. We then make an appropriate payment depending on when the drought occurred in the planting season. This microinsurance venture was developed by Blue Marble Microinsurance, a group of eight companies collaborating to extend protection to underserved markets.

Business review Nedbank

Mike Brown
Chief Executive Officer

Nedbank

"Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services, as well as insurance, asset management and wealth management solutions"

www.nedbank.co.za

Our strategy

Nedbank Group is a diversified financial services provider offering a wide range of wholesale and retail banking services, as well as insurance, asset management and wealth management solutions. We deliver our products and services through four main business clusters: Nedbank Corporate and Investment Banking, Nedbank Retail and Business Banking, Nedbank Wealth and Rest of Africa.

Nedbank Group is listed on the Johannesburg and Namibian Stock Exchanges: at the end of 2016 our market capitalisation was more than R118 billion and Old Mutual plc owned a 55% stake.

How our business works

Our primary market is South Africa and we are expanding into the Rest of Africa. Outside of South Africa, we operate in six countries in the Southern African Development Community (SADC) and the East African region, through subsidiaries and banks in Lesotho, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe; and we have representative offices in Angola and Kenya.

In West and Central Africa we have a partnership strategy and a shareholding of approximately 21% in Ecobank Transnational Incorporated (ETI). Outside Africa we have a presence in key global financial centres to provide international financial services for South Africa-based multinational and high-net worth clients in Dubai, Guernsey, the Isle of Man, Jersey, London and Toronto.

Our market environment

Nedbank ranks as a top-five bank by assets on the African continent and ETI ranks within the top 10. We are South Africa's fourth-largest bank by market capitalisation, total assets and headline earnings. We are a top-two corporate bank and a market leader in commercial property and renewable energy and have a strong position in household motor finance, household deposits and card acquiring. Through our pan-African banking alliance with ETI we give our customers access to Africa's largest banking network.

"Nedbank ranks as a top-five bank by assets on the African continent and is South Africa's fourth-largest bank by market capitalisation, total assets and headline earnings"

Market dynamics

Unprecedented and accelerated change has resulted in uncertainty and volatility across many fronts including political, economic, social, technological and digital, environmental and regulatory. Effectively managing the increased risks to delivery and execution is as critical as harnessing the power of accelerated change for outperformance to achieve our strategic objectives and meet our stakeholders' evolving expectations.

Macroeconomic drivers

Growth in South African economic output is slowly recovering; but it is still weak and confidence remains low. Political developments and lack of progress on policy reform present an ongoing risk of a sovereign ratings downgrade to sub-investment grade. The rand remains volatile, with unfavourable domestic political developments hurting the currency and increasing South Africa's risk premium.

In the Rest of Africa, most economies are still struggling to address the structural and fiscal implications of lower commodity prices and accompanying lower growth. In the short term we expect continued pressure and volatility, particularly in those countries that are less diversified and over-reliant on oil and resource-linked revenues. The timeframe of the 'Africa rising' narrative has become less certain, with varied schools of thought on how soon these economies could recover. Over the longer term, sustainable economic growth in the Rest of Africa is estimated to be three to five times higher than in South Africa.

Social drivers

Despite decades of growth and rising per-capita income in Africa, social, environmental and economic challenges such as poverty, inequality, resource constraints and climate change have persisted. In Sub-Saharan Africa particularly, many of these issues are growing in both urgency and gravity.

Competitive drivers

Competition continues to intensify among financial service providers as both established and new entrants target the same client base. In addition, new entrants are joining the market from other industries such as telecommunications and fintech.

Technological drivers

The 'fourth industrial revolution' is driving exponential advancement of technology, forcing financial institutions to rethink the way they do business and choose to compete. New digital technologies are reshaping the value proposition of existing financial products and services and the way these are delivered to, and consumed by, clients. Personalisation, convenience and security are top of mind as digital adoption outpaces predictions. However, it is estimated that over 90% of retail transactions in Sub-Saharan Africa are still cash-based, creating a significant opportunity for growth in digital banking in years to come.

Regulatory drivers

The global financial crisis brought increased regulatory measures to ensure the soundness of banks and the protection of consumers; the most prominent of these are the Basel III regulations on capital adequacy, liquidity and risk data aggregation; anti-money laundering regulations; the Retail Distribution Review; the National Credit Act; and International Financial Reporting Standard 9: Financial Instruments.

Environmental drivers

Protecting the environment and contributing to the development of sustainable food and energy resources are imperative without which we would compromise the ability of future generations to meet their needs.

Business review **Nedbank**

How we operate

Our clients	Our products and services	Our areas of strength and differentiation
Nedbank Corporate and Investment Banking (CIB)		
Corporates, institutions and parastatals with an annual turnover of over R750 million. > 600 large corporate clients	Full suite of wholesale banking solutions, including investment banking and lending; global markets and treasury; commercial property finance; deposit-taking; and transactional banking.	— Leading industry expertise in infrastructure, mining and resources, oil and gas, telecoms and energy — Market leadership in commercial property finance and renewable energy financing — Strong corporate banking relationships — Ranked first in 2016 Spire awards in the following categories: Interest Rate Derivatives House, Market Making Team – Government Bonds, Sales Team – Bonds, Sales Team – Interest Rate Derivatives, and Research Team – Technical Analysis (FX, IRD, Bonds).
Nedbank Retail and Business Banking (RBB)		
Individual clients, as well as businesses with an annual turnover of under R750 million. > 7.4 million retail and small-business clients > 22,000 business banking client groups	Full range of services, including transactional banking; card solutions; lending solutions; deposit-taking; risk management; investment products; and card-acquiring services for business.	— Strong business banking franchise underpinned by an accountable, empowered, decentralised business service model — Leader in corporate saver deposits and debtor management — Strong positioning in household motor finance, household deposits and card acquiring — Received the '2015 Best African Retail Bank of the Year' award at the 2016 Retail Banking Global Conference and Awards — Highly competitive relationship banking offering for affluent clients (professional banking).
Nedbank Wealth		
High-net worth individuals as well as other retail, business and corporate clients. > 15,500 high-net worth clients locally and internationally	Wide range of financial services, including high-net-worth banking and wealth management solutions, as well as asset management and insurance offerings.	— Integrated international high-net worth proposition — Nedbank Private Wealth – 'Best International Wealth Management Provider (UK)' and 'Best International Banking Service (non-UK)', as well as ranked first in the entrepreneur category of the 2016 Intellidex Top Private Banks and Wealth Managers Survey. Euromoney Private Banking and Wealth Management Survey: First place for philanthropic advice — Unique Best of Breed™ asset management model. Nedgroup Investments won 'Offshore Asset Management Company of the Year' for the second consecutive year and achieved third place in the SA Management Company of the Year at the 21st Annual Raging Bull Awards. This is the eighth consecutive year that Nedgroup Investments has been placed in the top three domestic management companies.
Rest of Africa		
Retail, small and medium enterprises (SMEs), and business and corporate clients across the countries we operate in. > 295,000 retail clients	Full range of banking services including transactional, lending, deposit-taking and card products.	— The Ecobank–Nedbank Alliance across 39 countries: the largest footprint in Africa — Banco Único: 'Best Bank in Mozambique' award by the Euromoney Awards for Excellence in 2016 and 2015; 'Best Consumer Digital Bank' by Global Finance, 2015 and 2016. The Banker 2016 'Bank of the year' for Mozambique — Malawi: 'Best Customer Service Bank' for 2016 awarded by Global Banking and Finance

Being responsible

Nedbank recognises that it has a responsibility not only to be good with money, but more importantly to do good with it. Our core purpose as a bank is therefore to use our vast financial expertise and leverage our lending capabilities to do good for individuals, businesses and greater society across our country, continent and, indeed, anywhere in the world where we can deliver a positive impact. By seeing money differently in this way, we are confident that we will achieve our vision to be Africa's most admired financial services provider.

Our material contributions to society in the 2016 year included loan payments of R162 billion in support of our clients, contributing R141 million to socio-economic development, purchasing 75% of our procurement spend locally and winning the 'Best Supplier and Enterprise Development Project' award in recognition of our support of local SMEs, supporting students in the '#Fees must fall' campaign by contributing R11 million towards bursaries, registration fees and student debt. This is in addition to our many learnerships, our own graduate programme and financial support provided to tertiary institutions.

Our Fair Share 2030 strategy enabled more than R2.3 billion of new lending to support student accommodation and embedded energy in the commercial and agriculture sectors. Our Fair Share 2030 lending was bolstered by our investment in sustainable development such as renewable-energy lending and support for green buildings. We have committed R35 billion towards renewable-energy deals, of which R13 billion has been disbursed to date. Our pipeline for the funding of green buildings continues to grow with more than R5.2 billion committed over the next two years. We have maintained our level 2 Broad-Based Black Economic Empowerment (B-BBEE) contributor status for the eighth consecutive year.

Measuring our performance

Nedbank Group's managed operations produced an excellent performance for the year ended 31 December 2016, driven by net interest income (NII) and non-interest revenue (NIR) growth, while historic loan origination practices and focused credit risk management enabled the credit loss ratio (CLR) to remain below the midpoint of our through-the-cycle (TTC) target range. Headline earnings grew 5.9% to R11,465 million and, excluding the equity accounted losses and the funding costs within NII of the investment in ETI, our managed operations grew headline earnings by 16.2% to R11,839 million.

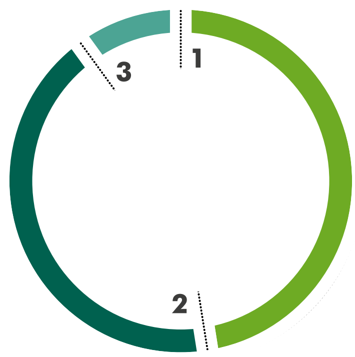
Diluted headline earnings per share (DHEPS) increased 4.8% to 2,350 cents (2015: 2,242 cents) and headline earnings per share (HEPS) grew by 5.1% to 2,400 cents (2015: 2,284 cents). Excluding ETI, DHEPS was up 15.1%.

Highlights

	2016	2015	Change
			Rm
IFRS profit after tax attributable to equity holders of the parent[1]	**5,617**	6,037	(7%)
AOP (pre-tax)	**15,925**	14,729	8%
Headline earnings	**11,465**	10,831	6%
Net interest income	**26,426**	23,885	11%
Non-interest revenue	**23,503**	21,748	8%
Net interest margin	**3.41%**	3.30%	
Credit loss ratio	**0.68%**	0.77%	
Efficiency ratio[2]	**56.9%**	56.1%	
Return on equity	**15.3%**	15.7%	
Return on equity (excluding goodwill)	**16.5%**	17.0%	
Common equity Tier 1 ratio	**12.1%**	11.3%	

1 IFRS profit after tax and non-controlling interest attributable to Old Mutual plc
2 Total operating expenses divided by: net interest income, non-interest revenue and associate income.

AOP (PRE-TAX) BY CLUSTER*
(Rm)



1. Corporate & Investment Banking **R7,763m**
2. Retail & Business Banking **R6,903m**
3. Wealth **R1,614m**
4. Rest of Africa **R(281)m**

* Excludes central costs of R74m.

Nedbank

Business review

Nedbank

IFRS profit after tax and non-controlling interest attributable to Old Mutual plc declined by 7% to R5,617 million. This was mainly due to the R1.0 billion impairment provision for ETI and R203 million of recycled foreign currency translation losses on the acquisition of Banco Único.

Return on average ordinary shareholders' equity (ROE), excluding goodwill, of 16.5% (2015: 17.0%) and ROE of 15.3% (2015: 15.7%) reflect a slightly lower return on assets (ROA) of 1.23% (2015: 1.25%), mostly resulting from the loss in equity-accounted earnings from ETI. Economic profit (EP) decreased to R1,565 million (2015: R2,525 million) due to the impact of ETI and a higher cost of equity (COE) of 14.2% (2016: 13.0 %).

Our tier 1 capital ratio of 13.0% (2015: 12.0%) and our average liquidity coverage ratio (LCR) for Q4 of 109.3% (2015 quarterly average: 88.5%) are both well above regulatory requirements of 8.375% and 70.0%, respectively. On a pro forma basis our net stable funding ratio is above 100%.

Strategic priorities and outlook

Nedbank Group is committed to long-term value creation for all our stakeholders, in line with our vision to be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and communities.

Our journey so far

Our five strategic focus areas were refined in 2016 and strategic enablers introduced to ensure that we deliver on our medium- to long-term financial targets of increasing our ROE, excluding goodwill, closer to our medium- to long-term target of COE plus 5% (currently estimated around 19%) and reducing our cost-to-income ratio from 56.9% to within our medium- to long-term target of 50.0% to 53.0%. Good progress continued to be made in these key areas.

> **“Nedbank is committed to long-term value creation for all our stakeholders”**

The strategy is defined by the following five key strategic focus areas:

Delivering innovative, market-leading client experiences

We launched competitive and innovative products such as the Nedbank Pay-as-you-use Account; MyPocket; Nedbank GAP Access™; MasterPass™; and 'Interactive Teller'. In addition, a new client relationship management capability enhanced the contact centre experience, increasing volumes by 8% a year. Membership of our Greenbacks Rewards Programme increased 20%, with redemption values increasing 18%.

Digitally-enabled and digitally-active retail clients grew strongly, driving up the value of Nedbank App Suite™ transactions 60% to R25 billion.

To date 44% of our outlets have been converted to new-format branches and we plan to have 63% of all outlets converted by 2018. These outlets are smaller, with fewer staff, and are more digitally focused than traditional branches.

Our Wealth Cluster launched the Nedgroup Investments Global Property Fund, expanding our Best of Breed™ product range. Our digital client value proposition was enhanced through the launch of Contracts for Difference (CFD) on our online stockbroking platform; new digital self-service functionality; QuoteMe, offering funeral and personal accident solutions as well as funeral policy servicing through video capability at all video-enabled Nedbank branches.

Growing our transactional banking franchise faster than the market

Nedbank's retail franchise attracted 3.0% additional main-banked clients, within a total client base of 7.4 million, translating into retail transactional NIR growth of 8.7%. Altogether 69.7% of our retail main-banked clients have more than two other products. Our transactional banking progress was reflected in market share gains in household and transactional deposits to 18.7% and 19.4% respectively.

The CIB integrated model enabled deeper client penetration and increased cross-sell, generating 39 primary-bank client wins. CIB's leadership in key specialist areas supported NIR growth, which was acknowledged by CIB winning nine of the 32 Spire awards for excellence across the commodity derivatives, currency derivatives, fixed-income derivatives and bond markets.

Being operationally excellent in what we do

Cost discipline remains an imperative, with ongoing initiatives such as our strategy to decrease the number of core systems from 250 to 60, of which 21 have been decommissioned in 2016, bringing the total decommissioned to 106; the elimination of duplicative processes; the reduction of the cost to serve and acquire clients; and the reduction of floor space in RBB by 30,000 m^2 by 2020, of which 18,743 m^2 has been achieved since 2014. Nedbank Wealth made good progress towards implementing a single policy administration system in insurance,which will support operational excellence.

We remain on track for delivery by Old Mutual of the full target of R1 billion of pretax run rate synergies in 2017, of which approximately 30% should accrue to Nedbank. To date this has amounted to over R250 million for Nedbank, driven largely by procurement and technology services.

Managing scarce resources to optimise economic outcomes

We maintained our focus on growing activities that generate EP, such as growing transactional deposits, with current accounts up 9.3%; increasing transactional banking activity, with commission and fees up 6.8%; and achieving earnings growth of 15.5% in CIB and 11.2% in RBB. Our selective origination of personal loans, home loans and commercial-property finance has proactively limited downside risk in this challenging operating climate, enabling a CLR of 68 bps, below the midpoint of our TTC target range. At the same time our balance sheet metrics remain strong and we continue to deliver good dividend growth.

> **“Despite challenging macroeconomic conditions, the long-term growth potential of financial services in the Rest of Africa cannot be overlooked”**

Giving clients access to the best financial services network in Africa

The macroeconomic environment in the Rest of Africa remains challenging due to slowing economic growth, foreign exchange and liquidity shortages, and increasing regulatory pressures across a number of jurisdictions.

In Central and West Africa, since the establishment of our alliance with ETI, 192 accounts have been opened in 25 countries for 82 of our wholesale clients that bank with ETI. We work closely with ETI on joint pipeline deals in the power and infrastructure sectors, and opportunities in trade and commodity finance.

In SADC and East Africa we successfully implemented our Flexcube core banking system in Namibia and Swaziland, and we continued to launch new products and grow our distribution footprint. Our shareholding in Banco Único increased by 11% to 50% plus one share in October 2016 as a progression of the 2014 transaction.

Despite challenging macroeconomic conditions, which are likely to persist for 2017, the long-term growth potential of financial services in the Rest of Africa cannot be overlooked. We therefore remain committed to our strategy and investments in the Rest of Africa and continue to support ETI as our partner in Central and West Africa.

Nedbank's strategic investment in ETI has been impaired in accordance with the IFRS accounting considerations and the main driver of this was the significant change in the economic estimates and macroeconomic assumptions from Nigeria. ETI remains an important long-term investment for Nedbank, providing our clients with a pan-African transactional banking network across 39 countries and access to dealflow in Central and West Africa since its acquisition in 2014. We remain supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course, and our 21.2% shareholding offers our shareholders the opportunity to participate in this growth over time. Conditions in the key markets in which ETI operates are currently expected to remain difficult in 2017, before improving in 2018 and beyond.

Business review **Nedbank**

Managing our risk

The success of a bank lies in its ability to manage risk effectively, while creating value for its stakeholders. Nedbank has embedded a mature culture of risk management that understands, proactively identifies and measures risk, resulting in effective pricing for risk.

Our approach to manage and govern risk has been, and continues to be, the Group's Enterprise-wide Risk Management Framework, which sets out the Group's risk universe and major risk classifications, and assigns Board and executive responsibility thereto. The organisation has placed a strong reliance on this risk governance framework.

Through our sound risk management culture and robust Enterprise-wide Risk Management Framework, we are well placed to make risk management a competitive differentiator.

Current impact and risk outlook	Risk mitigation and management actions
1. Market risk	
Heightened volatility currently exists in financial markets with events such as Brexit, the US presidential elections and South African political instability. As a result, market liquidity risk is heightened with demand outweighing supply and market structure/participant uncertainty and/or possible disruption.	The business and risk plans have adopted a heightened focus and strengthening in trading markets environment and continue to assess the impact of the Fundamental Review of the Trading Book on the bank's trading business. We continue to actively manage our trading portfolio against the backdrop of a volatile local and international trading environment within the risk appetite of the bank.
2. Strategic and execution risk	
Fundamental shifts in both the financial services landscape and technology mean that banks are now, more than ever, expected to be innovative, agile and mobile. There is a high execution risk in an attempt to shift complex operations fundamentally to ensure that we remain relevant and continuously adapt to the operational environment. There is also a risk in respect of our capacity to execute the cultural change required and the timelines within which to achieve our desired strategy.	A comprehensive 2017–2020 Nedbank Group business plan inclusive of a risk plan ensures that our strategy takes full account of both upside and downside risk. Execution is tracked monthly through internal reporting.
3. Regulatory and compliance risk	
Regulatory and compliance requirements applicable to banks are increasing with tight timelines for compliance.	Our response to the increasing regulatory and compliance requirements are a formal R3 billion regulatory change programme that seeks to leverage the implementation of regulatory and compliance requirements as a competitive differentiator by ensuring that the business case and client experience is incorporated efficiently in the fulfilment of regulatory requirements.
4. Credit risk	
Credit risk is heightened as a natural reaction to the challenging macroeconomic and high inflation and interest rate as well as political environments given the historically low credit loss ratios, particularly in our retail secured lending portfolios. This risk is heightened due to a potential sovereign ratings downgrade in South Africa.	We have displayed excellent credit risk management through the global financial crisis and continue to do so with strategic portfolio tilt as a key strategic principle, and this is designed to continue. We have historically low credit loss ratios, particularly in our retail secured lending and commercial property finance portfolios. We have strategically positioned our portfolios to maximise profitability while still operating within acceptable credit limit thresholds.

Current impact and risk outlook	Risk mitigation and management actions
5. Financial crime risk	
Financial crime has increased due to the challenging macro and political environments. Heightened cyber-risks and information security risks are exacerbated by the digital revolution. In addition, the pending Financial Intelligence Centre Amendment Act will ensure that AML, CFT and sanctions will shift from pure compliance to a risk-based approach.	Significant investment in cyber security prevention and protection continues as we employ world-class systems while communicating increased awareness of risks to staff along with learning programmes.

Video ATM, Johannesburg

We recognise that access to banking is a key enabler to prosperous societies. To support this we continue to grow our banking footprint both through branches and innovative opportunities

Innovating for inclusion

As part of our digital and self-service strategy, a total of 219 video banking stations and 342 internet stations have been rolled out across the country. Video banking stations enable customers to interact with our customer service consultants through video-calls at ATMs; internet stations are physical centres within branches that allow customers to manage their online banking transactions. These stations offer services in five official languages and also provide financial planning tools.

OLDMUTUAL WEALTH

Business review Old Mutual Wealth

Paul Feeney
Chief Executive Officer

Old Mutual Wealth

> **We blend our peer-leading capabilities to build advice-led, integrated investment solutions that deliver better customer outcomes**

www.oldmutualwealth.com

Our strategy

Old Mutual Wealth is making good progress towards being the UK's leading advice-led, investment and wealth manager. Our businesses operate primarily in the UK with a presence in a number of cross-border markets through Old Mutual International.

We are focused on understanding our customer insights from our distribution businesses to combine with our outstanding investment and asset management capabilities, to develop new and enhanced investment solutions and propositions that meet the needs of our customers and deliver better outcomes. The solutions that we offer our customers are outcome-based, multi-asset solutions which combine products from a range of providers and not just our own.

We operate in large and growing markets, including financial advice, discretionary wealth, investment solutions, retail/wholesale asset management and investment administration. All our established businesses are among the leaders in their respective markets, with those still developing, such as Old Mutual Global Investors (OMGI), well positioned to become peer leading in their own right.

We continue to invest, grow and strengthen the position of our businesses within their respective market sectors.

Invest and grow

- OMGI is one of the fastest growing retail asset managers in the UK with some of the most respected asset managers in the market, complemented by a strong investment performance track record
- Quilter Cheviot is one of the UK's leading discretionary investment managers with around 160 investment managers who actively manage bespoke investment portfolios tailored to the individual needs of affluent and high-net worth customers
- Platform is a top-three provider of advice-based wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution

Business review

Old Mutual Wealth

- Intrinsic is the UK's second-largest restricted financial adviser network, with over 1,400 restricted financial planners, including Old Mutual Wealth Private Client Advisers (OMWPCA, our branded national advice business)
- Old Mutual International is a leading cross-border business, focusing on high-net worth and affluent local customers and expatriates in Asia, the Middle East, Europe, South Africa and Latin America.

Manage for value

- Heritage book of legacy life and pensions business, the majority of which is closed to new business and in steady, managed run-off.

How our business works

Our customers receive face-to-face financial advice through independent financial advisers (IFAs), the Intrinsic network of restricted financial planners (RFPs) or through Old Mutual Wealth Private Client Advisers. Our advice footprint is expanding through our Financial Adviser School graduates and the recent advice acquisitions.

Our UK and International platforms provide suitable, tax-efficient products and investment solutions. Customer wealth is managed by third parties or through OMGI or Quilter Cheviot, in line with each individual's risk appetite. We strive to provide excellent customer service across all businesses and regularly review customers' needs through their life stages. Our business model is designed to deliver good customer outcomes and is underpinned by shared values, a common culture, and a deep understanding of our customers through our relationships with them and their advisers.

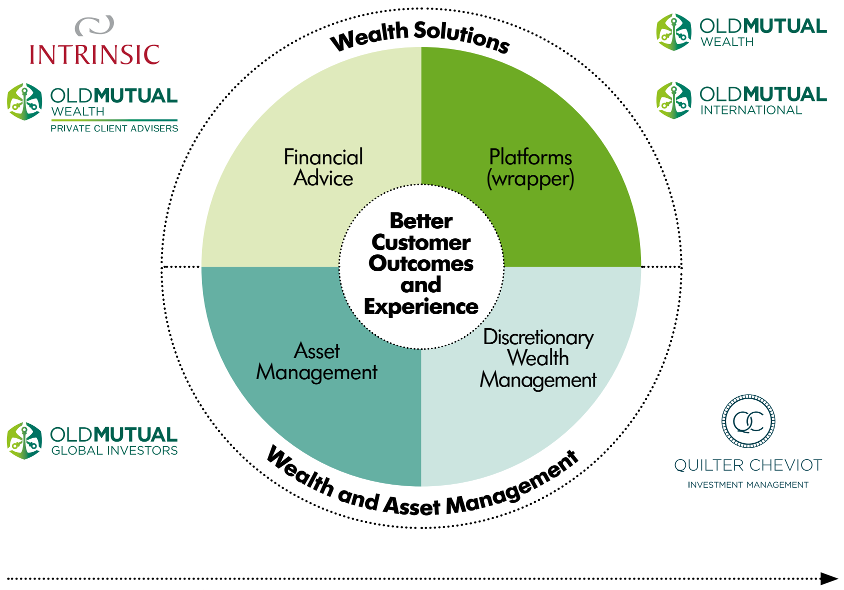
Our primary source of income is management fees charged on customer assets and is influenced by the level of net flows we achieve and global market conditions. Not all assets have the same revenue characteristics; our asset management and discretionary fund management businesses typically attract higher margins than our platforms given the expertise required to manage funds and provide bespoke client service.

We believe in talent-based conviction investing, with our highly experienced investment and fund managers striving to deliver excellent investment performance for our customers. This is demonstrated by OMGI's 2016 investment outperformance, with 74% of funds ahead of their target (market index benchmark or peer median) over a three-year period. By offering a wide choice of high-performing funds and solutions, and by taking management action when longer-term performance is below expectation, we aim to provide customers with the best possible outcomes.

Our business continues to be recognised for performance and service and all of our businesses received awards in 2016. We achieved a Defaqto Gold rating for our UK Platform service and a Platinum Platform rating by Adviser Asset. Our UK Platform also won three awards at the Customer Experience awards, including 'Team of the Year – Customers at the heart'. In addition to this, Old Mutual International (in both our Isle of Man and Ireland businesses) achieved a Defaqto Silver Rating.

OMGI and Quilter Cheviot were recognised at the City of London Wealth Management awards and Intrinsic won the 'Best Large Network' award for the third year running at the Mortgage Strategy awards. OMGI also won two awards at the Investment Week Fund Manager of the Year awards.

Our business model



An integrated, multi-channel model that delivers across all areas of wealth creation

Business review **Old Mutual Wealth**

Expenditure is closely managed as we seek to leverage scale benefits and identify efficiencies across the business. We continue to invest in the growth of our business; identifying developments and acquisitions that will drive future revenue. An element of our cost base is linked to funds under management (FUM), an example of which is variable compensation in our asset and discretionary fund management businesses. Our UK Platform IT transformation is a significant cost focus, with enhanced independent oversight and governance enabling us greater assurance over the remainder of the programme.

Our IT transformation

We are continuing with our UK platform transformation. We gave guidance at the October 2016 Capital Markets Day as to timing and cost. Costs to 31 December 2016 amount to £279 million, which have been expensed and which reflect the benefit of a £30m receivable from our suppliers. Whilst progress continues to be made, this remains a complex project, and there are certain pressures which, potentially, could increase timescales and costs. We are in active negotiations on these areas to reduce delivery and cost risk and to ensure we achieve the best outcome for the business. At this point, because of commercial confidentiality and the ongoing negotiations, it would be inappropriate to disclose further details. We expect to be able to update the market by the time of the Old Mutual plc AGM in May 2017. A robust platform that meets customer needs is vital for our future and we continue to invest in the existing platform to maintain high levels of service and resilience.

Our market environment

Worldwide investment markets were volatile over 2016 with investors cautious due to uncertainty in the lead up to, and after the outcome of, the UK's EU referendum and the US presidential election. By 31 December, markets had recovered from the lows following the referendum result.

The Investment Association reported that the UK retail fund management market experienced unprecedented outflows during 2016. Total net retail fund flows of £4.7 billion were significantly lower than flows in 2015 (£16.8 billion). Risk-adjusted absolute return asset classes remained popular as investors continued to look for alternative investment options to seek positive returns in the low interest rate environment.

Our research has shown that investors receiving regular financial advice achieve significantly better outcomes than those who have never sought advice (Retirement Income Uncovered report 2015). This finding underpins our firm belief in improving access to financial advice for the UK market in order to generate good customer outcomes, which led to our acquisition of Intrinsic, the UK's second-largest restricted financial adviser network, in 2014. Intrinsic enables us to advise and assist on the financial plans of a wide cross-section of society and in turn generate prosperity for present and future generations.

A smaller adviser pool combined with the UK's ageing population, the largest savings gap in Western Europe and the significant pension regulation change in 2015 means that the demand for wealth solutions is high. The UK wealth market, our major market, has an investable asset pool of some £3 trillion. Following considerable reforms of both wholesale and retail financial services sectors, covering both conduct and capital adequacy, the growth prospects of the UK market presents a considerable opportunity for us as it continues to recover from the global financial crisis.

In a dynamic and evolving industry, we compete with traditional insurers, asset managers, investment managers and financial advice providers, the bulk of which are focused on single components of the wealth management value chain. We offer integrated wealth and asset management solutions that give our customers access to the entire wealth management spectrum, enabling us to deliver the best possible outcomes for our customers. Each business within Old Mutual Wealth strives to be a leader in its respective market.

We continue to secure our competitive position by investing to make our platforms market-leading, addressing industry-wide technology issues by providing a future-ready digital wealth platform and ensuring that we can enable positive futures for our customers.

The new Solvency II regime became effective for our UK, Ireland and Italy regulated businesses from 1 January 2016. Our solvency position has remained robust following the regulation change. The regulatory landscape continues to evolve, with 2016 seeing wide-scale Financial Conduct Authority (FCA) reviews such as the Financial Advice Market Review and the Asset Management Market Study. We have fully contributed to both.

Being responsible

Our core purpose is to help create prosperity for the generations of today and tomorrow. We achieve this by creating wealth for our clients, enabling them to attain their life goals, and through our broader contribution to the industry and the society in which we operate.

We are committed to being a purpose-led responsible business. This is not only the right way to do business; we believe it underpins our long-term commercial success. We have an enduring focus on delivering good customer outcomes, by building long-term, trust-based relationships with customers and advisers. Creating good customer outcomes is central to everything we do as a business – whether we are providing advice, product design, active asset and investment management, effective communications, or a great customer service experience.

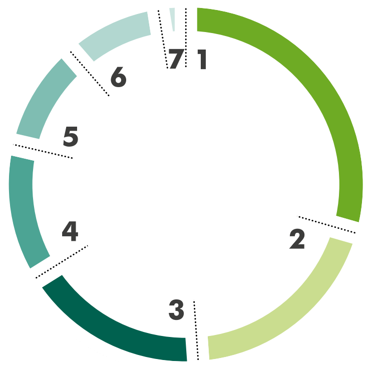
When customers entrust us with their assets we take our stewardship role seriously and are committed to investing responsibly to protect their interests. We use our influence as a shareholder to encourage investee companies to adopt strong corporate governance and sustainable business models focused on superior long-term returns. Engaging with our stakeholders is also vital to promote financial capability and a long-term savings culture as well as an investment industry which is a force for good in society.

Measuring our performance

OMW's pre-tax AOP of £260 million for 2016 was 15% lower than the prior year (2015: £307 million). This includes £26 million of net performance fees earned in 2016 which was broadly in line with the prior year of £25 million. On an underlying basis, profit of £298 million was 2% lower than the prior year (2015: £305 million). Underlying profit excludes the impact of corporate activity, the costs associated with Heritage fee restructuring, managed separation and standalone costs and costs related to changes to the executive management team. The reduction in underlying profit was due to increased revenues from higher FUM being offset by modest margin pressure in UK Platform, Quilter Cheviot and International, partially mitigated by increasing levels of business integration, and higher overall costs.

OMW's IFRS post-tax loss was £4 million for 2016, compared to a profit of £42 million in 2015. Adjusting items between AOP and IFRS profit include IT transformation costs of £102 million pre-tax (2015: £97 million) and charges reflecting the effect of goodwill impairment and the impact of acquisition accounting of £138 million (2015: £120 million) including £46 million goodwill impairment as a result of the sale of our Italian business.

AOP (PRE-TAX) BY CLUSTER*
(£m)



1. OMGI **£79m**
2. International **£52m**
3. Quilter Cheviot **£46m**
4. UK Heritage **£33m**
5. UK Platform **£27m**
6. Europe[1] **£24m**
7. UK Other[2] **£6m**

* Excludes managed separation and standalone costs of £7 million.

1 Includes Italy (sold 9 January 2017)
2 UK Other consists of Intrinsic, Series 6 pensions, UK Institutional business, protection products and service companies.

Highlights

£m

	2016	2015	Change
IFRS profit/(loss) after tax attributable to equity holders of the parent	(4)	42	–
AOP (pre-tax)	260	307	(15%)
Underlying AOP, before one off adjustments (pre-tax)[1]	298	305	(2%)
Gross sales (£bn)	21.1	20.1	5%
NCCF (£bn)	5.2	6.9	(25%)
FUM (£bn)	123.5	104.4	18%
Pre-tax operating margin[2]	32%	40%	

1 AOP (pre-tax) adding back one-off costs associated with Heritage fee restructuring charges and managed separation, the net contributions of acquired or disposed of businesses during 2015 and changes to the executive management team
2 Operating margin is pre-tax AOP divided by net revenue where net revenue includes gross performance fees.

Old Mutual Wealth

Business review Old Mutual Wealth

NCCF performance was robust at £5.2 billion. This was 25% lower than the prior year (2015: £6.9 billion) and a strong performance given the challenging market for the sector where UK net retail sales for the industry amounted to £4.7 billion. Net flows from Intrinsic and Platform into OMGI and Quilter Cheviot were £1.8 billion, an increase of 6% from 2015 (£1.7 billion). Investors have remained cautious on the global economic and political developments – particularly relevant for our UK client base was the Brexit vote. We experienced more normalised levels of flows following the US presidential election result as markets began to stabilise in the short term, with Q4 2016 net inflows of £1.1 billion. Net flows were 6% of opening FUM, excluding our closed book, demonstrating robust growth in a difficult environment.

FUM were £123.5 billion, up 18% from the end of 2015 driven by positive NCCF of £5.2 billion in the period and positive market performance of £13.9 billion. Average FUM were 11% ahead of the prior year and heavily weighted to the market rally in H2 2016.

> **Since 2012, we have reshaped our business into a modern, integrated wealth and asset management business**

Strategic priorities and outlook

Our business combines controlled advice, a leading investment platform, attractive wealth management solutions, and high performing asset and investment management to offer customers and advisers an end-to-end planning and investment solution that is outcome based. We are committed to operating the business responsibly, ensuring we enable financial wellbeing and promote responsible investment.

Our journey so far

In 2012 OMW (what was then called 'Skandia') was a sub-scale platform and asset manager, with some closed life books across Europe and no advisory or discretionary management capabilities. Since then, we have reshaped our business into a modern, integrated wealth and asset management business. We took the decision to focus on our core UK and International offshore customer base, selling our non-core European life businesses over the past four years and reinvesting into growth strategies.

In 2013 we began a journey to transform our UK Platform to ensure that our award-winning systems retain their leading-edge features and ability to adapt in a rapidly changing technological environment.

In July 2014 we acquired distribution through Intrinsic and in February 2015 we expanded our investment offering by acquiring discretionary investment manager Quilter Cheviot.

In 2016 we made acquisitions through Old Mutual Private Client Advisers, and we have recently announced the acquisition of Attivo through Quilter Cheviot, and Caerus through Intrinsic. In addition, we have developed our in-house asset management capabilities, growing OMGI from a fledgling business in 2012 to one with assets of £31.4 billion at 31 December 2016, in part due to the launches of outstanding fund management solutions, for example:

- WealthSelect and our Managed Portfolio Service
- Cirilium multi-asset fund range
- Old Mutual Absolute Return Government Bond Fund
- Old Mutual UK Specialist Equity Fund
- Old Mutual Silver and Gold Fund
- Old Mutual Style Premia Absolute Return (STAR) Fund.

Priorities achieved in 2016

Expanding our distribution

We continue to invest in distribution, recognising the importance of sound financial advice in securing good customer outcomes. We have recently announced the acquisition of Caerus, one of the UK's leading primarily restricted financial planning firms which enhances our opportunity to grow our distribution capability. With offices in Swindon and Manchester, Caerus has over 300 advisers, including 150 restricted financial planners and more than £4 billion of assets under advice. The acquisition complements our existing controlled distribution footprint in the UK and is a modest 'in-fill'.

We are committed to improving the strength and sustainability of the financial advice industry and improving customer access to advice. Before taking into account the Caerus acquisition, Intrinsic's restricted financial planners have increased by 193 since 2015 to 1,423 (31 December 2015: 1,230), including 38 advisers in OMWPCA which is our branded national advice service. OMWPCA's advisory capabilities and coverage was enhanced during 2016 through numerous small-scale acquisitions.

We have increased the level of referrals from Intrinsic and OMWPCA to Quilter Cheviot and expect momentum in this part of the business to grow in 2017. OMWPCA, which started in January 2016, now has over £1 billion of assets under advice and delivered over £0.1 billion of assets under management to Quilter Cheviot in 2016. We expect this to increase in 2017.

Our commitment to quality advice is supported by our investment in our Financial Adviser School (FAS) which has seen the first cohort of students graduate in February 2017. The school is open to other advisory firms as well as OMW. We expect some of the graduates to join OMW as advisers.

We are investing in Quilter Cheviot's business development and have signed a share purchase agreement to acquire Attivo Investment Management, the discretionary investment management arm of Attivo Group Limited. The transaction has received regulatory approval and we expect the deal to complete by the end of Q1 2017, at which point approximately £300 million of FUM will transfer to Quilter Cheviot. This is a small 'in-fill' acquisition that readily integrates into the existing infrastructure of Quilter Cheviot.

Our strategy is to further diversify the range of funds managed by OMGI across sectors and within single strategy, multi-asset and absolute return funds.

We completed the sale of Old Mutual Wealth Italy on 9 January 2017 to Phlavia Investimenti (previously ERGO Italia), owned by Cinven. The sale is the final part of the divestment of OMW's European businesses allowing us to focus on our core UK and cross-border markets. Since 2012 OMW has divested of nine businesses operating in Continental Europe where we lacked scale, and has received c.£550 million in proceeds which has been remitted to Old Mutual plc, offsetting the significant investment made in acquiring Intrinsic and Quilter Cheviot.

In March 2016 we completed the modest acquisition of AAM Advisory in Singapore as part of the expansion of our International advice capabilities. Our newly launched Compass fund range in OMGI is designed specifically for our International customers.

Delivering good customer outcomes

The delivery of good customer outcomes is a priority for OMW. During H1 2016 we announced the implementation of a 1% cap on UK Heritage pensions exit charges for our customers aged over 55 years and the restructuring of our UK Heritage pension product fees. This has improved outcomes for our customers and provides increased choice for customers through improved access to market-wide pension investments, following the UK Government's pension reforms introduced in 2015. In H2 2016, the FCA announced that exit charges across the pensions industry will be capped at 1% from 31 March 2017.

We have achieved strong investment performance in OMGI, with 74% of all funds above target over three years on an AUM-weighted basis at 31 December 2016, compared to 66% at December 2015. Our single manager funds continue to perform well, with 69% of funds ahead of their target. In addition, 60% of our multi-asset fund ranges are above their target.

Our largest absolute return fund, Global Equity Absolute Return (GEAR) fund, continues to outperform target performance and competitor offerings. The fund experienced strong net inflows of £1.7 billion (2015: £1.6 billion) as investors continued to look for alternative investment options delivering positive returns in a low interest rate environment.

Business review

Old Mutual Wealth

Our priorities going forward/outlook

We anticipate continued equity market and currency uncertainty, with the geo-political landscape increasing in complexity and as the impact of the UK's exit from the EU is progressed in 2017 and 2018. Similarly, retail investor sentiment is influenced by general market conditions and their confidence in the future outlook of economies, which has a bearing on the flows of assets that are available to be attracted to our wealth solution offering.

Our business is evolving as we prepare to operate on a standalone basis and continue our development for the future. Our investment in distribution and building asset management capabilities will continue. This investment will primarily be organic but minor 'in-fill' acquisitions may also be considered if these: fit into the core business; are readily integrated; enable good customer outcomes; and are demonstrably incremental to shareholder value. Allowing for known changes in our business perimeter, we expect to deliver above-market growth in FUM and robust revenue growth in the face of margin and regulatory pressure and the current market environment.

We target NCCF to continue to grow above 5% of opening FUM (excluding Heritage business) and anticipate continued sales growth of our UK Platform products and the Cirilium fund range from our own advisers in 2017, as we expand our distribution network. Within OMGI, we will continue to evolve our multi-asset offering and appraise opportunities to broaden our asset management capabilities as they arise.

> **"We are preparing the business to be standalone and building for the future"**

Managed separation and governance

In 2016 we started our programme of activity to operate as a standalone listed business once the managed separation from Old Mutual plc has been achieved. To ensure our organisation is fit for purpose as a listed standalone entity, we have reshaped and strengthened both our executive management team and Board and enhanced our governance during the course of 2016 and will continue this in 2017. Glyn Jones joined the Board as an independent Chairman in November 2016 and Moira Kilcoyne, George Reid, Tim Tookey and Cathy Turner have joined the Board since the end of 2016 as independent non-executive directors. As announced, Rosie Harris will join the Board as an independent non-executive director in April 2017.

Managing our risk

OMW is exposed to a number of risks as a result of our business model. We have a diverse set of businesses, offering active asset and discretionary management, advice and product solutions. The diverse nature of our businesses and our integrated model expose us to certain strategic, business, operational, financial and regulatory risks. While the nature of our business risks are largely consistent with those we have faced over recent years, we are increasing our exposure to advice risk through the expansion of our distribution capabilities and we are investing further in diversifying our asset management capabilities, exposing us to increased market risk. These investments also increase both our key person dependency and reliance on fund performance to deliver desired client outcomes. The UK Platform transformation is a large scale and complex programme with the majority implemented through third-party suppliers and outsource providers, and which carries a high degree of execution risk. We also face risks from the managed separation from Old Mutual plc.

We are affected by macroeconomic conditions and geo-political risks that arise given the impact that these conditions have on financial markets and customer behaviours. Our fund-based management fees, which comprise the majority of our revenues, are directly linked to investment markets.

As we develop and implement our business strategy, we see increasing competitor pressure in the markets in which we operate.

We expect regulatory risk to continue to be high, with increasing regulatory focus in the preparation for the managed separation and the FCA investigation and thematic review. We continue to be transparent and responsive with the regulators to help manage and build these relationships. The diverse nature of our businesses and our business model means we are exposed to a wide range of regulatory policy initiatives and thematic reviews.

We manage these risks by establishing a risk framework, including a consistent set of risk definitions and policies, and a risk strategy. We set a risk appetite and manage risk within that appetite which is integrally linked to our business strategy. Our risk appetite is reassessed regularly in light of current volatile and uncertain conditions to ensure they remain relevant in implementing our business strategy. Stress and scenario testing is performed regularly to test the resilience of our business. We maintain a strong regulatory capital buffer. We have mature risk governance processes, which are being developed further in preparation for the managed separation.

Our key risks, summarised in the table below, are closely monitored by management and regularly reported to the Board, together with actions taken and proved by management to manage those risks.

Current impact and risk outlook	Risk mitigation and management actions
1. Global macroeconomic conditions	
OMW has a material and increasing exposure to macroeconomic and political conditions in the UK and globally. Our fund-based management fees, which comprise the majority of our revenues, are directly linked to investment markets. Political change can impact us directly through changes in law and policy. Our balance sheet remains resilient to financial market shocks. Our customers are impacted by the current volatile conditions and they may face pressure from higher inflation going forward.	We carry out regular stress and scenario testing, which include scenarios and stresses based on severe economic conditions and political events. These allow us to understand the impact of potential events on our earnings, liquidity and capital resilience. We aim to ensure our cost base can flex to mitigate volatility in our revenues. Potential management actions to mitigate these impacts are subject to approval by the OMW Board. We seek to manage these risks to our customers through a comprehensive range of internally-managed investment solutions, designed to address a range of economic conditions.
2. Competitor and margin risk	
We are exposed to pressure on our margins due to the rise of solutions such as passive and low cost investment models and growth in 'robo-advice'. These offer a different and lower-cost solution to those offered by OMW. We are also exposed to competitors copying our end-to-end business model and increasingly targeting our acquisition targets.	We are committed to active asset management and personal advice as we consider that this provides superior solutions to customers. Our end-to-end business model provides synergies across our businesses.
3. Customer and conduct risk	
Risks to our customers are inherent within our business model and can occur at any point in the customer journey or product lifecycle. A number of our businesses could adversely impact the integrity of financial markets. Customer and conduct risk is an area of increasing focus by regulators across our businesses. The FCA is currently performing an investigation on the OMW closed book of UK life insurance and pensions business. This follows their thematic review on the fair treatment of long-standing life insurance customers.	We define good customer outcomes and put processes in place to achieve those for our customers. New product development starts from an understanding of customer needs and preferences and we engage with customers in areas such as the ongoing development of customer communications. Our Customer Outcomes Forum reviews any areas where customer outcomes may be affected significantly and ensures appropriate action is taken where that risk arises. Our Regulatory and Conduct Risk teams provide strong oversight, challenge and advice to our businesses. Our Code of Conduct, reinforced by mandatory training for all our people, sets out our expectations of our people.

Business review Old Mutual Wealth

Current impact and risk outlook	Risk mitigation and management actions
4. Delivery of strategic change initiatives	
We face execution risk from the implementation of our business strategy. This includes the delivery of new platform infrastructure in our UK Platform and IT enhancements to the existing platform infrastructure to manage reliance while the new platform infrastructure is being developed and ensuring our organisation is fit for purpose as a listed standalone entity. In delivering our strategic change initiatives, we actively seek to identify, manage and control risk. The delivery of our strategic objectives necessitates exposure to operational risk, and we have appropriate governance and control processes managed through our three lines of defence model. Change initiatives are delivered by first-line management with second-line oversight and challenge and third-line assurance. We also use external business support, subject matter experts and assurance partners for significant change initiatives.	We continually improve our supplier risk management processes to ensure we have strong outsourced supplier controls and governance in support of our major change programmes. We are fully engaged with our regulators on our most significant change programmes to ensure that we meet their requirements, to demonstrate that we are putting the customer at the forefront of our business and to evidence that we maintain strong financial resilience. Where we identify that risk is, or may become, outside our risk appetite, we take prompt and appropriate action and ensure we continue to maintain effective controls to deliver appropriate business and customer outcomes.
5. People risk	
We are exposed to the risk of failure to deliver core parts of our strategy or failure to complete business-as-usual activities to the required standards due to pressures on our people or an inability to recruit, develop and retain high-quality people. This risk is heightened currently as a result of the transition of the London Head Office activities from Old Mutual plc to OMW, resulting in the need for increased skills and capacity.	We have reviewed our operating models for our key functions identifying where we need to build the skills and talent required under our managed separation strategy. We continue to develop and enhance our talent management processes, including succession planning and leadership development programmes and we monitor this regularly at executive level. We continue to be focused on the diversity of our employees, which requires improvement, as typical across financial services. A number of initiatives focused on recruitment, transparency and gender pay have been set up.
6. Regulatory risk	
As an end-to-end investment and wealth management business, we are exposed to a high degree of regulatory change, including international regulation. While such change can present opportunities, it can increase costs and impact our products and services. In 2017 we expect significant impact from regulatory change through, for example, the Markets in Financial Investments Directive II, packaged retail and insurance based investment products, EU general data protection reform and the FCA's asset management market study. We are exposed to the risk of not building and maintaining strong relationships and trust with regulators. This is critical to our business, particularly given increased regulatory focus in the lead-up to separation from Old Mutual plc.	We review forthcoming regulatory change and ensure we are well placed to make any changes required to ensure we comply fully when such changes are implemented. The review of operating models (as described under 'People risk' above) includes focus on regulatory expectations of OMW following separation. We focus on being transparent, responsive and proactive in our dealings with regulators to help to manage and build these relationships.
7. Information security risk	
There is a risk that our IT infrastructure and architecture, or those of third parties on whom we rely and with whom we share sensitive data, are vulnerable to malicious software attacks and subsequent ransom demands resulting in impact on customer experience, business downtime, additional costs of getting systems operational and reputational damage.	Our information security risk framework is regularly reviewed to ensure that we have robust controls. Monitoring of market experience, awareness campaigns and penetration testing exercises are performed to identify vulnerabilities and ensure we have appropriate plans to mitigate any weaknesses that we identify.

David Morrell,
Chester

Enabling positive futures for our clients

OMW's purpose is to create prosperity for the generations of today and tomorrow. We deliver on this by creating wealth for our clients, enabling them to achieve their life goals. An important part of this is supporting our customers to take control of their investments and, thereby, their financial future. Recently, one customer, unhappy with their recent fund performance at one of our peers, sought advice from David Morrell, an OMW Private Client Adviser. He moved the client's assets that were in a previously underperforming fund and decided to house them on the OMW Platform. This gave our client the opportunity to access our award-winning model portfolios in WealthSelect, and it also reduced his charges by around £2,000 per year. In addition, our customer now has the ongoing support of an adviser who will help him develop a comprehensive financial plan to reach his lifetime financial goals. The client was thrilled: he was getting his assets managed professionally in line with his risk profile while reducing his costs, and he felt that he had control of his future.

"Operating as a responsible business means ensuring our customers have access to appropriate products and services which best serve their financial needs now, and in the future."

OMAM

Business review Institutional Asset Management

Peter Bain
Chief Executive Officer

OM Asset Management (OMAM)

"We are an institutionally driven, active investment management business delivered through a diversified, multi-boutique framework that seeks to generate consistent, sustainable and meaningful outperformance for clients"

www.omam.com

Institutional Asset Management business review

Old Mutual's Institutional Asset Management business consists of US-based multi-boutique asset manager OMAM, and Rogge.*

Our strategy

We are an institutionally driven, active investment management business delivered through a diversified, multi-boutique framework that seeks to generate consistent, sustainable and meaningful outperformance for clients around the globe. We provide strategic capabilities to our Affiliates, helping them to become their clients' trusted partners by delivering superior investment performance, innovative offerings and focused service.

Our strategy is to generate business growth in two ways. The primary mechanism is through the internal development of our Affiliates, working in partnership with them to enhance their product offerings and expanding their global distribution capabilities. Our secondary source of growth is through accretive investments in additional sizeable and high-quality boutique firms.

* Old Mutual completed the sale of Rogge on 31 May 2016.

How our business works

We offer a broad range of investment strategies to clients around the globe through eight highly-regarded boutique asset management firms located across the United States:

- Acadian Asset Management
- Barrow, Hanley, Mewhinney & Strauss
- Campbell Global
- Copper Rock Capital Partners
- Heitman
- Investment Counselors of Maryland
- Landmark Partners
- TSW

Our business is diversified, both among our Affiliates and within their respective businesses. The breadth of our product offerings by asset class, geography and investment strategy enhances our relative earnings stability and provides us with multiple potential sources of growth. Collectively, our Affiliates offer 120 distinct, active investment strategies in US, global, international and emerging markets equities; US fixed income; and alternative products including real estate, timber and secondary private equity, real estate and real asset investments. In addition, there is significant diversification within many of our Affiliate firms through the breadth of their respective investment capabilities.

Through our Affiliates we serve a highly diverse investor base in the institutional and sub-advisory channels in the US and around the world. In addition to a strong US client base, our Affiliates manage assets for clients in 30 other countries including Australia, Canada, Ireland, Japan, the Netherlands, South Africa, South Korea, Switzerland and the UK.

> **"The breadth of our product offerings by asset class, geography and investment strategy enhances our relative earnings stability"**

Our market environment

The asset management industry is highly competitive; OMAM Affiliates seek to differentiate themselves through their ability to generate alpha and provide superior service to their clients. Through our collaborative organic growth initiatives, we work closely with Affiliates to enhance their product offerings to meet institutional investors' evolving needs and demands. Our global distribution platform complements our Affiliates' existing distribution capabilities to expand their client base globally.

We seek to offer strong-performing products across a range of investment styles and strategies. We work closely with Affiliates to identify areas of growing investor appeal and to develop new investment products to address client needs:

- US equities – with strong long-term performance across a range of equity strategies, OMAM Affiliates are well positioned to compete for new mandates
- Non-US and global equities – investors' asset allocations are shifting towards non-US and global mandates offered by OMAM Affiliates, including emerging markets and small-cap equities
- Alternative investments – OMAM's Affiliates are among the world's leading investors in specialised asset classes such as real estate and timber, as well as secondary private equity, real estate and real asset investments

After a volatile first half of the year, driven in part by Brexit and uncertainty related to the US presidential election, resilient equity markets delivered strong performance in 2016. The S&P 500 finished the year up 9.5% and the Dow Jones Industrial Average was up 13.4%.

While non-US developed markets were generally flat, growing 1% in 2016, emerging markets generated significant returns, as the MSCI Emerging Markets index increased by 8.6%.

Key factors in global equities at the end of 2016 and heading into 2017 were a strong shift in the broader market away from yield securities toward financials and value equities.

Current institutional search activity favours specialised strategies in asset classes such as global equity, US equity and alternatives. Investors remain focused on products with potential for meaningful outperformance, as well as strategies to diversify their investment portfolios.

Business review

Institutional Asset Management

How we operate

Our aligned partnership model is grounded in our Affiliates' permanent equity ownership in their respective businesses, combined with a profit-sharing relationship with OMAM. These elements provide us and our Affiliates with strong incentives to work together to enhance the growth and stability of their firms. OMAM protects Affiliates' operating autonomy and serves as a long-term partner in the further development and expansion of their businesses.

Our strategy is rooted in core Affiliate growth. Our Affiliates are strong investment management boutiques with highly-defined and highly-rigorous investment strategies for which there is real demand in the institutional investment marketplace. They have excellent long-term investment performance records in many strategies and are recognised for superior client service.

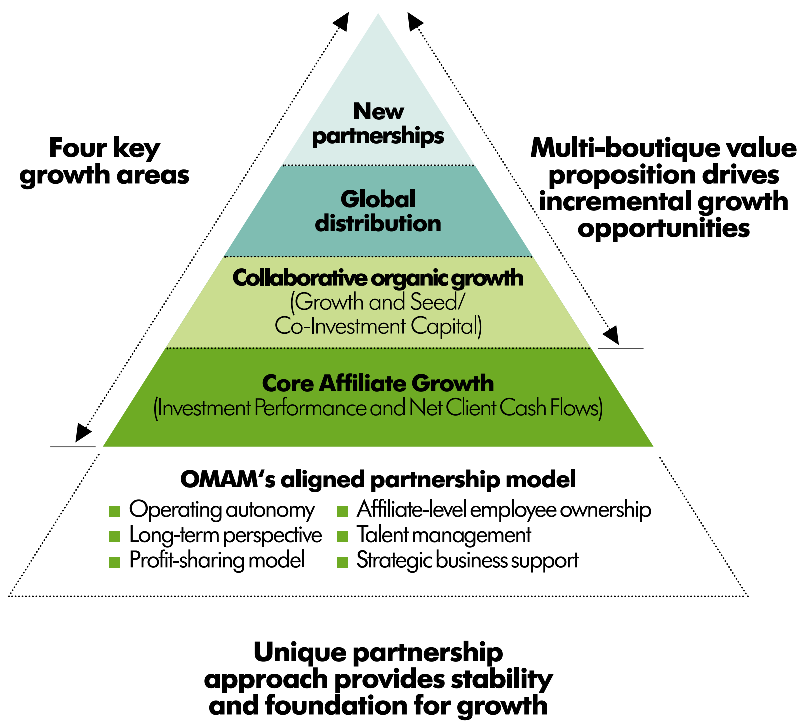
We seek to enhance Affiliate growth through collaborative organic growth initiatives which engage Affiliates in generating new product development ideas, strategic extensions and diversification initiatives. These initiatives enable Affiliates to generate growth they would otherwise be unable to achieve. We invest alongside Affiliates in their business development and, through our profit sharing structure, participate in their resulting margin expansion and accelerated growth.

In addition, we have taken a strategic approach to distribution opportunities on behalf of our Affiliates. Our global distribution platform extends our franchise globally through a team of dedicated, investment-centric sales and marketing professionals. This team works with Affiliates in a transparent, non-competitive, non-redundant manner to complement existing Affiliate distribution capabilities by focusing on areas where scale is a distinct advantage, such as international markets and the domestic sub-advisory space. Since its inception in 2012, the global distribution platform has raised $13 billion for OMAM Affiliates and continues to build relationships in high-demand markets across the globe.

The final element of our growth strategy, acquisitions of additional asset management boutiques, provides an incremental earnings growth opportunity as well as additional diversification in investment styles, product offerings, and institutional clienteles. OMAM is recognised as a supportive and effective partner to our Affiliates and we continue to cultivate relationships with a wide range of high-quality, entrepreneurial boutique asset management firms committed to the growth of their businesses. Since 2012, the execution of our growth strategy has contributed meaningfully to an increase in gross sales at OMAM. On an annual basis, between 16% and 33% of gross sales can be directly traced to OMAM-led activities including new initiatives, product seeding, global distribution and sales from new Affiliates acquired by OMAM.

We support our growth strategy through a flexible and efficient capital structure and a focus on strategically managing our capital. Our business generates significant, recurring free cash flow that can be reinvested in growth-oriented activities to create value for shareholders. In addition to allocating capital to enhance our existing Affiliates' businesses and investing in new Affiliates, we currently maintain a 25% payout ratio and an opportunistic share repurchase programme.

Growth strategy
OMAM's multi-boutique model is well positioned for growth, with four areas of focus



Being responsible

Our commitment to leadership in responsible business stems from our Affiliates' focus on performing their duties to their clients, which is to ensure that they provide their clients with the consistent execution of their stated investment strategies and the highest level of client service. Our approach to responsible business is based on a five-pillar framework:

- Responsible to our clients
- Responsible investment
- Responsible to our employees
- Responsible to our communities
- Responsible environmental management

This approach emphasises that our clients are at the heart of our business, and will help us to continue building on the strong foundation of ethical values, treating clients fairly and good governance that is critical to the management of our clients' money. We continue to work with our Affiliates to consider alternatives and build responsible investment into their investment approach in a way that is consistent with their investment processes and the needs of their clients.

Measuring our performance

OMAM had a strong finish to 2016, notwithstanding a challenging equity market environment in H1. AOP of $195.0 million was down 15% compared to 2015, in part due to the impact of exceptional performance fees in the prior year; excluding the impact of these fees, pre-tax AOP was down 7%. IFRS profit after tax attributable to equity holders of the parent increased by 9% to £72 million (2015: £66 million).

OMAM's FUM ended the period at $240.4 billion, up $28.0 billion, or 13%, from 2015 (31 December 2015: $212.4 billion) due to improving markets in H2 2016 and the acquisition of Landmark Partners ($8.8 billion) in Q3. While NCCF for the year were $(1.6) billion, a favourable product mix shift resulted in positive annualised revenue flow of $11.0 million, representing 1.5% of beginning of period run rate management fee revenue, with inflows in higher fee non-US, emerging markets, and alternative products offsetting losses in lower fee US sub-advisory assets.

OMAM Affiliates maintained their competitive investment performance in 2016. While OMAM's value-oriented strategies faced headwinds through much of the year, Affiliates continued to generate long-term track records of relative outperformance. OMAM's aggregate investment performance is reported as

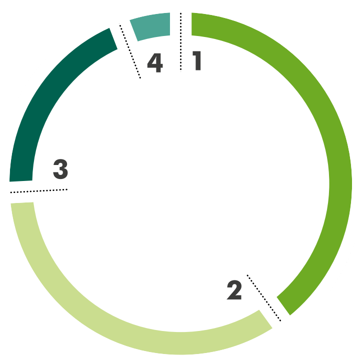
> **"OMAM had a strong finish to 2016, including positive annualised revenue flow of $11.0 million, representing 1.5% of beginning of period run rate management fee revenue"**

Highlights

			$m
	2016	2015	Change
IFRS profit after tax attributable to equity holders of the parent (£m)[1]	72	66	9%
AOP (pre-tax)	195	229	(15%)
Operating margin, before Affiliate key employee distributions	36%	38%	
Operating margin, after Affiliate key employee distributions and before interest expense	30%	33%	
NCCF ($bn)	(1.6)	(5.1)	
FUM ($bn)	240.4	212.4	13%

1 Institutional Asset Management, including Rogge.

AUM BY STRATEGY
($BN)



1. Total global/non-US equities **$96.4bn**
2. Total US equity **$82.0bn**
3. Alternatives **$48.1bn**
4. Fixed income **$13.9bn**

Business review Institutional Asset Management

weighted by the revenue generated by its products. As of 31 December 2016, assets representing 49%, 55% and 73% of revenue were outperforming benchmarks on a one-, three- and five-year basis, respectively.

Strategic priorities and outlook

We seek to grow our business through core Affiliate growth, as well as investing in collaborative organic growth initiatives, enhancing distribution capabilities and partnering with new Affiliates.

Our journey so far

OMAM launched its initial public offering in 2014 on the New York Stock Exchange. The business has performed well since then, achieving solid margins relative to peers as well as revenue growth from new client cash flows into higher-fee products. We have generated meaningful asset growth from collaborative organic growth initiatives in partnership with Affiliates and the successful expansion of our global distribution platform. We have also cultivated a wide range of relationships with boutique asset management firms, and are recognised as an attractive long-term partner.

Our priorities achieved in 2016

The volatile market environment in 2016 presented challenges across the asset management industry. However, our business model positions us to withstand such market cycles, as our profit share arrangement with our Affiliates provides a high level of structural variability to expenses. Our Affiliates maintained their long-term investment disciplines over this period. We also saw growth from positive revenue flows combined with a strong market in the second half of the year. 2016 represented our fifth consecutive year generating positive revenue flows.

“We will continue to generate core Affiliate growth, invest in collaborative organic growth initiatives, increase global distribution opportunities and execute new Affiliate partnerships”

In 2016 we acquired an equity interest in Landmark Partners, a widely recognised, highly regarded manager of secondary private equity, real estate and real asset investments. This acquisition provides meaningful exposure to an attractive, growing segment of the asset management industry. It generates additional financial and strategic diversification for the OMAM franchise and was immediately accretive to our earnings.

To fund the Landmark acquisition and support other corporate obligations, we raised $400 million of debt in 2016. Our leverage ratio of 1.9x debt/EBITDA at year-end 2016 remains within our target range of 1.75-2.25x debt/EBITDA. We retain ample funding capacity, with approximately $350 million available on our five-year credit facility, which expires in 2019.

Our priorities going forward

We will continue to execute our growth strategy: generating core Affiliate growth through strong investment performance and positive revenue flows; investing in collaborative organic growth initiatives with existing Affiliates; increasing global distribution opportunities for Affiliates; executing new Affiliate partnerships; and efficiently managing our balance sheet.

Over the medium term, we and our Affiliates are focused on developing capabilities in multi-asset class, liability-driven investment and global/non-US equities and further penetration of specialised and non-US markets through our global distribution initiative. In addition, we continue to make good progress in identifying and developing relationships with at-scale asset management boutiques with strong investment and executive talent and a vision to enhance and expand their business by partnering with us.

Managing our risk

OMAM's risk strategy is intended to provide a strong link between our business strategy and our day-to-day operations. Our risk strategy defines how we think about our risk profile, our risk tolerances and our risk management practices. We reflect our risk strategy across all of our business activities including the development of our business plans, our execution against those plans and how we manage our relationships with our Affiliates. In summary, our risk strategy seeks to manage risk in a way that adds value to the organisation.

Current impact and risk outlook	Risk mitigation and management actions
1. Affiliate relationship risk	
Our relationships with our Affiliates are critical to our success.	We seek to mitigate this risk by operating each Affiliate relationship under established ownership, governance and economic arrangements that are negotiated either at inception or over the course of our relationship.
2. Investment performance and market risk	
The ability of our Affiliates to attract and retain FUM and generate earnings is dependent on our Affiliates maintaining competitive investment performance, as well as market and other factors.	We seek to mitigate this risk through careful monitoring of economic conditions and market trends as well as the performance of specific Affiliate investment strategies.
3. Revenue concentration risk	
We derive our revenue from a definitive number of Affiliates and investment strategies.	We seek to mitigate this risk through product development and diversification initiatives within individual Affiliates as well as through the execution of our growth strategy whereby we seek to invest in new Affiliate partnerships that can provide further diversification of our revenue streams in some way such as by Affiliate, investment strategy, client geography, asset class, etc.
4. People risk	
We and our Affiliates rely on certain key personnel, and our results are dependent upon our ability to retain and attract key personnel.	We seek to attract, retain, and motivate key personnel by maintaining a strong and healthy culture as well as market-competitive compensation arrangements that include, where appropriate, retentive elements that are designed to align OMAM/Affiliate and employee interests over time.

Business review

Institutional Asset Management

www.oldmutualplc.com/rb/our-stories

Partnering with the Posse Foundation

Founded in 1989, Posse identifies public high school students with extraordinary academic and leadership potential who may be overlooked by traditional college selection processes. Posse extends to these students the opportunity to pursue personal and academic excellence by placing them in supportive, multicultural teams – Posses – of 10 students. Posse's partner colleges and universities award scholars four-year, full-tuition leadership scholarships. Posse's national program has awarded $1.1 billion in leadership scholarships to these young people and has seen their success in their graduation rates and as leaders on campus. Posse's partners are investing time, energy and resources in the promotion of equity in education and social justice. They believe in the intelligence, talent and dreams of young people and are giving them a chance to excel. Posse is helping to create a new kind of network of leaders who will sit at the tables where decisions are made and better represent the voices of all Americans. With support from the program, Posse's scholars are excelling academically, founding and leading campus organisations, taking on competitive internships and earning prestigious awards. Posse's equally successful alumni secure competitive jobs and admission to top graduate programs. Since 2009, OMAM has supported Posse financially, through direct employee engagement, and by hiring Posse's scholars as interns every summer in various areas of the OMAM business.

"OMAM supports the Posse Foundation in its efforts to give young people a chance to excel"

REVIEW OF FINANCIAL PERFORMANCE

Ingrid Johnson
Group Finance Director

“We are executing our strategy from a position of financial strength; balancing diverse stakeholder interests, while managing value, cost, time and risk trade-offs.”

Analysis of performance for the period ended 31 December 2016
In addition to IFRS profit, the Group uses a number of Alternative Performance Measures (APMs) to assess the performance of the business. Some measures are applicable to the Group as a whole, such as Adjusted Operating Profit (AOP), Free Surplus Generation, Return on IFRS Equity and Return on Adjusted Equity. Others are more specific to the business lines within the component business, for example Net Client Cash Flows and Covered APE Sales. Definitions of the principal APMs, explanations of why they are relevant, and details of the basis for calculating each measure are included in pages 70 to 71.

The Group Finance Director (GFD) review includes a reconciliation between AOP and IFRS profit in order that the performance of the businesses that is subsequently described in terms of AOP can be understood in the context of the IFRS result. Financial results in the GFD review are as reported unless otherwise stated.

2016 Results

The tables below summarise the AOP results of the Group and IFRS profit in 2016:

AOP analysis by business unit (£m)

	2016	2015	% change
Old Mutual Emerging Markets	**619**	615	1%
Nedbank	**799**	754	6%
Old Mutual Wealth	**260**	307	(15%)
Institutional Asset Management	**141**	149	(5%)
	1,819	1,825	–
Old Mutual plc finance costs	**(88)**	(83)	(6%)
Long-term investment return on excess assets	**20**	21	(5%)
Corporate costs (net of recharges)	**(60)**	(57)	(5%)
Other net shareholder income/(expenses) (OSIE)	**(24)**	(43)	44%
Adjusted operating profit before tax	**1,667**	1,663	–
Tax on adjusted operating profit	**(398)**	(403)	1%
Adjusted operating profit after tax	**1,269**	1,260	1%
Non-controlling interests – ordinary shares	**(319)**	(310)	(3%)
Non-controlling interests – preferred securities	**(22)**	(19)	(16%)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	**928**	931	–
Adjusted weighted average number of shares (millions)	**4,773**	4,813	(1%)
Adjusted operating earnings per share (pence)	**19.4**	19.3	1%

AOP pre-tax for the period of £1,667 million is in line with the prior year (2015: £1,663 million). AOP earnings per share increased from 19.3p to 19.4p following a decline in AOP after tax and non-controlling interests by £3 million to £928 million and a reduction in the number of shares applied in the calculation of AOP earnings per share following the maturity of certain Black Economic Empowerment schemes in South Africa during 2015.

IFRS profit (£m)

	2016	2015	% change
IFRS profit before tax	**1,216**	1,201	1%
Income tax expense	**(475)**	(347)	(37%)
IFRS profit from continuing operations	**741**	854	(13%)
IFRS profit from discontinued operations after tax	**104**	70	49%
IFRS profit after tax	**845**	924	(9%)
Non-controlling interests	**(275)**	(310)	11%
IFRS profit attributable to equity holders of the parent	**570**	614	(7%)

The 2016 IFRS profit before tax was £1,216 million compared to £1,201 million in 2015. IFRS profit post-tax attributable to equity holders of the parent reduced by 7% from £614 million in 2015 to £570 million in 2016.

The adverse impact on sterling earnings of a marginally weaker average rand rate of 19.93 (2015: 19.52) was offset by the positive impact of stronger average US dollar rates (up 11% against sterling). Although financial markets ended the year significantly higher than 2015, on average major market indices in the UK and South Africa (SA) were down 2% and 1% respectively while the US was up 2%.

Detailed financial reviews of each of Old Mutual plc's businesses are set out later in this document, the highlights are summarised overleaf.

REVIEW OF FINANCIAL PERFORMANCE
CONTINUED

Old Mutual Emerging Markets

OMEM delivered a solid operational performance against a difficult operating environment, with pre-tax AOP of £619 million for the year ended 31 December 2016, which was 1% higher than in 2015 (£615 million). The South African businesses contributed 82% of the total OMEM result. In South Africa, Life & Savings profits were 8% higher in 2016 than in 2015, largely due to higher planned margins and the net positive impact of assumption changes, including the effect of transferring certain tranches of existing protection business to the new fifth tax fund in South Africa. This was partly offset by weaker underwriting results in Corporate and Retail Affluent. Property & Casualty showed improvement in the second half of 2016 turning an underwriting loss of R44 million in H1 2016 into a profit of R80 million for the full year, although this was significantly down on the prior year underwriting profit of R273 million. Outside of South Africa, strong results in Rest of Africa being 18% higher than in 2016, followed increased underwriting earnings in East Africa following the UAP acquisition and Latin America was 29% higher due to improved investment results and good expense control. This was offset by lower profitability in Asia (24% lower) due to lower investment income and the impact of tax regulation changes in China.

Nedbank

Nedbank's pre-tax AOP of £799 million was 6% up on 2015 (£754 million). The local currency pre-tax AOP outcome of R15,925 million (2015: R14,729 million) was due to strong operational performance in Nedbank's Managed Operations, offset by the poor performance of ETI in Q4 2015, which is reported in Nedbank's results one quarter in arrears during Q1 2016. Excluding the impact of ETI, Nedbank's headline earnings were 16% up on 2015. NII growth of 11% was supported by an improvement in the net interest margin from the higher average prime interest rate, as well as 7% growth in average interest earning banking assets. NIR increased by 8% largely due to higher commissions and fees (7% higher) and trading income (19% higher). NIR was however negatively impacted by lower insurance income arising from risk mitigating loan reduction measures in prior years (6% lower). Impairments decreased by 5% due to lower charges in Nedbank Corporate & Investment Banking of 8%. The credit loss ratio, at 0.68% as at 31 December 2016, is at the bottom end of Nedbank's target range (0.60% to 1.00%), broadly in line with H1 2016 (0.67%) and has improved against December 2015 (0.77%).

Old Mutual Wealth

Old Mutual Wealth pre-tax AOP outcome of £260 million for the year ended 31 December 2016 was 15% lower than 2015 (£307 million). £26 million of the £47 million decrease in AOP is attributed to the one-off effect of revising charging structures applied in the UK Heritage business to ensure better customer outcomes by capping certain exit fees at 1% on certain products and restructuring of other fees. There were also LTIP payments of £10 million in Intrinsic, in line with the original acquisition terms, and £6 million of costs related to the first full year of running Old Mutual Wealth Private Client Advisors. Costs of a further £5 million were incurred in respect of reshaping the executive committee and enhancing governance functions in readiness for standalone operations. Underlying performance of the 'Invest and Grow' business was satisfactory, up 2% to £210 million benefitting from the inclusion of Quilter Cheviot for the full year and positive revenue momentum following the significant ongoing investment in growing the business since 2013.

Institutional Asset Management

Although sterling reported earnings of the Institutional Asset Management business benefitted from US dollar appreciation, the business reported a 5% reduction in 2016 pre-tax AOP, down from £149 million in 2015 to £141 million. This was mainly due to exceptional performance fees in 2015 of $19 million that did not recur in 2016. Normal course of business performance fees were also reduced given market volatilities and a challenging investment environment, while increased management fees were offset by additional expenses due to investment in a number of growth initiatives.

Finance costs

Finance costs increased by £5 million in 2016 to £88 million due to the refinancing activity completed in November 2015. The interest costs of the £450 million Tier 2 instrument paying a coupon of 7.875% are greater than the interest costs saved following the redemption of the €374 million Tier 2 bond which paid a coupon of 5%. Repayment of £112 million of senior debt in October 2016, and the £273 million perpetual preferred callable securities in February 2017 are expected to reduce finance costs by £21 million in 2017.

Long-Term Investment Return on excess assets

Long-term Investment Returns of £20 million in 2016 were earned on shareholder funds held and managed by OMEM in excess of statutory capital requirements. Long-term Investment Return rate assumptions were unchanged in 2016. The decrease of £1 million compared with £21 million in 2015 was partly due to the weaker rand and decrease in the average asset base, which mainly comprises of cash and deposits.

Corporate costs

The table below summarises the composition of Old Mutual plc corporate costs in 2016:

plc cost summary (£m)

	2016	2015
UK employment costs	**42**	41
SA employment costs	**2**	2
External audit and share register fees	**4**	3
IT and office costs	**18**	21
Group corporate insurance	**6**	5
Rent	**7**	8
Total gross plc corporate costs	**79**	80
Recharges	**(19)**	(23)
Reported plc corporate costs	**60**	57

Gross corporate costs in 2016 of £79 million (2015: £80 million) are stated before recharges to businesses of £19 million (2015: £23 million). The £1 million decrease in 2016 gross corporate costs compared to 2015 is not fully reflective of the progress made in reshaping and repurposing of the plc Head Office during 2016. This activity will result in a reduction in FTE's of approximately 50% by March 2017 compared with January 2016, which is in line with the commitment given when the Group announced the interim 2016 results. UK and South Africa gross employment costs increased by £1 million to £44 million in 2016 (2015: £43 million). During H1 2016 the recruitment of additional plc Head Office staff with the skills required to support the managed separation increased employment costs.

Cost reductions were not achieved until H2 2016 when the majority of staff retrenchments occurred. Retrenchment costs are included in other net shareholder expenses. The H2 2016 retrenchment activity is expected to deliver annual savings in gross corporate costs in excess of the £10 million indicated at the time of the 2016 interim results.

IT and office costs reduced by £3 million to £18 million in 2016 (2015: £21 million), largely reflecting IT savings following the cancellation both of non-essential IT upgrades and development in respect of IT capabilities that will not be required following managed separation. Further reductions in gross corporate costs during 2017 will depend on the pace and sequencing of the managed separation.

Recharges reduced by £4 million in 2016 due to changes in the operating model whereby past support provided to the businesses from the plc Head Office has been scaled back as the businesses have developed their own capability.

From 2017 we intend to state the plc Head Office corporate costs gross of recharges. This will more clearly reflect the savings being achieved as the phased reduction of the plc Head Office continues and facilitates clearer understanding of the standalone cost base of each business. Although the recharges will be removed from the operating costs of the businesses this will be offset by increases in their own direct operating costs as they implement the structures and develop the capabilities required to support independent listed businesses. Further analysis of the anticipated changes in operating costs is set out on page 53.

REVIEW OF FINANCIAL PERFORMANCE CONTINUED

Other net shareholder income/(expenses)

The table below sets out other net shareholder expenses in 2016 and 2015:

Other net shareholder expenses (£m)

	2016	2015
Managed separation costs	**(22)**	–
Brand North costs	**(8)**	(8)
Solvency II costs and other projects	**(5)**	(18)
Share-based payment charges	**(10)**	(6)
South Africa governance	**(3)**	–
CEO succession costs	**–**	(6)
Other net expenses	**(4)**	(9)
Other net shareholder expenses, excluding seed capital and FX	**(52)**	(47)
FX gains/(losses)	**20**	5
Seed capital gains/(losses)	**8**	(1)
Total other net shareholder expenses	**(24)**	(43)

Other net shareholder expenses of £24 million in 2016 have reduced by £19 million compared with £43 million in 2015. This improvement is attributable to unrealised foreign exchange gains and fair value gains on largely US dollar denominated cash and seed investments totalling £28 million in 2016 (2015: £4 million). This was largely due to the weakening of sterling versus the US dollar and euro immediately after the outcome of the EU referendum in the UK.

Excluding seed capital and foreign exchange items, the main variances related to the Solvency II and other project spend which reduced by £13 million and CEO succession costs of £6 million in 2015 did not reoccur. Set against these and other items were one-off costs of managed separation of £22 million, comprising plc Head Office retrenchment and re-organisation costs of £8 million, and transaction advisory costs of £14 million. The plc Head Office also incurred advisory costs of £3 million on behalf of Old Mutual Group Holdings (OMGH), in respect of the preparation for implementation of Twin Peaks legislation that is expected to be effective in South Africa in 2018.

Tax

The AOP effective tax rate (ETR) for the Group remains at 24% during 2016. The IFRS ETR is more volatile due to the inclusion of policyholder tax, and one-off items which are typically not taxed at the statutory rate. Analysis of the ETR in relation to AOP therefore gives a more consistent means of understanding the Group tax charge over the longer term.

As the majority of the Group's profits arise in OMEM and Nedbank, the tax borne by these businesses has a significant impact on the Group ETR. The OMEM AOP ETR has decreased from 28% in 2015 to 27%. The reduction is due mainly to profit mix, partially offset by the increase in the CGT rate in South Africa. Nedbank's ETR on AOP has increased from 24% in 2015 to 25% in 2016, largely due to the effect of associate income.

The ETR for the Old Mutual Wealth business is generally lower than in the African businesses given lower headline corporate tax rates in the UK and other markets, in which its business operates. Interest payments and corporate costs incurred by plc Head Office in the UK are available to be offset against profits in the Old Mutual Wealth business.

Non-controlling interests

Profit attributable to non-controlling interests increased from £329 million to £341 million and the proportion of Group profit attributable to non-controlling interests increased from 26% in 2015 to 27% in 2016 reflecting the increased proportion of Group earnings attributable to Nedbank and the reduction in the Group's interest in the OMAM business following a reduction in the Group shareholding from 78.8% to 65.8% through a secondary offering in June 2015. A further secondary offering which reduced the Group shareholding in OMAM from 65.8% to 51.1% was completed on 20 December 2016 and therefore had limited impact on profit attributed to non-controlling interest during 2016.

Operating costs of the businesses and plc Head Office on an adjusted basis

The analysis below adjusts the 2015 and 2016 pre-tax AOP of the Group's businesses for corporate activity, one-off 2016 MS costs, and recharges that are more appropriate to the services provided by the plc Head Office to OMEM and OMW. This better illustrates the underlying cost base and pre-tax AOP of the businesses:

2016 AOP (£m)	**Old Mutual Emerging Markets**	**Nedbank**	**Old Mutual Wealth**	**Institutional Asset Management**	**plc Head Office**	**Total**
AOP pre-tax (reported)	**619**	**799**	**260**	**141**	**(152)**	**1,667**
Quilter Cheviot	–	–	–	–	–	–
Divested businesses	–	–	(24)	–	–	(24)
SA branches transferred from OMW to OMEM	10	–	(10)	–	–	–
One-off managed separation items	2	–	7	–	22	31
AOP pre-tax adjusted for corporate activity, and one-off items	**631**	**799**	**233**	**141**	**(130)**	**1,674**
Revised plc cost allocations						
Remove current plc recharges	7	1	9	1	(19)	(1)
Revised allocation basis	(7)	–	(22)	–	29	–
Property & insurance direct to the business	(3)	–	(7)	–	10	–
Cost of listing	(4)	–	(7)	–	11	–
Brand costs	–	–	(8)		8	–
Reallocation of LTIR on excess assets	20	–	–	–	(20)	–
AOP pre-tax adjusted for corporate activity, and one-off items and cost allocations	**651**	**800**	**220**	**142**	**(140)**	**1,673**

2015 AOP (£m)	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	plc Head Office	Total
AOP pre-tax (reported)	615	754	307	149	(162)	1,663
Quilter Cheviot	–	–	7	–	–	7
Divested businesses	–	–	(33)	–	–	(33)
SA branches transferred from OMW to OMEM	6	–	(6)	–	–	–
AOP pre-tax adjusted for corporate activity, and one-off items	621	754	275	149	(162)	1,637
Revised plc cost allocations						
Remove current plc recharges	8	1	11	1	(23)	(2)
Revised allocation basis	(7)	–	(22)	–	29	–
Property & insurance direct to the business	(3)	–	(7)	–	10	–
Cost of listing	(4)	–	(7)	–	11	–
Brand costs	–	–	(8)	–	8	–
Reallocation of LTIR on excess assets	21	–	–	–	(21)	–
AOP pre-tax adjusted for corporate activity, and one-off items and cost allocations	643	755	264	150	(177)	1,635

OMEM AOP pre-tax adjusted for corporate activity, one-off items and revised cost allocations increased by £32 million to £651 million in 2016 (2015: £28 million to £643 million) and OMW pre-tax AOP decreases by £40 million in 2016 to £220 million (2015: £43 million decline to £264 million). The results of Nedbank and OMAM are not significantly affected.

The OMEM outcome increases by £12 million in 2016 reflecting the recognition of SA branch profits and removal of 2016 one-off MS costs (2015: £6 million). The allocation of Long-term Investment Returns recognised by the plc Head Office of £20 million in 2016 (2015: £21 million) further increases OMEM pre-tax AOP. From 2017 OMEM will include these LTIR returns in the AOP result.

The OMW standalone pre-tax AOP reduces by £27 million (2015: £32 million), largely due to the removal of profits of £24 million from the divested European businesses in 2016 (2015: £33 million), and net of other items.

REVIEW OF FINANCIAL PERFORMANCE
CONTINUED

Revised OMEM and OMW cost allocations

Past plc Head Office business recharges have largely related to OMEM and OMW, due to the fact that Nedbank and OMAM are already listed businesses with their own listed company capability. As a result if the recharge is restated OMEM and OMW are most affected. Analysis suggests that a revised cost allocation of £29 million in total (£22 million to OMW, £7 million to OMEM) are more appropriate.

On this basis existing plc Head Office business recharges of £19 million in 2016 (2015: £23 million) represent a reasonable approximation of standalone costs for OMEM, but they do not fully reflect the appropriate cost allocation by OMW. In fact the revised OMW cost allocation is £13 million higher at £22 million in 2016 (2015: £11 million higher, at £22 million).

2017 plc Head Office cost expectations

We expect annual savings in plc Head Office gross corporate costs in excess of £10 million in 2017, compared with 2016, and during the period of managed separation we will continue to seek opportunities to further optimise plc Head Office operations. However, until the managed separation is substantially complete in 2018, the ability to realise the full operational costs savings is limited by the need to oversee the delivery of enhanced business performance, guide the managed separation process and meet governance, regulatory and capital management obligations. Based on the reshaped plc Head Office, approximately 41% of 2017 plc Head Office costs will relate to supporting the UK listing, 36% to execution of managed separation and business oversight and 23% on governance and control.

The Group will incur one-off costs related to the implementation of managed separation, which are further explained below. Although one-off managed separation costs were recognised within AOP during 2016, we expect these costs to become more significant in 2017. Therefore we are amending the AOP policy in 2017 such that all one-off costs related to managed separation that would ordinarily be included in the IFRS income statement will be excluded from AOP in 2017.

The redemption of £112 million senior debt in October 2016 had only a marginal impact on 2016 finance costs. However the Group will recognise the benefit of this redemption and the recent tier 1 bond repayment during 2017, when finance costs are expected to reduce by £21 million.

Delivering value from the managed separation

The plc Head Office operational costs include corporate costs and other shareholder expenses, and totalled £123 million in 2015 (2016: £103 million). Following the completion of managed separation in 2019 the plc Head Office will close and these operational costs will decrease to zero, creating a saving of £123 million compared with 2015.

Assuming revised cost allocations of £29 million, set out above, are reflective of the incremental recurring standalone cost of closing the plc Head Office to each business the net operational cost saving will be £94 million compared with 2015.

Analysis of OMEM cost allocations suggests that the cost of recurring listed company activity will be £4 million and the cost of insurance that OMEM will need to arrange directly is £3 million. This is, in aggregate, of a similar quantum to the £8 million and £7 million recharged by the plc Head Office in 2015 and 2016. A recurring listing cost of £4 million would be below the guidance of £5 million to £10 million that was given at the Capital Markets Day in October 2016.

Analysis of OMW cost allocations suggests that in addition to property and insurance costs of £7 million already reflected in the OMW recharge, listed company costs in the region of £7 million are appropriate to the OMW business. Furthermore there are £8 million of brand costs previously incurred by plc Head Office that the business will need to meet in future. A recurring listing cost of £7 million is within the guidance of £5 million to £10 million that was given at the Capital Markets Day in October 2016.

We anticipate the one-off costs of unlocking the £94 million of operational cost savings by 2019 to be in the region of £130 million, during the period of managed separation. This includes £50 million to £65 million to be incurred by the plc Head Office, the balance will be incurred by OMEM and OMW.

We expect one-off transaction advisory costs of at least £100 million during the period of implementing managed separation. This estimate is based on the current base case and is subject to stakeholder and market dependencies. These costs will contribute to unlocking the current conglomerate discount to the Group's value by setting the businesses free from the constraints of the existing Group structure.

Reconciliation of Group IFRS to AOP results

The analysis below summarises the reconciling items between the IFRS and the AOP result for the year ended 31 December 2016 and the year ended 31 December 2015:

IFRS to AOP reconciliation

	2016		2015	
	Profit £m	**Earnings per share (pence)**	Profit £m	Earnings per share (pence)
IFRS profit attributable to ordinary equity holders of the parent[1]	**570**	**12.2**	614	13.2
Profit from discontinued operations (net of tax)	**(72)**	**(1.6)**	(45)	(0.9)
IFRS profit attributable to equity holders of the parent from continuing operations	**498**	**10.6**	569	12.3
AOP weighted average number of shares	**–**	**(0.2)**	–	(0.5)
Non-core operations – Bermuda	**5**	**0.1**	31	0.7
IFRS profit attributable to equity holders of the parent excluding non-core operations	**503**	**10.5**	600	12.5
Adjustments to IFRS to determine AOP	**457**	**9.5**	344	7.1
Goodwill, intangible and associate charges	**278**	**5.9**	167	3.4
(Profits)/losses on business disposals	**(19)**	**(0.4)**	36	0.7
Long-term Investment Returns	**26**	**0.5**	42	0.9
Returns on own debt and equity	**43**	**0.9**	31	0.6
Dividends on preferred securities	**(17)**	**(0.4)**	(31)	(0.6)
OMAM equity plans	**20**	**0.4**	9	0.2
FV losses/(gains) on plc debt	**24**	**0.5**	(7)	(0.1)
OMW business transformation costs	**102**	**2.1**	97	2.0
Discontinued operations included in AOP	**72**	**1.6**	66	1.4
Tax on adjusting items	**(38)**	**(0.8)**	(60)	(1.2)
Non-controlling interests on adjusting items	**(66)**	**1.4**	(19)	(0.4)
Reported AOP after tax and NCI	**928**	**19.4**	931	19.3
IFRS weighted average number of shares (millions)	***4,686***	**–**	*4,641*	–
AOP weighted average number of shares (millions)	***4,773***	**–**	*4,813*	–

1 EPS excludes £14 million of dividends paid to holders of perpetual preferred callable securities, net of tax credit (2015: £24 million).

IFRS profit attributable to ordinary equity holders was £570 million in 2016 compared to £614 million in 2015. Profits from discontinued operations of £72 million in 2016 relate to the OMAM businesses with the comparative including OMAM profits of £66 million and losses related to the US Life sale of £21 million.

2016 IFRS profit attributable to equity holders of the parent of £498 million was 12% lower than that of 2015 (£569 million). The 2016 IFRS profit attributable to equity holders of the parent excluding non-core operations was £503 million (2015: £600 million). AOP after tax and non-controlling interests was £928 million in 2016 and £931 million in 2015.

Adjustments to IFRS profit after tax attributable to equity holders of the parent (excluding non-core operations) were £353 million. This was £88 million higher than that in 2015 due to the increased goodwill, intangible and associated impairments and increased fair value losses on the value of Group debt. Net profits of the sale of businesses in 2016 were £19 million compared with losses of £36 million in 2015.

The amount of £278 million in 2016 in respect of goodwill, intangible and associate charges includes the impairment of OMSEA goodwill (of £64 million), the impairment of the plc's share of Nedbank's investment in ETI was £50 million, and a goodwill impairment of £46 million in respect of the sale of the OMW Italy business. Business transformation costs of £102 million incurred by OMW related to the delivery of its UK Platform IT transformation project.

REVIEW OF FINANCIAL PERFORMANCE
CONTINUED

Reconciliation of individual businesses IFRS to AOP

The analysis below summarises the reconciling items between IFRS and AOP for each of the businesses in the Group.

IFRS to AOP reconciliation year ended December 2016 (£m)

	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Non-core operations	Discontinued operations	Total
Profit before tax	**538**	**737**	**113**	**135**	**(169)**	**(5)**	**(133)**	**1,216**
Income tax expense	(207)	(199)	(117)	(31)	50	–	29	**475**
Profit from continuing operations after tax	**331**	**538**	**(4)**	**104**	**(119)**	**(5)**	**(104)**	**741**
Profit from discontinued operations after-tax	–	–	–	–	–	–	104	**104**
Profit after tax for the financial period	**331**	**538**	**(4)**	**104**	**(119)**	**(5)**	**–**	**845**
Non-controlling interests – ordinary shares	13	(234)	–	(32)	–	–	–	**(253)**
Non-controlling interests – preferred securities	–	(22)	–	–	–	–	–	**(22)**
Profit/(loss) after tax attributable to equity holders of the parent	**344**	**282**	**(4)**	**72**	**(119)**	**(5)**	**–**	**570**
Total adjusting items[2]	131	62	241	6	17	–	–	**457**
Tax on adjusting items	(8)	–	(24)	(5)	(1)	–	–	**(38)**
Non-controlling interest in adjusting items	(30)	(32)	–	(4)	–	–	–	**(66)**
Non-core operations	–	–	–	–	–	5	–	**5**
AOP after tax attributable to equity holders of the parent	**437**	**312**	**213**	**69**	**(103)**	**–**	**–**	**928**

IFRS to AOP Reconciliation year ended December 2015 (£m)

	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Non-core operations	Discontinued operations	Total
Profit/(loss) before tax	569	756	42	118	(135)	(31)	(118)	1,201
Income tax expense	(190)	(181)	–	(25)	22	–	27	(347)
Profit from continuing operations after tax	379	575	42	93	(113)	(31)	(91)	854
Discontinued operations	–	–	–	–	–	–	70	70
Profit after tax for the financial period	379	575	42	93	(113)	(31)	(21)	924
Non-controlling interests – ordinary shares	(17)	(247)	–	(27)	–	–	–	(291)
Non-controlling interests – preferred securities	–	(19)	–	–	–	–	–	(19)
Profit/(loss) after tax attributable to equity holders of the parent	362	309	42	66	(113)	(31)	(21)	614
Total adjusting items[2]	76	(2)	266	31	(27)	–	–	344
Tax on adjusting items	(13)	1	(44)	(5)	1	–	–	(60)
Non-controlling interest in adjusting items	(7)	(6)	–	(6)	–	–	–	(19)
Non-core operations						31	–	31
Loss from discontinued operations after tax	–	–	–	–	–	–	21	21
AOP after tax attributable to equity holders of the parent	418	302	264	86	(139)	–	–	931

1 plc Head Office includes the Old Mutual plc parent company and other centre companies
2 Full details of the adjustment applied in determining AOP, are set out in note C1 to the Interim Financial Statements, which can be found in Part 3 of this announcement; explanations follow overleaf.

Old Mutual Emerging Markets

OMEM adjusting items increased from £76 million to £131 million. This was primarily attributable to the recognition of the goodwill impairment in relation to OMSEA of £64 million (R1.3 billion) during 2016. Although we still believe there are significant opportunities in Sub-Saharan Africa, the constrained macroeconomic environment in Zimbabwe and the introduction of interest caps on lending in Kenya place strain on the future outlook for profit generation, while synergies expected from the acquisition of UAP in East Africa have not yet manifested in the financial results. Adjusting items in 2016 also include the amortisation of acquired intangibles and PVIF of £18 million (2015: £20 million) and short-term fluctuations in investment return of £16 million (2015: £36 million).

Nedbank

Nedbank adjusting items increased from negative £2 million in 2015 to £62 million in 2016. Adjusting items include the R1.0 billion (£50 million) impairment of Nedbank's investment in ETI. The main cause of this impairment was the challenging macro environment in Nigeria and the consequential impact on ETI operations.

Old Mutual Wealth

OMW adjusting items have decreased from £266 million in 2015 to £241 million in 2016. Adjusting items in 2016 included UK Platform IT transformation project costs of £102 million (2015: £97 million), amortisation of acquired intangibles and PVIF of £75 million (2015: £94 million) and the impairment of goodwill of £46 million which was recognised in advance of the sale of OMW Italy.

Institutional Asset Management

Institutional Asset Management recognised adjusting items of £6 million in 2016 (2015: £31 million), this includes an adjustment of £20 million (2015: £9 million) that is attributable to the impact of long-term incentive plans for senior affiliate employees. On 31 May 2016, the Group completed the sale of its interest in Rogge Global Partners Limited, a fixed income asset manager to Allianz Global Investors GmbH, the profit of £10 million on the disposal of this business is excluded from the AOP result. OMAM also received additional income of £8 million (2015: £1 million) from earn outs on affiliates disposed in prior periods, this is also excluded from AOP.

plc Head Office

2016 plc adjustments to plc Head Office AOP were £17 million (2015: negative £27 million). The total in 2016 includes £10 million received from Skandia Liv in respect of the various matters relating to the completion of the separation of the Skandia Nordic business from the Group during 2012. Fair value losses on Group debt instruments were £29 million greater than in 2016.

Discontinued and non-core operations

Institutional Asset Management has been classified as a discontinued operation. Furthermore, the assets and liabilities of this business have been disclosed as held for sale. However, the earnings continue to be recognised in AOP earnings in accordance with the policy.

Non-core operations relate to the Bermuda business operating loss of £5 million (2015: £31 million). In 2015 discontinued operations included losses on disposal of £21 million incurred as a result of the settlement of litigation arising on the disposal of US Life in 2011 following a court order in favour of the plaintiff.

Shareholders' equity

Total IFRS equity and equity attributable to shareholders of Old Mutual plc

The table below summarises the movement in Group equity in 2016 and the calculation of average equity that is applied in Return on Equity (RoE) calculations:

Total IFRS equity 2016 (£m)	Equity attributable to equity of the parent	Total non-controlling interests	Total IFRS equity
Opening shareholder equity at 1 January 2016	6,680	2,254	8,934
Profit after tax	570	275	845
Net currency translation	1,261	536	1,797
Dividends	(443)	(171)	(614)
Other items	(14)	220	206
Closing shareholder equity at 31 December 2016	8,054	3,114	11,168
Average equity 2016[1]	6,987	–	–

1 Calculated using the average of opening mid-year and year end equity attributable to equity shareholders of the parent, excluding perpetual preferred callable securities (of £273 million at all three dates) and equity attributed to non-core operations (of £68 million at 31 December 2016, £95 million at 30 June 2016 and £49 million at 31 December 2015)

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As at 31 December 2016, the Group recorded total IFRS equity of £11,168 million, (2015: £8,934 million). After excluding equity attributable to non-controlling interests of £3,114 million (2015: £2,254 million), the equity attributable to shareholders of the parent was £8,054 million (2015: £6,680 million).

The £1,374 million increase in equity attributable to shareholders is principally due to retained IFRS profit after tax of £570 million, net foreign currency transaction gains of £1,261 million (after deducting net investment hedges of £104 million), less dividends paid of £443 million.

The significant foreign currency translation gain in 2016, largely reflects the 26% appreciation in the rand relative to sterling over the year from (R22.818 to R16.955).

Adjusted Return on Equity and Capital Allocation

Adjusted ROE 2016 (£m)

	AOP (post-tax & NCI)	Average shareholder equity excl. intangibles[1]	Return on shareholder equity excl. intangibles[2]	Average shareholder equity incl. intangibles	Return on shareholder equity incl. intangibles
Old Mutual Emerging Markets	437	1,786	24.5%	2,126	20.6%
Nedbank	312	1,834	17.0%	2,094	14.9%
Old Mutual Wealth	213	973	21.9%	2,499	8.5%
Institutional Asset Management	69	(14)	>100%	601	11.5%
plc Holding Company	(103)	2,408[1,3]	n/a	(333)	n/a
Adjusted ROE	**928**	**6,987**	**13.3%[4]**	**6,987**	**13.3%[4]**
Adjusted 2015 ROE	931	6,573	14.2%[4]	6,573	14.2%[4]

1 Average shareholders' equity as at 31 December 2016. The businesses figures exclude the plc share of 'Goodwill and other intangible assets' as reported in the segmental balance sheet; however these assets are included in the adjusted ROE
2 Calculated as AOP post-tax and NCI divided by average shareholders' equity excluding plc portion of 'Goodwill and other intangible assets'
3 Includes plc portion of 'Goodwill and other intangible assets' and excludes the perpetual preferred callable securities (£273 million) and non-core operations (£68 million)
4 Adjusted ROE is calculated using average ordinary shareholders' equity (ie, excluding the perpetual preferred callable securities) and excludes non-core operations.

Old Mutual plc adjusted ROE decreased by 0.9% from 14.2% in 2015 to 13.3% in 2016, largely due to AOP after tax and non-controlling interests remaining flat on the prior period in reported currency whilst average equity has increased 6% over the same period.

Average equity has increased mainly as a result of IFRS profits which include the impairments of OMSEA goodwill and the Nedbank investment in ETI exceeding the dividend outflow, as well as the stronger rand and dollar rates against the sterling. The exchange rate impact on average equity accounts for approximately 30 basis points of the 90 basis points reduction in adjusted ROE. Future ROEs for each business will vary in part due to the additional costs incurred following the managed separation, and are also dependent on the standalone balance sheets of the individual businesses.

Adjusted ROE of business components

The analysis below provides further details of the ROE for the component parts of each business:

ROE of business components (£m)

	2016 Average shareholder equity	2016 AOP (post-tax & NCI)	2016 adjusted ROE	2015 adjusted ROE
Old Mutual Emerging Markets				
South Africa	1,408	361	25.6%	27.5%
Rest of Africa	532	54	10.2%	11.3%
Asia & Latin America	186	22	11.8%	12.0%
Total Old Mutual Emerging Markets	**2,126**	**437**	**20.6%**	22.4%
Nedbank				
Managed operations	1,932	322	16.7%	16.5%
ETI[1]	162	(10)	(6.2%)	9.9%
Total Nedbank	**2,094**	**312**	**14.9%**	15.8%
Old Mutual Wealth				
Invest & Grow				
UK	1,670	116	6.9%	9.5%
International	351	52	14.8%	13.6%
Manage for Value markets				
Italy	128	17	13.3%	14.0%
Heritage	350	28	8.0%	13.1%
Total Old Mutual Wealth	**2,499**	**213**	**8.5%**	11.1%
OMAM	**601**	**69**	**11.5%**	14.0%
plc Head Office	**(333)**	**(103)**	**n/a**	n/a
Total	**6,987**	**928**	**13.3%**	14.2%

1 Average ETI equity of £162 milion in 2016 reflects the average carrying value of ETI in Nedbank's accounts attributable to equity holders of Old Mutual plc. The ETI post-tax loss of £10 million in 2016 reflects operating losses and finance costs related to the associate investment attributable to equity holders of Old Mutual plc.

Variations in adjusted ROE across the businesses reflect the differing maturity of the businesses and the impact of recent acquisitions on performance. The OMEM and Nedbank South Africa businesses have more mature franchises, which translate into higher returns and remittances. The operations in the Rest of Africa, Asia and Latin America are still building distribution and operational capacity often in challenging macroeconomic environments. These negatively impact returns, both in profits and cash. In OMW, capital is being deployed to invest in distribution, accelerate the ability of the business to operate on a standalone basis and its UK Platform IT transformation project.

plc capital deployed and productivity of recent corporate activity at cost (£m) (>£100m)

	2016 invested capital	2016 AOP post-tax	2016 return on invested capital	2015 return on invested capital
Significant acquisitions				
Quilter Cheviot (acquired in February 2015) (100%)	585	38	**6.5%**	5.9%
Intrinsic/Cirilium (acquired in July 2014 and December 2014 respectively) (100%)	98	1	**1.0%**	9.2%
Ecobank Transnational Incorporated (ETI) (stake acquired in October 2014) (approximately 20%)	305	(19)	**(6.2%)**	8.5%
UAP Holdings (UAP) (acquired in June 2015) (60.7%)	162	4	**2.5%**	2.5%
Total	**1,150**	**24**	**2.1%**	**6.4%**

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Whilst we recognise that returns from acquisitions take some time to come through and the macroeconomic environment is challenging in the territories in which a number of the Group's recent acquisitions operate, the current return on capital deployed continues to remain well below our expected target range. Each business is seeking to improve these returns, as detailed in the respective business reviews later in this report.

Since 2013, the Group has exited a number of non-core European OMW businesses with low return on investment and high goodwill and has generated proceeds from the IPO and subsequent secondary offering of OMAM. The proceeds from this corporate activity have been invested in the business with the potential to generate higher return on investments in faster growth markets. This includes the investments in UAP, ETI, Quilter Cheviot and Intrinsic.

Quilter Cheviot's returns improved to 6.5% in 2016 (2015: 5.9%) reflecting higher profits as FUM increased 16% compared to the prior year, increasing the FUM-based revenues earned.

The Intrinsic/Cirilium post-tax AOP includes Old Mutual Wealth Private Client Advisers and the LTIP charge in 2016 in view of successful business delivery. Excluding these charges the return on invested capital is approximately 14%. Intrinsic also secures flows for other parts of the OMW business. For example, the Intrinsic restricted channel accounted for 32% of UK Platform net flows in 2016 (2015: 25%). The contribution to profit from these flows is not recognised in the post-tax AOP result stated above. The acquisition has performed ahead of original expectations.

Synergies expected from the acquisition of UAP in East Africa have not yet been realised in the financial results, nevertheless we remain comfortable that through executing on our strategic priorities we will realise the desired medium- and long-term returns on our investment.

plc cash flows and liquidity

Free surplus generation

Free surplus generation analysis considers the efficiency of the businesses in converting profits into operational cash flows. In 2016, the businesses generated free surplus of £878 million (2015: £945 million), representing a conversion rate of 85% of AOP post-tax and NCI (2015: 88%).

For OMEM 73% (2015: 69%) of the AOP (post-tax and NCI) in 2016 was converted to free surplus. Covered business free surplus generated in OMEM is calculated using the free surplus component of MCEV earnings. Non-covered business free surplus generated is calculated as AOP post-tax and NCI adjusted for short term fluctuations in investment return and movements in required capital for OMEM's Property & Casualty business.

The OMW conversion rate was 84% in 2016 (2015: 102%). The lower conversion rate partially reflects revised expense assumptions in the UK Heritage business following the decision to suspend the development of its IT system. OMW free surplus is calculated on a local statutory basis which for the businesses in the EU is consistent with Solvency II principles.

Nedbank and Institutional Asset Management free surplus is calculated as their AOP post-tax and NCI and therefore the conversion rate is 100% for both businesses.

The analysis below sets out free surplus generation between hard currency and emerging market businesses given the remittances and dividend arrangements set out in the Group's demutualisation agreement (as amended over time).

Source of free surplus (£m)

	2016		2015	
	Free surplus generated	**% of AOP converted to free surplus**	Free surplus generated	% of AOP converted to free surplus
Old Mutual Wealth	**179**	**84%**	268	102%
Institutional Asset Management	**69**	**100%**	86	100%
Total northern hemisphere	**248**	**88%**	354	101%
Old Mutual Emerging Markets	**318**	**73%**	289	69%
South Africa	**247**	**68%**	239	67%
Rest of OMEM	**71**	**93%**	50	79%
Nedbank	**312**	**100%**	302	100%
Total southern hemisphere	**630**	**84%**	591	82%
Total before interest and plc costs	**878**	**85%**	945	88%

plc Head Office company cash position and cash flows

The plc Head Office cash position marginally decreased from £750 million as at 1 January 2016 to £743 million as at 31 December 2016. This is invested in cash and near cash instruments, including money market funds and a liquid corporate bond portfolio. The plc Head Office also has access to an undrawn committed facility of £800 million (as at 31 December 2015: £800 million). In addition to cash and available resources held at the plc Head Office level, which are considered adequate to support the plc under both normal and stressed conditions, we evaluate potential further liquid resources that required to be held by the plc Head Office to support underlying business needs for investment opportunities and for downside scenarios. Consistent with this approach, during January 2017, the Group established a new £200 million RCF for the OMW business and continues to finance seed capital investments for OMAM. Plc Head Office maintains an early warning liquidity threshold and liquidity buffers reflecting its risk appetite.

As the businesses transition to be standalone entities we will assess their day one liquidity requirements and, where appropriate, we will transition liquidity buffers currently held and funded at plc Head Office into the businesses. This is particularly relevant for OMW.

The table below summarises plc Head Office cash flows in 2016 and 2015:

plc cash flows (£m)

	2016	2015
Opening cash and liquid assets at holding company at 1 January	**750**	1,003
Operational flows		
Hard currency free surplus generated	248	354
Old Mutual Wealth business transformation costs (after tax)	(82)	(78)
Other cash retained or deployed in the businesses	(82)	(113)
Operational receipts from hard currency businesses	**84**	163
Impact of foreign currency hedging	**(6)**	(2)
Operational receipts from hard currency businesses after hedging	**78**	161
Emerging market free surplus generated	630	591
Free surplus used for acquisitions	(17)	(191)
Other cash retained or deployed in the businesses	(203)	(70)
Operational receipts from emerging market businesses	**410**	330
Impact of foreign currency hedging	**(37)**	17
Operational receipts from emerging market businesses after hedging	**373**	347
Corporate costs	(60)	(57)
Other operational flows	(46)	(55)
Total operational flows	**345**	396
Capital servicing		
Interest paid	(72)	(32)
Preference dividends	(17)	(30)
Ordinary cash dividends	(451)	(426)
Paid to northern hemisphere shareholders	(160)	(172)
Paid to southern hemisphere shareholders	(291)	(254)
Total servicing of capital	**(540)**	(488)
Capital movements		
Net debt (repaid)/issued in the period	(112)	187
Net business unit funding	68	(118)
Total capital movements	**(44)**	69
Other plc cash movements		
Net corporate activity received/(funded) by plc directly	232	(230)
Total plc cash movements	**232**	(230)
Closing cash and liquid assets at holding company at end of period	**743**	750

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Operational cash flows

Hard currency free surplus generated reduced by £106 million in 2016 to £248 million (2015: £354 million) largely due to the reduction in OMW free surplus to £179 million (2015: £268 million) as a result of AOP being 15% lower in 2016 than the prior year and the revised expense assumption in the UK Heritage business following the decision to suspend the development of its IT system. £33 million of the OMW free surplus generated during 2016 was remitted to plc Head Office (2015: £109 million). The decrease was due to a higher proportion of the post-tax free surplus being retained for investing in OMW's UK Platform IT transformation project (£82 million) and for redeploying into growth opportunities in the business, including the expansion of the Old Mutual Wealth Private Client Advisers business and planned acquisitions of Attivo Investment Management and Caerus. OMAM remitted £51 million (2015: £54 million), reflecting its dividend policy of paying 25% of Economic Net Income (ENI) and agreed payments in-line with the Deferred Tax Agreement.

Emerging markets free surplus increased to £630 million (2015: £591 million) largely due to higher AOP (post-tax and NCI). £410 million (2015: £330 million) of the free surplus was remitted to plc Head Office. During 2016, OMEM generated free surplus of £318 million and remitted £253 million after investing in their South African IT investment programme (£21 million) and deferred acquisition payments on AIVA (£17 million). During 2016, Nedbank remitted £157 million, retaining £155 million, reflecting its publicly stated policy of a dividend cover of 1.75 – 2.25 times Headline Earnings.

Other operational flows include the impact of hedging on anticipated foreign currency remittances of £(28) million (2015: £1 million) and payments to the plc employment benefit trust relating to the funding of share incentive awards of £40 million. The trust purchased 21.4 million (2015: nil) shares at an average share price of 184 pence per share. This increase primarily reflects the funding of the new long-term incentive plan (the Managed Separation Incentive Plan), which replaced the annual long-term incentive awards that under previous arrangements would have been granted and so required funding in 2016, 2017, and 2018.

Servicing of capital

Dividend payments to shareholders of £451 million (2015: £426 million) have been made in the year in relation to the second interim dividend for 2015 of 6.25 pence per share and the first interim dividend for 2016 of 2.67 pence per share. Of this, £291 million was paid to shareholders on the SA register (2015: £254 million). plc contributed £41 million of central cash to the payment of plc dividends during the year. Preference dividends reduced by £13 million in 2016, reflecting the redemption of the €374 million Tier 2 bond in November 2015. Interest paid in 2016 was £40 million higher than 2015 mostly due to £450 million of Tier 2 subordinated debt issued in November 2015.

Capital movements

In October 2016, £112 million of senior debt was repaid. Net inflows from business unit funding during 2016 largely reflect returns of co-investment and seed capital from OMAM of £40 million (2015: £9 million) and the return of funding of £29 million from Bermuda (2015: £111 million funding to Bermuda).

Corporate activity

Cash flows from corporate activity include proceeds of £230 million (net of costs and foreign currency hedging) from the secondary offering and buy back of 20.95 million shares in OMAM during December 2016, receipts from the sale of Rogge and other corporate inflows and outflows. In 2015, plc Head Office provided intercompany funding to OMW for its purchase of Quilter Cheviot and received the proceeds from the sale of 15.295 million OMAM shares in the secondary offering during June 2015.

Post balance sheet events

On 9 January 2017, OMW sold OMW Italy to Phlavia Investimenti (previously ERGO Italia), owned by Cinven. The proceeds from the sale (net of costs and foreign currency hedging) of £210 million were remitted to the Group on the same day. On 3 February 2017 we fully redeemed £273 million (being the full amount) of perpetual preferred callable securities that remained outstanding.

OMAM commitments to Old Mutual plc

As part of the managed separation strategy, steps were taken during 2016 to clarify and accelerate seed capital and DTA relationships between OMAM and Old Mutual plc, with the effect that Old Mutual plc has greater certainty about future cash payments from OMAM.

Purchase of seed capital investments from Old Mutual plc

On 15 September 2016, OMAM purchased approximately $40 million (£31 million) of seed investments from Old Mutual plc under the terms of the Seed Capital Management Agreement as amended. OMAM intends to purchase all remaining seed capital investments covered by the Seed Capital Management Agreement in July 2017. At 31 December 2016, the remaining OMAM seed investments had a value of $83 million (£67 million).

Amendment of the OMAM Deferred Tax Asset Deed (DTA)

On 13 June 2016, OMAM and OM Group (UK) Limited (OMGUK) entered into a Heads of Agreement amending the DTA to provide that the obligations of OMAM to make future payments to OMGUK under the DTA, which were originally scheduled to continue until 31 January 2020, would be amended as of 31 December 2016 resulting in a payment of the net present value of the future payments due to OMGUK valued as of 31 December 2016. This payment equals approximately $143 million (£116 million) and will be made over three instalments on each of 30 June 2017, 31 December 2017 and 30 June 2018. The agreement contains certain provisions allowing OMAM to claw back amounts paid in the event that deferred tax assets recognised by OMAM are not recovered by the OMAM businesses. These clawback arrangements create a potential commitment from OMGUK to OMAM which extends beyond the period of managed separation.

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Review of financial position

Balance sheet review

The analysis below summarises how ordinary equity attributable to ordinary shareholders of the parent is invested in the net assets of the component businesses including the plc Head Office. It also sets out the composition of plc Head Office net assets. The information is directly sourced from segmental analysis of the Group's IFRS Balance Sheet in note B4 of the financial statements. The narrative which follows the table includes forward-looking analysis of the unwind of the net assets of the Group and the plc Head Office. The analysis is intended for illustrative purposes, as it is based on assumptions regarding the implementation of the managed separation strategy which are uncertain.

At 31 December 2016 ordinary equity attributable to shareholders of the parent was £7,781 million (2015: £6,407 million). The majority of this equity value was represented by the operating businesses, and of this total only £358 million, or 5% related to the equity of plc Head Office, (2015: £282 million, 4%):

(£m)	Illustrative 3 February 2017[1]	2016	2015
Equity attributable to shareholders of the parent	7,781	**8,054**	6,680
plc Perpetual Preferred Callable Securities	–	**(273)**	(273)
Equity attributable to ordinary shareholders of the parent	7,781	**7,781**	6,407
Equity invested in component businesses:			
OMEM	2,455	**2,455**	1,805
Nedbank	2,476	**2,476**	1,710
OMW	1,687	**1,897**	1,950
OMAM	527	**527**	611
OM Bermuda	68	**68**	49
plc Head Office[2]	568	**358**	282
Equity attributable to ordinary shareholders of the parent	7,781	**7,781**	6,407
Composition of Old Mutual plc Head Office NAV			
Cash	680	**743**	750
Seed investments	148	**148**	223
Intercompany debtors	816	**816**	767
plc Head Office Assets	1,644	**1,707**	1,740
Third party debt (including plc perpetual preferred callable securities)	(1,017)	**(1,290)**	(1,371)
Net sundry third party creditors	(59)	**(59)**	(87)
plc Head Office Liabilities	(1,076)	**(1,349)**	(1,458)
plc Head Office NAV	568	**358**	282

1 31 December 2016 balances, adjusted for the receipt of Italy proceeds of £210 million and the repayment of £273 million of Perpetual Preferred Callable Securities in February 2017

2 Excludes Perpetual Preferred Callable Securities that are classified within IFRS equity in accordance with accounting guidance, but not attributable to ordinary equity holders, as these were repaid in February 2017. At 31 December 2015 and 2016 they were carried at a book value of £273 million

Equity invested in the businesses

Over 80% of the Group's equity is invested in the OMEM, Nedbank and OMW businesses. Under managed separation these businesses are expected to be distributed to shareholders. The realisation of the available assets of the plc Head Office will be required to contribute to plc Head Office's remaining liabilities and contingencies as the managed separation progresses.

The equity of OMAM, which is listed on the NYSE and OM Bermuda businesses, is also potentially realisable by the plc Head Office to support the managed separation. It is expected that OMAM will provide a source of further cash resources as Old Mutual executes its strategy of continued phased reductions in its interest in OMAM, when appropriate.

The extent to which the NAV of the OM Bermuda business is realised by the plc Head Office will depend on the resources required to support obligations arising in respect of the Guaranteed Minimum Accumulation Benefit (GMAB) guarantees in relation to variable annuity policies due to reach their 10-year maturities in 2017 and 2018 and the release of a guarantee to a third party, with a maximum potential value of $250 million in May 2018.

OMEM and Nedbank dividend receipts will be available to support the plc dividend, consistent with the original terms of demutualisation and in line with the plc's capital management policy. OMW and OMAM will continue to provide

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operational remittances to the plc Head Office. For OMW this will continue to be constrained by the required investment in the UK Platform Transformation Project; in OMAM's case it will be in line with the businesses' publicly-listed dividend policy.

Old Mutual plc Head Office cash resources and third-party debt

Although the net assets of the plc Head Office are small relative to the equity of the Group, the plc Head Office balance sheet includes third party debt totalling £1,290 million (2015: £1,371 million).

The plc Head Office had cash balances of £743 million at 31 December 2016 (2015: £750 million). However on an illustrative basis before other costs, cash balances have reduced to £680 million since 31 December 2016 following the repayment of the £273 million Old Mutual plc Perpetual Preferred Callable Securities, and after taking account of the receipt of net proceeds of £210 million from the sale of the Italy business, both of which occurred in 2017. The availability of plc Head Office cash resources is further constrained by the requirement to support plc Head Office operational expenses including corporate costs, other net shareholder expenses, managed separation and finance costs and maintaining liquidity buffers.

Effecting the managed separation strategy is expected to require funding in the region of £130 million in relation to the one-off costs of winding down the plc and creating standalone businesses. Within the total one-off costs the plc Head Office expects to incur £50 million to £65 million, £8 million has already been incurred during 2016. Advisory costs related to implementing managed separation to unlock the current conglomerate Group discount are expected to be at least £100 million. The majority of these will be funded by the plc Head Office. In 2016, costs of £14 million were already incurred by plc Head Office.

The plc Head Office early warning threshold buffers support the inherent costs and constraints of the existing Group structure as well as being appropriate to the operational risks it faces in respect of its own activities and due to its Group wide role. The plc regularly reviews its early warning liquidity threshold ("EWT") to ensure adequate liquidity resources are maintained. At 31 December 2016 this stood at circa £500 million. This amount reflects a forward looking assessment of the liquidity required at the center, to cater for normal Head Office cash demands, downside risks and contingencies as well as the £200 million rolling credit facility (RCF) recently put in place with OMW. The liquidity EWT will reduce dynamically as the plc Head Office cash demands reduce, legacy plc Head Office items are crystallised and preparations for day one standalone balance sheets are completed. Our liquidity buffers allow for an expected level of funding in the region of £130 million that is required in order to resolve the legacy plc Head Office items.

plc Head Office net intercompany receivables

Other non-cash plc Head office assets include net intercompany debtors of £816 million (2015: £767 million), and largely relate to funding to OMW (£789 million), most of which was provided to support the acquisitions of Quilter Cheviot and Intrinsic in 2015. The long-term funding requirements of OMW require determination as managed separation progresses.

There is a further receivable of £85 million due from OMAM, principally relating to the Deferred Tax Asset deed which is further explained in note A2 of the 2016 financial statements. This will be fully repaid by 30 June 2018, however amounts repaid are subject to clawback provisions.

Intergroup payables relate to the £58 million loan note outstanding from Old Mutual plc to OM Bermuda. This may be called by OM Bermuda during 2017 and 2018 to the extent that obligations in relation to its GMAB guarantees cannot be met from OM Bermuda's own resources when the relevant OM Bermuda policies reach their 10 year maturity dates.

plc Head Office seed portfolio

The table below sets out the Group's seed investments at 31 December 2016 and 2015:

Seed investments market value (£m)

	1 in 200 event 2016[1]	2016	2015
Old Mutual Bermuda			
Millpencil Limited	**59**	**72**	74
Millpencil US	**–**	**–**	51
Old Mutual Seed Investment (UK) Limited (OMSI (UK) Ltd)	**8**	**15**	77
Millpencil US	**21**	**35**	–
Old Mutual plc	**8**	**8**	–
Old Mutual Group (UK) Limited (OMGUK)	**15**	**18**	21
Total	**111**	**148**	223

1 The 1-in-200 event represents the value of seed investments at 31 December 2016 after the impact of a 1-in-200 event allowing for market movements.

The plc Head Office is in the process of winding down its seed portfolio as part of the managed separation. At 31 December 2016 the plc Head Office held seed investments of £148 million (2015: £223 million). During 2016 the level of seed capital reduced by £75 million reflecting the redemption of £95 million of seed funding offset by £20 million of foreign exchange and fair value gains.

The mix of underlying investments carries market risks. The seed portfolio is allocated over a range of assets and at 31 December 2016 was invested 48% in fixed income, 15% in equities and 37% in alternatives. Based on a 1-in-200 downside scenario, the total value of these investments is estimated to reduce by £37 million to £111 million.

The accelerated cash realisation from seed investments and intra-group arrangements has been seen in 2016 and is expected to continue in 2017 and 2018.

plc debt

plc debt summary[1]

	Illustrative 2016[3]	**2016**	2015
Total gearing (gross of holding company cash) – IFRS basis[2]	14.1%	**15.9%**	16.2%
Total book value of debt – IFRS basis (£m)	1,818	**2,091**	1,731
plc book value of debt – IFRS (£m)	1,017	**1,290**	1,371
Total interest cover[4]	12.5 times	**11.1 times**	14.0 times
Hard interest cover[4]	3.9 times	**3.4 times**	4.8 times

1 Excludes banking-related debt of £3,008 million at Nedbank and £209 million at Old Mutual Emerging Markets, of which £159 million is held at Old Mutual Finance (OMF), £23 million is held at CABS and £27 million is held at Faulu
2 2015 has been restated to adjust for debt instruments that are accounted for as equity
3 Proforma for redemption of the £273 million Perpetual Preferred Callable Securities in February 2017 and receipt of net £210 million from the sale of Old Mutual Wealth Italy in January 2017
4 Interest cover is calculated based on the number of times AOP before tax covers finance costs.

Total debt (excluding Nedbank) of £2,091 million comprises of plc debt of £1,290 million, emerging markets non-banking debt of £482 million and OMAM debt of £319 million.

As at December 2016, Old Mutual plc debt comprises of £273 million Perpetual Preferred Callable Securities callable in March 2020, £500 million of Tier 2 debt maturing in June 2021 and £450 million of Tier 2 debt maturing in November 2025. At 31 December 2016, the book value of the Tier 2 instruments was £569 million and £448 million respectively. The plc value of debt is £1,290 million, which includes the book value of Old Mutual plc debt, excluding a derivative asset of £31 million, related to the £500 million Tier 2 debt taken out in June 2012. On 3 February 2017 the Group repurchased all of the £273m Perpetual Preferred Callable Securities .

The book value of Emerging Markets non-banking debt is £482 million as at 31 December 2016. OMLAC(SA) has R3,475 million in fixed rate Tier 2 bonds and R2,525 million in floating rate Tier 2 bonds. The fixed rate bonds have first calls in 2019, 2020, 2022 and 2025, while the floating rate bonds have first calls in 2019 and 2020. At 31 December 2016 OMLAC(SA) has drawn R260 million of a total R3,125 million revolving credit facility (excludes R2,125 million with Nedbank). UAP has debt of KES 2,000 million maturing in 2017, along with $60 million (includes $31 million Nedbank loan) maturing in 2021, 2022 and 2023. OM Properties Africa has debt of $65 million with maturity in December 2020.

The book value of OMAM debt is £319 million. On 27 July 2016, OMAM issued $400 million senior notes, consisting of $275 million due in 2026 and $125 million due in 2031.

Gearing as at 31 December 2016

Gross gearing is based on non-banking debt of £2,060 million (2015: £1,680 million), which is the book value of non-banking debt net of a derivative asset of £31 million (2015: £51 million) related to the £500 million Tier 2 debt. Gross gearing of 15.9% is calculated as the percentage of non-banking debt (£2,060 million) over total Group equity plus non-banking debt (£12,954 million). Gearing reduces to 10.2% when net of cash at the holding company.

Capital management policy

We announced a new capital management policy in March 2016 in respect of returns to shareholders for the period of the managed separation. The aim is to provide flexibility, recognising the need to balance complex considerations, including costs and cash demands associated with the managed separation, continuing to invest in the businesses to drive enhanced performance and further increasing their capital strength. Given this, we previously indicated taking a conservative approach to the full year dividend.

We have today announced the second interim dividend for 2016 under the new policy which is 3.39p, the rand equivalent is 53.55 cents. This will be paid on 28 April 2017.

We had previously indicated that in 2015 and in the first half of 2016, that plc Head Office cash contributed to paying dividends to shareholders and that

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dividends going forward will reflect the capacity for distributions from the underlying businesses. This will continue to apply for dividends in respect of 2017 and we maintain our target of dividend cover of 2.5-3.5 times AOP for the full year. The expected cover for the 2017 first Interim dividend is 3 times AOP earnings for that interim period. For 2017, dividends paid in currencies other than sterling will be converted at the average effective exchange rate after taking into account hedging activities and timing of remittances for the relevant period.

We will be reviewing our rolling hedging of non-sterling remittances from the underlying businesses in light of the uncertainties of managed separation.

Capital

Regulatory capital in accordance with Solvency II rules

The Group Solvency II surplus is £1.3 billion at 31 December 2016 (1 January 2016: £1.7 billion as reported to the Prudential Regulation Authority (PRA)), representing a Solvency II ratio of 124% (1 January 2016: 138%) calculated under the standard formula. The Group Solvency II ratio continues to be resilient as the Group surplus excludes £1.7 billion of surplus from the South African businesses that remain available for local loss absorption. The Solvency II information in this preliminary results disclosure has not been audited.

Group regulatory capital (£bn)

	Solvency II		
	31 December 2016[1]	2016 Pro-forma[2]	1 January 2016[3]
Own funds	**6.9**	6.9	6.1
Solvency capital requirements (SCR)	**5.6**	5.5	4.4
Solvency II surplus	**1.3**	1.4	1.7
Coverage	**124%**	126%	138%

1 Based on preliminary estimates. Formal filing due to the Prudential Regulation Authority (PRA) by 7 April 2017
2 Reflects the sale of Old Mutual Wealth Italy which completed in January 2017
3 As reported to the PRA as part of the Solvency II day one submission.

The weakening of sterling against the rand reduced the Group Solvency II ratio by 8% due to the translation of capital requirements from OMEM and Nedbank into sterling. The Group Solvency II ratio also reduced due to the payment of dividends to UK shareholders, the purchase of Landmark Partners by OMAM, net increases in the businesses' capital requirements consistent with business growth, and the de-recognition of preferred callable securities from own funds following PRA approval to repurchase early in 2017. These negative movements were offset by the receipt of cash following the public offering of OMAM shares in December 2016.

There was no offset coming from own funds held in rand as any increase in OMEM and Nedbank own funds are restricted by the increase in their capital requirements as a result of applying fungibility restrictions.

Composition of qualifying Solvency II capital

The Group own funds for Solvency II purposes reflect the resources of the underlying businesses after excluding the restricted surplus from the South African owned businesses. The Group own funds include the Old Mutual plc issued subordinated debt instruments which qualify as capital under Solvency II. The composition of own funds by tier is presented in the table below.

Old Mutual Group Solvency II Own Funds (£bn)

	31 December 2016	1 January 2016[1]
Tier 1 (unrestricted)	**5.8**	4.8
Tier 1 (restricted)[2]	**–**	0.3
Tier 2[3]	**1.1**	1.0
Total Group Solvency II own funds	**6.9**	6.1

1 As reported to the PRA as part of the Solvency II day one submission
2 Comprises of £0.3 billion of Perpetual Preferred Callable Securities grandfathered under Solvency II that were de-recognised from own funds at 31 December 2016 in view of the Group's repurchase in early 2017
3 Comprises £0.5 billion of Solvency II compliant subordinated debt and £0.6 billion subordinated debt grandfathered under Solvency II.

Group SCR is covered by Tier 1 capital which represents 105% of the Group SCR of £5.6 billion. Tier 1 represents 85% of Group capital after fungibility deductions.

Solvency II capital in comparison to IFRS equity

The table below presents the reconciliation of differences between IFRS equity net of non-controlling interests (NCI) and Solvency II own funds (post restriction).

IFRS compared to Own Funds (£bn)

	31 December 2016
IFRS equity net of non-controlling interest	**8.1**
Removal of goodwill and other intangibles (net of non-controlling interest)[1]	**(2.9)**
Restatement of technical provisions (net of deferred tax)[2]	**2.8**
Inclusion of Old Mutual plc subordinated debt[3]	**1.1**
De-recognition of preferred callable securities[4]	**(0.3)**
Fungibility restriction[5]	**(1.7)**
Other[6]	**(0.2)**
Total Group Solvency II Own Funds	**6.9**

1 Goodwill and other intangibles are assets that are recognised under IFRS, however, they are deemed inadmissible for regulatory purposes
2 Solvency II uses a best estimate liability basis to measure insurance liabilities. This effectively recognises a future earnings component within the liabilities and results in an increase in capital. This is partially offset by the recognition of the risk margin which replaces prudential margins allowed for in IFRS insurance liabilities
3 Old Mutual plc subordinated debt comprises of Tier 2 debt instruments in Old Mutual plc that count towards the Group's Solvency II capital position
4 Comprises of £273 million of Perpetual Preferred Callable Securities grandfathered under Solvency II that were de-recognised from own funds at 31 December 2016 in view of the Group's repurchases in early 2017
5 Restriction of the Nedbank and OMEM's surplus (plus an £86m restriction relating to OMW) when applying Solvency II fungibility and transferability rules (restricting entirely the surplus available from the businesses held through South Africa, as a result of the exchange controls and demutualisation agreement that apply to remitting capital from South Africa. Under Solvency II rules, this means that the surplus is not considered to be fully fungible or transferable at a Group level)
6 Includes offsetting items with the largest being sectoral adjustments for non-insurance entities and out of scope entity adjustments.

Solvency II sensitivities

The table below presents the estimated sensitivity of the Group Solvency II ratio under certain standard financial stresses, which are defined by reasonably possible individual movements in key market parameters, while keeping all other parameters constant. The effects impact both the own funds and capital requirements and consequently the Group Solvency II ratio. In addition, we have included a non-financial stress assuming 10% of our insurance business in OMW and OMEM lapses immediately.

Solvency II and capital ratio at 31 December 2016 (£bn)

	Capital requirements	Surplus	Group ratio	Restricted surplus
Base Solvency II surplus	**5.6**	**1.3**	**124%**	**1.7**
Equity markets fall by 25%	5.4	1.2	123%	1.5
Impact of 10% of business lapsing immediately[1]	5.4	1.3	123%	1.7
Interest rates rise by 100 basis points	5.6	1.3	123%	1.7
Credit spreads increase by 100 basis points[2]	5.7	1.3	123%	1.6
ZAR:GBP exchange rate depreciates by 30% (R22:£1)	4.6	1.3	129%	1.4
ZAR:GBP exchange rate appreciates by 10% (R15:£1)	6.1	1.3	121%	1.9

1 Business lapse sensitivity for OMW and OMEM only
2 A 100bps increase in credit spreads is generally assumed to be a one notch downgrade from BBB to BB- rating and a two notch downgrade on lower graded investments.

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Composition of Group capital requirements

The insurance entities in the Group calculate capital requirements using the Solvency II standard formula. In the profile below, the composition of these requirements is shown by risk type for the consolidated insurance entities in Europe and the aggregated insurance entities in OMEM.

Composition of capital requirement by key risk type (%)

		Consolidated insurance[1]	Aggregated insurance[2]	Total insurance 31 December 2016	Total insurance 1 January 2016[4]
Market risk	Equity	26%	12%	16%	21%
	Interest rate	5%	6%	6%	7%
	Currency	19%	2%	7%	7%
	Spread	4%	7%	6%	7%
	Risk concentration	0%	3%	2%	2%
	Property	0%	1%	1%	1%
Insurance Risk	Lapse	28%	25%	26%	26%
	Expense	7%	5%	6%	6%
	Mortality	2%	8%	6%	5%
	Other[4]	1%	8%	6%	5%
Health underwriting risk		0%	4%	3%	3%
Non-Life underwriting risk		0%	6%	4%	4%
Counterparty default risk		6%	9%	8%	3%
Operational risk		2%	4%	3%	3%
Total Undiversified Insurance Capital Requirement (£bn)[5]		**1.9**	**5.0**	**6.9**	**5.5**
Diversification		(0.7)	(2.2)	(2.9)	(2.2)
Loss absorbing capacity of deferred taxes		(0.2)	(0.6)	(0.8)	(0.6)
Entities included under local capital requirements[6]		0.0	0.1	0.1	0.1
Total Diversified Insurance Capital Requirement		**1.0**	**2.3**	**3.3**	**2.8**
Non-insurance				2.3	1.6
Total Diversified Capital Requirement (£bn)				**5.6**	**4.4**

1 Represents European insurance businesses in OMW, and holding companies in OMW and Old Mutual plc, according to the current Group structure on a consolidated basis
2 Represents the insurance businesses in OMEM on a deduction and aggregation basis
3 As reported to the PRA as part of the Solvency II day one submission
4 Other comprises of Disability, Life Catastrophe and Longevity risks
5 Represents the capital requirements before diversification and the loss absorbing impact of deferred taxes for insurance entities in the Group only
6 OM Bermuda is included under local capital requirements on an aggregated basis.

The capital requirements by risk type represent the standard formula stresses for only the insurance entities in Old Mutual.

Equity risk reduced from 21% to 16% in 2016 as a result of a change in methodology to exclude the impact of OMLAC(SA)'s investment in Nedbank; counterparty default risk increased from 3% to 8% mainly due to OMEM now including the impact of inter-company loans, and the impact of legacy items at Old Mutual.

Selected regulated entity solvency statistics

Each of our individual businesses retain strong and resilient local statutory cover and have sufficient capital to support normal trading operations and withstand regulatory and internal stress scenarios. In line with our capital management philosophy, throughout the managed separation, we will continue to hold capital where the risk lies. A key objective of the managed separation is to deliver appropriately, but not excessively, capitalised businesses to the market. As businesses prepare to standalone as separately regulated groups, due consideration will be given to the regulatory Group supervision that will ultimately apply to that business and the appropriate development of risk limits and overall solvency levels for the businesses to meet our stated objective. It is only after this determination that it will be possible to assess the potential for any additional returns to shareholders.

The Group continues to maintain strong local regulatory capital as shown in the table overleaf.

Local currency

	Capital Resources	Capital Requirements	Surplus	**31 December 2016**	1 January 2016
OMLAC(SA)[1] (Rbn)	45.9	14.3	31.6	**3.2x**	3.2x
Mutual & Federal[2] (Rbn)	3.0	2.0	1.0	**1.5x**	1.4x
Nedbank[3] (Rbn)	73.5	55.4	18.1	**1.3x**	1.3x
OMW[4] (£bn)	1.8	1.0	0.8	**1.9x**	1.9x
OMBRE[5] ($bn)	0.2	0.1	0.1	**1.8x**	1.3x

1 South Africa Statutory Valuation Methods (SVM) in accordance with the FSB requirements
2 Capital Adequacy Requirement (CAR) in accordance with the FSB requirements
3 In accordance with Basel III and excluding unappropriated profits (the cover ratio including unappropriated profits is 1.4x (1 January 2016: 1.4x))
4 Solvency II basis (1 January 2016 comparative restated to reflect Solvency II basis). The Capital Resources figure presented includes intra-group capital funding of the loan provided to fund the acquisition of Quilter Cheviot
5 110% of Internal Economic Capital requirement as set by the Bermuda Monetary Authority. The 1 January 2016 position has been restated on this basis.

The Financial Stability Board (FSB) has indicated that the Solvency Assessment and Management (SAM) framework in South Africa is not expected to be implemented any earlier than 1 July 2017. This follows the tabling of the Insurance Bill in 2016 which is currently under consideration by the Standing Committee of Finance in the South African Parliament. Draft Insurance Prudential Standards setting out further details of the SAM requirements have been further developed and consulted on by the FSB. OMEM remains well capitalised, ready for implementation of the SAM framework.

OMEM had capital coverage of 2.4x on an internal economic capital basis at 31 December 2015. A South African sovereign downgrade is expected to reduce the capital coverage by between 0.2x and 0.4x depending on the severity of the scenario outcome on financial markets. Internal Economic Capital data for 2015 (ECAR) should not be interpreted as an indication or predictor of future capital ratios or sensitivities under possible future regulatory regimes.

Principal risks

The principal risks facing the plc are covered in detail in the Risk report and reflect the underlying markets and business models of each of the four businesses as well as those at the plc Head Office centre. Whilst these vary in terms of detail, there are common themes and the principal plc-wide risks are:

— Uncertain global economic conditions, impacting asset- based fees and business flows as well as adding to the complexity of the managed separation process
— Political risk, particularly in South Africa, the UK, the US and Zimbabwe
— Strategic execution risk including the level of regulatory change across the Group
— Credit risk
— Currency translation risk, location of capital and sources of remittances

Governance structures are operating in line with the decision-making framework, which has been adapted in light of the managed separation strategy. Strong reliance is placed on the structures and processes by the businesses management and Boards. There is senior Old Mutual plc management representation on each of the subsidiary Boards and the plc Board has joint meetings with the subsidiary Boards. In addition, strategic systemic and execution risks are considered by plc management and overseen by the plc Board. These structures and processes, together with businesses that are appropriately, though not excessively, capitalised, provide a solid base to support our business as we pursue our managed separation strategy.

How our principal risks have changed over the year to date

For as long as we remain a Group the principal risks we face remain broadly consistent with those described in the 2015 Annual Report, albeit with different emphasis on some risks and new risks for the plc.

During 2016 uncertain global economic conditions and political risk dominated the external risk landscape. This has manifested in volatile global equity markets and record low bond yields being observed. Brexit and President Trump's US election victory created both economic and political uncertainty globally, that is likely to continue well into 2017 given our substantial earnings in that country. A South African sovereign downgrade remains a significant risk within 2017. Apart from the macro perspective, there is risk from managed separation implementation, the major IT and change programmes underway in OMW and OMEM, and heightened regulatory risk particularly in the context of regulatory reforms in the UK and South Africa.

Managed separation involves significant corporate and operational change for the businesses and plc Head Office, as well as execution risk in relation to the transactions to give effect to the actual separation. In addition, the plc is currently managing a number of residual risks relating to past merger, acquisition and disposal activity. These are not sufficiently material to class as a principal risk at a plc level, but in the context of managed separation, these legacy risks may crystallise over the next few years. The scale of organisational change that is occurring means we are particularly cognisant of culture and people risk in the businesses and the plc. We will continue to manage our people and culture carefully as we all work towards the common goals

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set out under the managed separation strategy. The managed separation is planned to be executed within approved risk appetite and value, cost, time and risk and the balancing of stakeholder interests. This will require optimising liquidity cash management and cash generation at both business and plc levels which will represent an increase in exposure to market risk, ensuring all regulatory capital requirements continue to be met and ongoing monitoring of risk culture.

Regulatory and governance

The plc operating model has evolved from that of a 'strategic controller', to an 'active portfolio manager' during the implementation phase of the managed separation. This means that there will be increased reliance and accountability upon business boards. Independent chairs will be appointed to business boards at the appropriate time, to the extent they are not already in place, in readiness for separation. Business committee chairs will be invited to present key issues directly to the plc Board. There will be more formal interaction with the businesses and with the plc Board, based on shareholder rights and regulatory responsibilities. The plc and the businesses will continue to prepare for forthcoming regulatory changes, cognisant of the implications of the managed separation and evolving governance requirements. In particular, the incoming Twin Peaks regulation in South Africa will influence the level of the appropriate strategic minority stake in Nedbank held by the new SA group, through its ownership of OMLAC(SA).

Performance measures

In line with statutory reporting requirements we report profits assessed on an International Financial Reporting Standards (IFRS) basis. Consistent with the past year, we complement IFRS reporting with additional disclosures on various alternative performance measures (APMs).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we used them to provide greater insight to the financial performance, financial positions and cash flows of the Group and the way it is managed. Summary information about the key APMs used in our financial review is provided in the following table:

APM	Definition	Why is the measure used?
Group		
Adjusting Operating Profit (AOP)	AOP is a normalised profit measure to reflect the underlying operating profit of the Group. It therefore adjusts IFRS profit for the impact of acquisitions and disposals; short-term fluctuations and IFRS accounting treatments that do not fairly reflect the economics of our operations. In addition, AOP excludes the results of non-core operations. The calculation of AOP adjusts the basic IFRS profit for a number of items as detailed in note C1 in the financial statements.	Due to the nature of the Group's businesses, AOP is an appropriate alternative basis by which to assess the underlying operating results. It enhances the comparability and understanding of the financial performance of the Group.
Adjusted Return of Equity (ROE)	ROE is calculated as AOP (post-tax and NCI) over average ordinary shareholders' equity. For the purpose of this calculation, the perpetual preferred callable securities are deducted from equity to be consistent with the related finance costs which are included in AOP.	It is a measure of the return generated for shareholders over the reporting period.
Adjusted plc NAV per ordinary share (ANAV)	ANAV uses a MCEV valuation basis for OMEM covered business and the UK Heritage business in OMW as well as the market value of listed subsidiaries. Other businesses and other assets are included at IFRS net asset value.	ANAV represents a better indication of the value of our covered and listed businesses than the disclosure in the IFRS balance sheet would provide.
Free Surplus	Free surplus generation measures the efficiency of the businesses in converting AOP profits into operational cash flows that support the plc capital management policy.	Free surplus provides users of the Financial results of plc with additional information on the cash generation of the businesses that is not directly observed in the IFRS results.
Gross sales	Gross sales are the gross cash flows received from customers during the period.	This measure is a lead indicator of reported and future revenue.
Net Client Cash Flows (NCCF)	NCCF is the difference between money received from customers and money returned to customers during the period.	This measure is a lead indicator of reported net revenue.
Emerging Markets		

APM	Definition	Why is the measure used?
Present Value of New Business Premiums (PVNBP)	PVNBP uses the EEV methodology of determining the present value of new business premiums written during the reporting period. It is calculated as 100% of new single premiums plus the discounted present value of new regular premiums.	This measure is a lead indicator of reported and expected revenues in our covered business.
Market Consistent Embedded Value (MCEV)	MCEV is a reporting standard for life insurance companies that provide a common set of principles and guidelines for use in calculating embedded value. MCEV measures the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty in future investment returns.	It is designed to provide an accurate reflection of the valuation and performance of the long-term savings business and a method of comparing companies on a consistent basis.
Return on Embedded Value	The annualised post-tax adjusted operating profit calculated on an EEV basis expressed as a percentage of the opening embedded value adjusted for dividends paid to equity holders.	It is a measure of the return generated for shareholders over the reporting period on an embedded value basis.
Nedbank		
Headline Earnings per Share (HEPS)	Headline Earnings is calculated with reference to Circular 2/2015 issued by the South African Institute of Chartered Accountants. Headline earnings is a way of dividing the IFRS reported profit between remeasurements that are more closely aligned to the operating/trading activities of the entity, and the platform used to create those results.	Headline Earnings is an earnings measure that is required by the South African listing authorities. It provides a basis to compare South African listed peers.
Efficiency Ratio	The Efficiency Ratio is total expenses divided by the sum of net interest income and non-interest revenue.	It measures the expense efficiency of the business.
Liquidity Coverage Ratios	The Liquidity Coverage Ratio (LCR) aims to ensure that a bank holds adequate unencumbered High-Quality Liquid Assets to cover total net cash outflows over a 30-day period under a prescribed stress scenario.	It provides a view of the short-term resilience of the liquidity risk profile of banks.
Economic Profit	Calculated as headline earnings less the cost of equity. The cost of equity is calculated as the average ordinary shareholders equity (excluding goodwill) multiplied by the cost of equity.	It is a measure of the entity's ability to generate earnings in excess of the economic cost of the capital contributed.
OM Wealth		
Underlying AOP, before one off adjustments	Pre-tax AOP, adjusted for certain one-off costs and the timing impact of acquisitions and disposals during 2015.	The measure is used to provide users of the financial statements greater insight into the long-term earning ability of the OMW current business on a comparable basis.
Integrated net inflows	This reflects the total NCCF that has flowed through two or more segments within OMW.	It is a lead indicator of revenue generation driven by an integrated business model
Operating margin	This is calculated as AOP over net revenue, where net revenue includes gross performance fees.	An efficiency measure that allows users of our financial statements to assess what percentage of net revenues become operating profit.
OM Asset Management		
Economic Net Income (ENI)	ENI is economic net income, the alternative management metric for OMAM profit. Similar metrics are used by US industry peers.	This measure is used by OM Asset Management to evaluate the financial performance of, and to make operational decisions for, the business.
ENI Operating margin	The ENI operating margin is a non-GAAP efficiency measure, calculated based on ENI operating earnings divided by ENI revenue.	An efficiency measure that allows users of our financial statements to assess what percentage of net revenues become operating profit.

RISKS

Sue Kean
Group Chief Risk Officer

"For as long as we remain a Group the principal risks we face remain broadly consistent with those described in the 2015 Annual Report, albeit with different emphasis on some risks and new risks for the plc"

The managed separation strategy represents an inflection point in the Group's history. Its objective is to unlock value for Old Mutual shareholders by placing four strong and well-capitalised businesses into the hands of shareholders most suited to owning it and who are able to support their individual growth agenda. The plc's responsibility is to execute this strategy and to wind itself down in an orderly fashion. The plc intends to carry this out with limited market dependencies, while maintaining strong management controls over the underlying operations and mitigating risks as they crystallise.

Since the managed separation announcement in March 2016, the governance model has been revamped: the Group's 'strategic controller' model has evolved to an 'active portfolio manager' model where the plc evaluates each of the Group's businesses as an asset, with a view to realising maximum value through the managed separation. The primary principle is that the businesses will be assessed individually: we will no longer seek diversification benefits or synergies. The active portfolio manager model means a significant amount of responsibility for meeting local capital and liquidity requirements has been delegated to the respective business Boards as part of their move towards separation. However, as long as we remain a Group, the plc Board retains overall responsibility as well as specific responsibility for plc-level risks and liability management.

For as long as we remain a group the principal risks we face remain broadly consistent with those described in the 2015 Annual Report, albeit with different emphasis on some risks and new risks for the plc. In our UK and American businesses, the risks to capital are small but the risks to earnings are very much dependent upon market conditions, given their reliance on asset-based fees. This contrasts with our African businesses, where macro conditions, particularly in South Africa, create risks to earnings, liquidity and local capital within the lending and insurance operations.

Global macroeconomic risk in all our markets continues to be a key focus for the Group and for financial services firms in general. The downside risk to the market buoyancy following the shift in risk sentiment after the US presidential election is that global equity markets may be overpriced and may correct in the near future. This exposes markets to the risk of overestimating the extent of stimulus measures expected from the Trump administration. Developing markets will continue to be sensitive to the US interest rate cycle and the possibility of a US protectionist agenda towards China, which may result in a souring of sentiment and a sell-off of emerging market assets.

Intertwined with this is the growing focus on political risk and the impact of political risk on markets. In South Africa, a sovereign credit downgrade to below investment grade status was averted in 2016 but remains a significant risk. In the UK markets are likely to remain volatile, as the long-term economic impacts of Brexit come to light; uncertainty and lower growth prospects could impact investor confidence.

Both macroeconomic and political risks are regularly assessed in group-wide stress and scenario testing. Given the guaranteed products and annuity business within OMEM, as well as the accompanying hedging programmes that could result in collateral calls and liquidity requirements, this will continue to be a focus over 2017. We have significantly reduced market risk in Old Mutual Bermuda (OMB) through new hedging programmes, although some residual risk remains, until the policies mature in 2018.

While the clear aims of managed separation have reduced 'strategic vision' risk, strategic execution risk has increased. The strategy will address the prevailing risks presented by the our structure – namely currency translation risk (translation of predominantly rand earnings to sterling), hard currency requirements (availability of sterling flows to service sterling-denominated debt and plc Head Office costs) and fungibility restrictions (the inability to recognise significant rand surplus in the Group's regulatory Solvency II resources).

“Global macroeconomic risk in all our markets continues to be a key focus for the Group and for financial services firms generally. Intertwined with this is the growing focus on political risk and the impact of political risk on markets”

Plc Head Office is responsible for the execution of the managed separation; this has substantially changed its focus to evaluating the different separation routes and potential corporate finance activities balancing value, cost, time and risk. The businesses are strengthening their standalone governance and risk management capabilities. The plc will need to manage legacy risks over a shorter timeframe than would otherwise have been the case and ensure the plc is wound down in an orderly manner – projects are in place to address both areas.

We perceive regulatory risk to be higher, given the level of 'thematic' review activity in the UK and the delays in implementing key regulations such as the Twin Peaks regime in South Africa.

Growth objectives in OMEM imply increasing credit risk, in particular within retail lending credit risk. Significant initiatives in 2016 have improved credit and liquidity governance frameworks. These improvements give us comfort that appropriate oversight capability is in place and will continue to develop as we move towards separation.

The operating businesses still require ongoing investment to achieve the desired maturity of capabilities and positioning within their chosen markets.

Finally, the scale of organisational change we are undergoing means we are particularly cognisant of culture and people risk in the businesses and the plc. We will continue to manage our people and culture carefully as we all work towards the common goals set out for managed separation.

Sue Kean
Group Chief Risk Officer

RISKS
CONTINUED

Principal risks and uncertainties

In 2016 our key principal risks have been updated to reflect the risks and opportunities of the managed separation strategy. They have been determined by assessing the possible effects and challenges of unlocking the value in each of the four individual businesses, and the impacts this could have on our reputation, stakeholders, earnings, and capital and liquidity positions. These risks are summarised in the table below and are closely monitored and overseen by plc management and regularly reported to the plc Board.

As long as we remain a Group, the key principal risks facing our businesses will remain in line with those reported in 2015, with the managed separation placing a different emphasis on each risk. However, the managed separation has substantially changed the plc's risks (see page 78).

Our businesses are affected by a number of risks inherent to the products they offer and the industries they operate in, such as exposure to market levels, interest rates, credit and liquidity as a consequence of insurance liability risk. These drive a significant proportion of our capital requirements and earnings volatility exposure as well as requirements for cash and liquidity buffers. Given the nature of our product offering, market and environment risks are material: market movement impacts on asset-based fees generated from client-selected investments and credit risk within Nedbank and OMEM is correlated to market conditions.

Our principal risks are detailed below. Additional risk information per business is in their business review sections.

Current impact and risk outlook	Risk mitigation and management actions
1. Global macroeconomic conditions	
The current persistently volatile, uncertain, complex and ambiguous macroeconomic environments could impact consolidated Group profitability, as with all financial services firms. OMAM, OMW and OMEM's asset management businesses explicitly seek market risk as part of their business strategies and are exposed to asset-based fee risk. Market risk also arises through guaranteed business in OMEM and residual guarantees in OMB. In our insurance and investment businesses, and especially in OMEM, our earnings are at risk if our customers exit our products at a different time to our expectations or where business volumes are lower. In our lending businesses, earnings are at risk if counterparties fail to meet their interest and principal obligations, impacted by global economic conditions. Our exposure to South African sovereign debt lies only within the local businesses. From a systemic risk point of view, Old Mutual Group Holdings (holding company above Old Mutual and Nedbank) has significant country risk exposure to South Africa. **Looking forward** The long-term economic impacts of Brexit are unknown. The immediate impact of the weakening pound against the South African rand and US dollar during 2016 has been favourable but the Group's currency translation risk remains. However, uncertainty and lower growth have adversely affected net client cash flows in OMW. Initial market reaction to Trump's presidential election victory has seen markets rally and suggests anticipation of higher US growth, a stronger dollar and increasing interest rates. However, there is a risk that expected stimulus measures may already be priced-in, and that these expectations may be disappointed. In South Africa, a sovereign credit downgrade to below investment grade status was averted in 2016. But this risk remains in 2017, due to the challenging growth outlook and political risk. US interest rate hikes, putting pressure on South Africa's own inflation and interest rates, and persistent drought add further headwinds. We are exposed to the risk of a short-term spike in interest rates following a South African sovereign downgrade, which could result in temporary liquidity strain arising from hedging collateral calls in OMEM. In the UK, the process of formally applying to leave the EU under Article 50 could lead to market uncertainty that impacts sentiment and confidence in the savings industry. The implementation of the managed separation is not market-dependent, but volatile markets could impact the value realised: timing of activities is being carefully managed to ensure value creation.	We regularly monitor multiple external economic factors and incorporate them into group-wide stress and scenario testing to understand our earnings, liquidity and capital resilience to severe macroeconomic events. In 2016 we undertook specific scenario testing on the possible economic impacts of a South African sovereign downgrade, Brexit and a Trump presidential election victory; these incorporated a range of possible outcomes and enabled us to identity mitigating actions. The businesses also perform testing on their own plans. In light of the managed separation strategy, we have updated the plc's financial risk appetite metrics to focus on central liquidity resources, capital and earnings volatility; these are updated dynamically and projected over the managed separation period. Within OMEM, market and liquidity risks arising from guaranteed products, and the hedges in place to manage them, are actively managed by the Balance Sheet Management team. Guaranteed products in OMB are managed through various hedging programmes. Asset-based fee risk is managed by offering customers a comprehensive range of internally managed investment solutions and by diversifying our product offering.

Current impact and risk outlook	Risk mitigation and management actions

2. Political risk

Changing government policy and public sentiment in the key countries where we operate could potentially influence external perceptions of the Group, regulations and taxation governing our products, business ownership (impacting our customer base) and fungibility restrictions (particularly in South Africa). Political risk also creates additional risks in the macroeconomic environment (see page 74).

Political risk became particularly acute in 2016, as a Brexit vote in the UK and a Trump presidential election victory in the US defied the odds and market expectations.

Given the significant portion of our business in South Africa, we are particularly exposed to political developments there. Exposures include the business we receive from collective labour organisations and public sector workers, which presents the risk of mass exits from our products following a change in sentiment.

In Zimbabwe, President Mugabe is adhering to the Indigenisation Act. Liquidity issues for the country continue, leading to the issuance of bond notes by the government in 2016. Social unrest persists, exacerbated by the lingering effects of drought. In OMEM, the consequence of this is increased growth in the Central African Building Society (CABS) as people look to a quality provider; however, there is continuing risk over how the ongoing situation in Zimbabwe could affect the value of CABS.

Looking forward

The effects of Brexit and Trump's presidency election victory are yet to be fully appreciated. With many large Eurozone country elections in 2017, it remains to be seen whether the so-called populist trend will continue.

The South African political arena is expected to remain polarised, with significant leadership and transition uncertainty ahead of the 2017 African National Congress (ANC) conference and 2019 national elections.

In Zimbabwe, given continuing economic crises and social unrest, 2017 is expected to bring further challenges. Tensions are likely to continue to escalate between President Mugabe, opposition parties and his own party membership.

Old Mutual will continue to engage and work with relevant stakeholders to be alert to political developments. The Boards of both our South African businesses and the Group continue to monitor and assess the impact of political risks.

We are actively engaging with the South African government. This includes leading the engagement with government and South Africa's 'big businesses' across financial services, mining, industrial and telecommunications sectors, on ways to improve sentiment on South Africa's investment case and managing the sovereign ratings downgrade risk. This positive engagement was widely viewed as helping to avoid a sovereign downgrade in 2016.

Political risks are explicitly incorporated into our stress and scenario testing. The scenario testing mentioned above, on the impacts of Brexit and a Trump presidency, included specific testing on the political risk implications for our managed separation. We plan to further enhance our testing over 2017.

RISKS
CONTINUED

Current impact and risk outlook | Risk mitigation and management actions

3. Strategic execution risk

Current impact and risk outlook

For the foreseeable future, there is a high degree of execution risk across the Group. In addition to the implementation of the managed separation, we have major change programmes within the businesses, including the OMW and OMEM IT and business transformation programmes. 'Strategic vision' risk has been reduced by the clear aims set out for the managed separation.

Regulatory change across the Group remains high and affects the entire industry; many of these regulatory changes represent opportunities for our businesses. The cumulative impact could result in margin compression, resource strain and increased operational risk during transition. Cyber risk remains a key challenge for the industry, with attacks becoming increasingly sophisticated.

In 2016 we created the building blocks for the managed separation. We undertook extensive planning and stress and scenario testing regarding the different routes by which we could achieve the managed separation, taking into account potential impacts on key stakeholders and our cash, capital and earnings positions. We have identified our current plans which were formulated following extensive engagement with our key stakeholders and technical advisers, and these discussions continue. It should be noted that the managed separation of a diverse multinational group is a highly complex matter. Thus, our initial plans remain subject to change, implementing the managed separation will require a balance to be struck between the key criteria of value, cost, time and risk. As activities transfer from Old Mutual plc there will be a need to ensure increased skills and resource capacity within the businesses.

Further information on specific challenges within individual businesses can be found in the business review sections.

Looking forward

In 2016, regulatory focus in the UK and EU has largely been on implementation, with Solvency II, the Prudential Regulation Authority (PRA) Senior Insurance Managers Regime and the Market Abuse Regulation coming into effect. In South Africa, 2016 was a year of postponements to the introduction of key regulation including Twin Peaks.

Regulatory focus in 2017 is expected to be on the implementation of existing regulation rather than introducing a large amount of new reforms. In the UK this is due to need for regulatory stability given the uncertainty presented by Brexit and, in the US, the Trump administration is expected to follow a deregulatory agenda.

Risk mitigation and management actions

A formal managed separation programme and governance structure have been established across the Group, and where required external specialist resources and advisers have been brought on board. There is regular interaction with key stakeholders including the various regulators.

Each of the four businesses has its own managed separation projects in place to ensure they strengthen and enhance their governance structures and activities previously undertaken or supplemented by the plc.

Recommendations from external advisers on OMEM and OMW's IT programme have been reviewed by their Boards and are being implemented. OMW's programme has been replanned with enhanced governance structures.

Specific managed separation-related risks are detailed below page 78.

Further information on mitigating actions within the businesses can be found in each business review section.

Current impact and risk outlook	Risk mitigation and management actions

4. Credit risk

One of the largest risks to Group earnings is our exposure to banking credit risk from lending and other financing activities through our ownership of Nedbank – and to a lesser but growing extent within OMEM.

Nedbank is a universal bank offering diversified product lines across secured and unsecured lending. Our exposure through Nedbank is primarily a risk to earnings and remittances, as Nedbank's capital and liquidity requirements are both met from its own available resources. Nedbank also has a credit exposure in Nigeria through its strategic investment in ETI.

Within OMEM, banking credit risk is increasing due to planned growth as part of the strategy to become an integrated financial services business. Banking credit risk and associated funding risk arises in our unsecured lending businesses. Investment credit risk arises in Old Mutual Specialised Finance and the South African life business, predominantly through the management of assets backing annuity products.

Credit risk outside and concentration risk between Nedbank and OMEM is relatively limited.

Looking forward

Our credit risk remains within appetite. However, the high levels of personal indebtedness and pressure on consumers in South Africa remain a challenge: the businesses continue to monitor this risk closely against their credit risk appetite limits.

As discussed earlier, appetite for the businesses' products depends on macroeconomic factors that are outside our control.

In line with Group strategy, credit risk increased in 2016, mainly within OMEM's growing lending and annuity businesses.

Credit risk received significant focus in 2016. We undertook reviews to ensure that individual businesses' credit risk management and governance frameworks are elevated to best market practice levels, to ensure an appropriate balance of risk and return.

We carry out stress testing at Nedbank and OMEM (and, by extension, Group) to understand exposure to credit events.

Nedbank has defined risk limits and early warning thresholds for credit loss ratios. These were continuously monitored and remained within their target range throughout 2016. Nedbank also reviews the quality of credit portfolios to ensure impairment provisions are adequate.

As the OMEM's portfolio has grown, the business is strengthening its own expertise and governance of credit and liquidity risks. We have also sought external views on areas of greater risk, such as our exposures to unsecured lending and wholesale lending. Further development of the credit risk and liquidity risk management framework will continue.

For more information on credit risk in Nedbank and OMEM see their business review sections.

5. Currency translation risk, location of capital and sources of remittances

Our Group earnings, dividend and surplus capital are reported in sterling but most of our earnings and surplus capital are denominated in South African rand. The translation of our rand earnings and balance sheet value reflects exchange rate movements, and the managed separation will address this risk.

Our intention under the managed separation is to continue our phased reduction of our stake in OMAM. This will increase our short-term US dollar currency translation risk.

Our capital is held where our risks are located and in the appropriate currency for those risks; so while risk can manifest in a business and reduce that business's capital it would not have an impact on plc.

Due to exchange controls and terms of the demutualisation agreement, capital from South Africa is not fully freely transferable.

The Group's overall solvency position is perversely impacted by currency movements, as the Solvency II fungibility restrictions mathematically reduce our solvency ratio as the rand strengthens.

In 2016 the rand strengthened against the pound by 26% over the year, due mainly to sterling's weakness after the Brexit vote. This followed three years of rand depreciation: 28% in 2015, 4% in 2014 and 27% in 2013. The size of movements in the past few years provides an indication of the rand's relatively high volatility.

Looking forward

The impact on the rand of Donald Trump's administration is unclear. Higher infrastructure spending could boost South Africa's mining industry and general commodity demand. On the other hand, protectionism and hostility towards China could result in emerging market sentiment souring and a risk asset sell-off.

Continuing political uncertainty and the threat of a sovereign downgrade could weaken the rand and increase volatility.

The managed separation seeks to allow each business to have the appropriate capital management to succeed independently and to be more closely aligned to its natural shareholder base. Capital requirements will be met in matched currencies, and interest on debt with matching earnings and cash flows.

For 2017 dividend paid in currencies other than sterling will be converted at the average effective exchange rate after taking into account hedging activities and timing of remittances for the relevant period.

We continue to use forward currency contracts to hedge expected rand cashflows needed to make dividend payments. This will remain under review in light of the uncertainties of the managed separation.

Regular stress and scenario testing helps us understand and monitor the resilience of our capital and liquidity over the business plan horizon. Our modelling shows we are sufficiently capitalised in line with our philosophy of holding capital where the risks lie.

RISKS
CONTINUED

Management of separation-related risks.

Plc Head Office is responsible for the execution of the managed separation; this has substantially changed its focus to evaluating the different separation routes and potential corporate finance activities. We need to ensure that:

— **Managed separation will balance the key criteria of value, cost, time and risk**
The different managed separation paths have been assessed in terms of the value, time, cost and risks while minimising market dependency and maintaining flexibility. Detailed stress and scenario testing is undertaken on the options and reassessed at each iteration.

— **The four businesses are sufficiently well-capacitated to stand alone**
Each business's ability to stand alone has been evaluated. Detailed planning of actions to fill any gaps identified has included the setting up of transition processes of skills and capabilities from the plc to the individual businesses. Completion of these actions is being monitored centrally. The transition processes cover the management of capital and liquidity adequacy and the capability of the risk functions.

— **We continue to meet our governance and regulatory obligations**
We have redefined our governance structure to give clarity on the new decision-making structures and due to the increased level of corporate activity being undertaken we have enhanced our market abuse framework.

— **The plc Head Office is wound down in an orderly manner**
Plc has its own restructuring project, including the transition of required activities into the businesses. Legacy items such as the pension scheme and the insurance captive have dedicated resource to ensure they are effectively closed-out. The managed separation has increased people risk across the Group; this is being managed at both Group and local level.

Risk, governance and capital management

Risk and governance framework

Before the managed separation the Group was governed by a strategic controller model that leveraged the benefits of capital through diversification and financing, by identifying:

— Contagion from one part of the Group to another
— Areas of concentration and diversification of risk
— Areas where we had to satisfy legal or regulatory requirements placed on the Group by being UK-listed.

Following the announcement of the managed separation we introduced an active portfolio manager governance model under which we evaluate each of the Group's businesses as an asset, with a view to maximising value realisation through separation. The primary principle is that the businesses will be assessed individually and we will no longer seek diversification benefits or synergies. This new governance framework has been formally updated in the Group's decision-making framework.

In practice, this has meant that the plc's relationships with the businesses have become increasingly formal, particularly in relation to the managed separation. The businesses are also developing and enhancing the processes previously provided or supported by the plc – such as appointing independent chairmen, defining their own values and culture and risk appetite frameworks – so that they are ready to be standalone businesses. The plc still oversees these processes and monitors them centrally.

Our risk strategy

The managed separation has sustainably changed the plc's purpose and we have adopted new principles to guide our actions and choices throughout the implementation process. The main ones are:

— All our actions must be directed towards our objective and aligned with these measures of success, within the parameters and risk appetite agreed by the plc Board
— We will have to make trade-offs between four principal considerations: the value unlocked, cost involved in delivering the strategy, the time it takes to do so, and the risks incurred or mitigated by our actions
— To maintain market confidence we must demonstrate meaningful action in a reasonable timeframe at valuations that are perceived to be, at a minimum, fair
— We are committed to treating shareholders fairly. We will seek to communicate our intentions and plans in an open and proactive manner, as appropriate in the context of our fiduciary obligations
— We are willing to accept short-term price volatility in our stock as the market digests each action and begins to value each business and the plc appropriately
— We will continue to discharge our fiduciary and regulatory responsibilities in an appropriate manner.

Each business has developed its own risk strategy in line with its business strategy.

Risk appetite

In light of the managed separation, we have developed the plc's risk appetite framework to focus on the key metrics that need to be carefully managed throughout the managed separation process.

The financial metrics – capital, earnings volatility and liquidity – are projected over the managed separation timeframe to give a multi-year view. Risk and control culture is measured by a qualitative assessment process focusing on the values and behaviours embedded in the businesses that shape risk decisions.

In 2016 the businesses developed their own qualitative and quantitative risk appetite metrics reflecting their own business models, industries and risk strategies. These are monitored by the plc. At both plc and business levels we use risk appetite limits and early warning thresholds (EWTs) to define the boundaries of risk taking and manage our risk/return profile.

At the plc we calculate liquidity and capital appetite limits and EWTs dynamically to take account of planned transitions and the businesses' business plans over the managed separation timeframe. This allows close management of potential exposures, and lends itself to scenario planning under different separation options and economic conditions. We also undertake reverse stress testing and specific-event scenario testing – for example, to assess the impact of a South African sovereign downgrade, Brexit and Trump's US election victory. All scenario testing helps us in our decision-making processes.

The plc's appetite and intentions are set out below:

Capital	Earnings	Liquidity
The Group has no appetite for regulatory intervention during the managed separation (whether perceived or real). As such, we hold a buffer above minimum requirements in order to remain solvent. Our key principle is that all our businesses should be well-capitalised as if they were standalone businesses, and that the Group position must be compliant with regulatory requirements at all times.	We accept that as part of our plc strategy of managed separation, and as our businesses consolidate on past expansion, the execution risks and earnings volatility are likely to increase. However, we have no appetite for big surprises: earnings volatility that cannot be anticipated by the market we operate in and significant operational losses. At the plc level, we make extensive use of multi-year stress testing to understand the possible impact of risks to dividend and earnings. We also rely on business-specific monitoring to identify and assess risks within our businesses.	The capital management policy is designed to allow for flexibility in managing liquidity during the managed separation. We maintain, at the Group level, an early warning threshold, sufficient to withstand a liquidity survival horizon of at least 12 months. We also monitor liquidity over the managed separation horizon and are currently comfortable that our liquidity is adequate after management actions. The Group should be able to meet short-term plausible but extreme losses.

Risk and control culture

We measure our risk and control culture by considering our governance structures, tone from the top, understanding of risk, attitude to risk, control functions, quality of management information and remuneration structures.

In line with the managed separation strategy, we no longer consider an aggregated view of economic capital at the Group level; instead we look at each business's economic capital profile. We will continue to focus on determining each business's standalone day-one capital and liquidity position, to ensure we establish four well-capitalised businesses with sufficient liquidity.

The managed separation will ensure that each business will be able to access capital more easily from their natural shareholder bases. This addresses the challenge of a lack of transparency of underlying businesses' capital strength in the Group's overall solvency position due to fungibility constraints.

The key performance indicators used to monitor capital and liquidity risks are set out in the Group finance director's report.

The Strategic report on pages 1-79 was approved by the Board of Directors on 8 March 2017 and signed on its behalf by

Bruce Hemphill
Group Chief Executive

BOARD OF DIRECTORS

Patrick O'Sullivan

M.Sc. (Econ), B.B.S., F.C.A. (Ireland) (67, Irish)

Chairman of the Board since January 2010. Also chairs the Nomination and Governance Committee

Vice Chairman of Zurich Financial Services from 2007 to 2009, where he had specific responsibility for its international businesses including those in South Africa. Prior to that, he had been CFO of the ZFS Group and CEO of Eagle Star Insurance Company. He held positions at Bank of America, Goldman Sachs, Financial Guaranty Insurance Company and Barclays/BZW.

Previous non-executive roles have included Chairman of the UK's Shareholder Executive, Deputy Governor of the Bank of Ireland, Senior Independent Director at Man Group plc and Chairman of the Audit Committee at Collins Stewart plc and Cofra Group AG.

Bruce Hemphill

B.A., C.P.E. (53, South African)

Group Chief Executive. Also a non-executive director of Nedbank Group Limited, Nedbank Limited, Old Mutual Emerging Markets, Old Mutual Group Holdings and Old Mutual Wealth

Bruce Hemphill has been Group Chief Executive since November 2015. He was previously Chief Executive of Wealth, Insurance and Non-Bank Financial Services at Standard Bank Group, the largest African banking group by assets and earnings. From June 2006 to February 2014, he was Chief Executive of Liberty Group, an African financial services group listed on the JSE. He originally trained as a lawyer in the UK, practising law in both the UK and Hong Kong. After completing a management training programme at Anglo American in South Africa, he joined the corporate finance team at Standard Merchant Bank, where he eventually headed up the corporate finance, investment, banking, commercial banking and cash equities businesses.

Ingrid Johnson

C.A. (SA), A.M.P. (Harvard) (50, South African)

Group Finance Director. Also a non-executive director of Old Mutual Group Holdings, Old Mutual Wealth and OM Asset Management plc

Ingrid Johnson has been Group Finance Director since July 2014. Prior to taking on this role, she had 20 years' broad-based financial services experience with Nedbank Group in both line and financial roles. She was appointed to the Nedbank Group Executive Committee in 2008. Her most recent responsibility there, in addition to being a Prescribed Officer, was as Group Managing Executive: Retail and Business Banking. She assumed this role in August 2009, taking responsibility for the turnaround of the Retail Banking cluster and managing the integration of Imperial Bank, in addition to retaining her role of leading the commercial cluster, Business Banking, which she had held since 2005.

Mike Arnold

B.Sc., F.I.A. (69, British)

Independent non-executive director since September 2009. Chairman of the Board Risk Committee and a member of the Group Audit Committee

Principal Consulting Actuary and Head of Life practice at the consulting actuarial firm Milliman from 2002 to 2009. Prior to that, he had been the senior partner at the practice from 1995. He is a past Member of Council and Vice Chairman of the Institute of Actuaries, past Chairman of the International Association of Consulting Actuaries and past member of the Board of Actuarial Standards.

Non-executive director of Financial Information Technology Limited.

Zoe Cruz

B.A., M.B.A. (62, US)

Independent non-executive director since January 2014. Also a member of the Board Risk and Remuneration Committees

Co-President for Institutional Securities and Wealth Management at Morgan Stanley from 2005 to 2007, where she was responsible for running major revenue-generating businesses, including overseeing their securities risk management and information technology. From 2009 to 2012, she was involved in founding and running her own investment management firm, Voras Capital Management. Prior to becoming Co-President of Morgan Stanley, she had been its Global Head of Fixed Income, Commodities and Foreign Exchange from 2001 until 2005. She joined the company in 1982 and was the third founding member of the foreign exchange group.

Senior Adviser at Promontory Financial Group, LLC. Founder and CEO of EOZ Global.

Alan Gillespie

CBE, B.A. Hons, M.A., Ph.D. (66, British)

Senior Independent Director since May 2011, having joined the Board as an independent non-executive director in November 2010. Also a member of the Nomination and Governance and Remuneration Committees

Partner at Goldman Sachs from 1990, with responsibility for corporate finance and mergers and acquisitions in the UK and Ireland. He jointly led the firm's financial services practice in Europe and in 1996 established Goldman Sachs' presence in South Africa. After retiring from Goldman Sachs in 1999, he became Chief Executive of the Commonwealth Development Corporation in the UK. From 2001 to 2008, he was Chairman of Ulster Bank, a subsidiary of Royal Bank of Scotland plc.

Senior Independent Director of United Business Media plc and Chairman of the Economic and Social Research Council.

Danuta Gray
B.Sc., M.B.A. (58, British)

Independent non-executive director since March 2013. Also Chairman of the Remuneration Committee and a member of the Nomination and Governance Committee

Chairman of Telefónica O2 in Ireland until December 2012, having previously been its Chief Executive from 2001 to 2010. Prior to that, she was a Senior Vice President for BT Europe in Germany, where she gained experience in sales, marketing, customer service and technology and in leading and changing large businesses. She previously served for seven years on the board of Irish Life and Permanent plc and was also a director of Business in the Community.

Non-executive director of Aldermore Group plc, PageGroup plc and Direct Line Insurance Group plc and a non-executive Defence Board Member and Chair of the People Committee at the UK Ministry of Defence. She is also a non-executive director of Paddy Power Betfair PLC as at the date of this report, but will be stepping down from her role at the company's AGM in May 2017.

Adiba Ighodaro
LL.B., B.L., ACCA (53, British)

Independent non-executive director since January 2014. Also a member of the Group Audit Committee

Joined the Commonwealth Development Corporation (CDC) in 1991, first in London, and later in Lagos, with a remit to establish CDC's Nigerian business. In 1995, her focus moved to the Caribbean as a Senior Investment Executive and Investment Manager, helping to obtain investment for and dispose of some of CDC's interests in Africa and the Caribbean. Later she became CDC's Country Manager for Nigeria. She also became Head of West Africa, with responsibility for building the investment business of CDC/Actis across the region. Actis was spun out of CDC in 2004, following which she became a founding principal of Actis' fundraising group. Today, as a partner of the firm, Adiba both heads fundraising across the Americas and manages a number of Actis' global strategic relationships.

Partner at Actis.

Trevor Manuel
B.Tech, A.P.M. (61, South African)

Non-executive director since January 2016. Also Chairman of Old Mutual Group Holdings and Old Mutual Emerging Markets and a member of the Board Risk Committee

Trevor Manuel was a minister in the South African government for more than 20 years, serving under Presidents Mandela, Mbeki, Motlanthe and Zuma. He served as Finance Minister from 1996 to 2009. Before his retirement from public office in 2014, he was Minister in the Presidency responsible for South Africa's National Planning Commission. Throughout his career, he assumed a number of ex officio positions on international bodies, including the United Nations Commission for Trade and Development (UNCTAD), the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community. He has also served on a number of voluntary public interest commissions including Africa Commission, Global Commission on Growth and Development, Global Ocean Commission, and the New Climate Economy. He holds a National Diploma in Civil and Structural Engineering from the Peninsula Technikon, South Africa and completed an Executive Management Programme at Stanford University, USA.

Member of the International Advisory Board of the Rothschild Group and Deputy Chairman of Rothschild South Africa, which provides financial advisory services to Old Mutual. Also a non-executive director of Swiss Re.

Roger Marshall
B.Sc. (Econ.), F.C.A. (68, British)

Independent non-executive director of the Company and Chairman of the Group Audit Committee since August 2010. Also a member of the Board Risk and Remuneration Committees

Former audit partner in PricewaterhouseCoopers, where he led the audit of a number of major groups, including Zurich Financial Services and Lloyds TSB.

Member and former Chair of the Corporate Reporting Council, a director of the Financial Reporting Council, and a non-executive director and Chairman of the Audit Committee of Pension Insurance Corporation.

Nkosana Moyo
Ph.D., M.B.A. (65, Zimbabwean)

Independent non-executive director since September 2013. Also a member of the Group Audit and Remuneration Committees

Founder of the Mandela Institute for Development Studies (MINDS). Vice President and Chief Operating Officer of the African Development Bank from 2009 to 2011. From 2004 to 2009, Managing Partner, based in London, of Actis Capital LLP with responsibility for its African businesses. Associate Director of the International Finance Corporation of the World Bank from 2001 to 2004. Managing Director of Standard Chartered Bank (Zimbabwe) from 1990 to 1995 and later African Regional Head for Corporate Banking of Standard Chartered Bank.

Executive Chairman of MINDS. Member of the boards of Impala Platinum and the Africa Leadership Institute.

Vassi Naidoo
C.A. (SA) (62, South African/British)

Non-executive director of the Company and Chairman of Nedbank Group Limited since May 2015. Also a director of Old Mutual Group Holdings and a member of the Group Audit and Nomination and Governance Committees

Vice Chairman of Deloitte UK from 2009 to 2014. CEO of Deloitte Southern Africa from 1998 to 2006. Member of the Institute of Chartered Accountants in England and Wales and honorary life member of the South African Institute of Chartered Accountants.

Nonkululeko Nyembezi-Heita
B.Sc., M.Sc., M.B.A. (56, South African)

Independent non-executive director of the Company since March 2012. Also a director of Old Mutual Group Holdings and a member of the Board Risk and Nomination and Governance Committees

Non-executive director of Old Mutual Life Assurance Company (South Africa) Limited from 2010 to 2012, a position she relinquished upon taking up her role at Old Mutual plc. Former Chief Officer of Mergers & Acquisitions for the Vodacom Group and Chief Executive Officer of Alliance Capital. Chief Executive Officer of ArcelorMittal South Africa from 2008 until 2014.

Chief Executive Officer of Ichor Coal N.V. and non-executive Chairman of JSE Limited.

CORPORATE GOVERNANCE

Patrick O'Sullivan
Chairman

> **"The Board's focus is now on delivering the managed separation strategy for the benefit of all our stakeholders"**

Board focus during 2016

— Setting the new strategy for the Company – managed separation
— Oversight of the implementation of the managed separation strategy
— Building closer relationships with subsidiary boards as they prepare for managed separation.

I am pleased to introduce this Corporate Governance report which, among other things, explains how the Board and its main standing committees have operated during the past year, and describes how effective stewardship is exercised over the Group's activities in the interests of shareholders and other stakeholders. We also describe the Company's compliance with the UK Corporate Governance Code 2014.

Board

There have been no changes in the membership of the Board during 2016 other than the retirement of Paul Hanratty from the Board in March 2016. We believe the current Board meets our long-standing objective of having the diversity of skills, experience, gender and geographical experience relevant to the Company's current strategy and business profile.

At the beginning of 2016, the Board approved a new strategy for the Group – managed separation – which is the division of the Group into its four constituent businesses. The Board's focus is now on delivering the managed separation strategy for the benefit of all our stakeholders, which will involve balancing value, cost, time and risk considerations, whilst ensuring that the Company's responsibilities as a listed company continue to be well managed.

We will continue to monitor and develop our corporate governance as we adapt to an ever-changing environment.

Given the planned outcome of the managed separation strategy, it is more important than ever for the Board to focus on the underlying businesses themselves and to work more closely with the boards of those businesses, as they prepare for life as standalone entities. Board meetings were held in Johannesburg in June and in Cape Town in December, and on both those occasions the Board held joint meetings with the boards of OMEM and Nedbank Group Limited. These meetings were focused on the managed separation, in particular on those businesses' strategies and readiness to be separated from the Group. These regular meetings will continue in 2017 and we will also be working closely with the new board of Old Mutual Wealth.

A fuller account of the Board's activities is included in the following pages.

Annual General Meeting (AGM)

Our AGM will be held in London on 25 May 2017. As usual, the AGM will be webcast via our website and there will be an opportunity for shareholders to submit questions beforehand to be dealt with at the meeting. Our shareholder circular relating to the AGM includes further details.

Patrick O'Sullivan
Chairman

What is the Company's approach to governance?

As the Company's primary listing (known in the UK as a premium listing) is on the London Stock Exchange, this report mainly addresses the matters covered by the UK Corporate Governance Code 2014, but the Company also has appropriate regard to governance expectations in other territories where its shares are listed.

Has the Company complied with the UK Corporate Governance Code?

Throughout the year ended 31 December 2016 and in the preparation of this Annual Report and Accounts, the Company has complied with the main and supporting principles and provisions set out in the UK Corporate Governance Code 2014 applicable to that period, as described in more detail in the following sections of this report.

Each year the Old Mutual plc Nomination and Governance Committee conducts a review of the membership of the Board and its committees. It was noted that, with the appointment of Trevor Manuel to the Board Risk Committee (BRC) in January 2016, the committee membership was out of balance, with the BRC having six members and the Group Audit Committee (GAC) having four. In undertaking this review, the requirements of the UK Corporate Governance Code 2014 were considered and it was acknowledged that Vassi Naidoo is not classified as independent due to his position as Chairman of Nedbank Group Limited (discussed further below). Following discussions with the Chairs of the BRC and the GAC, and taking into account the expected timetable of the managed separation strategy, the Nomination and Governance Committee agreed that Vassi's skills and experience, particularly regarding accounting and auditing matters, would augment the existing composition of the GAC. Vassi is a UK and South African qualified accountant, who retired from Deloitte's London office at the end of November 2014. The GAC is chaired by an independent non-executive director, Roger Marshall, and the three other members are independent non-executive directors. The Board therefore considers Vassi's membership of the GAC to be appropriate and in the Company's best interests.

The Company's compliance with the provisions of the UK Corporate Governance Code 2014, and the statement relating to the going concern basis adopted in preparing the financial statements set out towards the end of this section of this report, have been reviewed by the Company's auditor, KPMG LLP, in accordance with guidance published by the UK Auditing Practices Board.

The text of the UK Corporate Governance Code 2014 is available on the Financial Reporting Council's website at: www.frc.org.uk.

Approach to governance

During 2016, the Company replaced the previous Group Operating Model adopted in 2010, with a new governance framework, which we refer to as our Decision-Making Framework (DMF). The DMF was adopted following the adoption of the managed separation as the Group's new strategy and is based on an 'active portfolio manager' model, as opposed to the former 'strategic controller' model.

The DMF sets out how the Company discharges its responsibilities as a shareholder of the Group's four businesses, and its objectives are:

- To establish clear principles of delegation and escalation designed to provide appropriate levels of assurance about the control environment, while retaining flexibility for our businesses to operate efficiently
- To set out a clear and comprehensive governance framework – with appropriate procedures, systems and controls – facilitating the satisfactory discharge of the duties and obligations of regulated firms, directors and employees within the four businesses
- To articulate clearly what Old Mutual plc (as shareholder) expects from the boards of the businesses when exercising their powers as set out in their respective constitutions

CORPORATE GOVERNANCE CONTINUED

- To take due account of the regulatory requirement that boards of regulated entities maintain proper controls over the affairs of their respective businesses
- To protect the interests of our various stakeholders, including shareholders, creditors, policyholders and customers, in all of the countries in which we operate.

How the DMF operates

Under the DMF (and the related arrangements with our majority-owned subsidiaries Nedbank and OMAM), the Company appoints up to three members of its senior executive management as non-executive directors on the boards of its major subsidiaries to ensure transparent communication of information in both directions. The boards of OMW, Nedbank Group Limited and OMEM are independently regulated and have a majority of independent directors (although for part of the year this was not the case in respect of OMW during a process of refreshing the membership of that board). The Group's major subsidiaries also have their own Audit, Risk and Remuneration Committees. Nedbank and OMW have independent chairmen and, during 2017, it is intended to appoint an independent chairman of OMEM.

The major businesses hold regular review meetings with the Company's executive committee to monitor their business performance and managed separation preparations. These arrangements sit alongside the submission of monthly financial information.

The DMF also incorporates the 'three lines of defence' principles, assigning roles and responsibilities under three categories: acceptors of risk, overseers of the risks being taken, and independent reviewers and reporters of risk.

> **Our Decision-Making Framework is based on an 'active portfolio manager' model**

The governance relationship with Nedbank recognises the latter's own governance framework as a separately-listed entity on the JSE Limited and that it has minority shareholders. The Company has a relationship agreement with Nedbank that sets out the Company's requirements and expectations as its majority shareholder, which is available on the Company's website.

The Group contains two 'domestic systemically important financial institutions' in South Africa – OMEM and Nedbank. Old Mutual Group Holdings Limited (OMGH) operates as a holding company for these two businesses, in response to the expected requirements of South Africa's Solvency Assessment and Management (SAM) regime. These businesses are also subject to applicable local governance expectations, including those contained in King III and, for Nedbank, the JSE's Listings Requirements.

OMAM is listed on the New York Stock Exchange (NYSE). It is subject to the rules of the US Securities and Exchange Commission, the NYSE listing rules and other requirements applicable to US publicly-listed entities, including those of the Sarbanes-Oxley Act of 2002. In addition, as part of the arrangements leading up to its IPO in 2014, OMAM entered into a shareholders' agreement giving the Company various rights with respect to the management and conduct of OMAM's affairs. A copy of this agreement is available on the Company's website.

Under the active portfolio manager model, a significant amount of responsibility for meeting local capital and liquidity requirements has been delegated to the subsidiary boards. However, the Board retains overall responsibility as well as specific responsibility for Group-level risks and for debt.

How big is the Board and how is it structured?

Old Mutual's Board currently has 13 members, two of whom are executive and 11 of whom (including the Chairman) are non-executive.

Tenure of non-executive directors

Other than in exceptional circumstances, non-executive directors (including the Chairman) serve a maximum of nine years in office. This maximum period consists of two three-year terms, followed by up to three further one-year terms. Renewal of non-executive directors' engagements for successive terms is not automatic and the continued suitability of each non-executive director is assessed by the Nomination and Governance Committee before their appointment is renewed.

The table below sets out the Board's continuing membership in more detail and in order of original appointment.

What is the Board's role and how does it operate?

The Board's role is to exercise stewardship of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board sets the Company's strategic aims, based on recommendations made by the Group Chief Executive, reviews whether the necessary financial and human resources are in place for it to meet its objectives, and monitors management performance and performance reporting. It is kept informed about major developments affecting the Group through the Group Chief Executive's and Group Finance Director's regular reports. The DMF identifies the matters that are specifically reserved for Board decision and protocols governing escalation of issues to it and delegation of powers from it, to ensure clear allocation of responsibility for decision-making.

In accordance with the DMF, the Board has delegated its executive powers to the Group Chief Executive, with power to sub-delegate. The Group Chief Executive is supported by the Company's Executive Committee (plc Exco) and the Managed Separation Strategy Committee (MS Stratco). The plc Exco supports the Group Chief Executive in the discharge of the powers delegated to him by the Board. The MS Stratco is the strategic decision-making forum for the implementation of the managed separation programme and it evaluates propositions for the approval of the Board regarding the managed separation.

In addition to its interaction with the two executive directors, the Board interacts with the other senior executive management (including senior executives of the Group's main businesses) through their regular participation in Board meetings and other briefing sessions.

Separately from the formal Board meeting schedule, the Chairman meets with the non-executive directors, with no executives present, to provide a forum where any issues can be raised. He also conducts an annual one-to-one performance evaluation of each of the non-executive directors, and any resulting action points are reported to the Nomination and Governance Committee. The Company also facilitates informal meetings among the non-executive directors, without the Chairman or any executive present. These meetings include the annual review of the Chairman's own performance – led by the Senior Independent Director, who also obtains whatever input he considers appropriate from the executive directors.

The assignment of responsibilities between Chairman Patrick O'Sullivan and Group Chief Executive Bruce Hemphill ensures a clear division between running the Board and executive responsibility for running the Company's business, as set out below.

The Board's current membership

Role	Name and nationality	Date of original appointment to the Board	Date current term ends, where applicable	Current term as director, where applicable
Non-executive director	Mike Arnold (British)	September 2009	September 2017	3rd (Second year)
Chairman	Patrick O'Sullivan (Irish)	January 2010	January 2018	3rd (Second year)
Non-executive director	Roger Marshall (British)	August 2010	August 2017	3rd (First year)
Senior Independent Director	Alan Gillespie (British)	November 2010	November 2017	3rd (First year)
Non-executive director	Nonkululeko Nyembezi-Heita (SA)	March 2012	March 2018	2nd
Non-executive director	Danuta Gray (British)	March 2013	March 2019	2nd
Non-executive director	Nkosana Moyo (Zim)	September 2013	September 2019	2nd
Non-executive director	Zoe Cruz (US)	January 2014	January 2020	2nd
Non-executive director	Adiba Ighodaro (British)	January 2014	January 2020	2nd
Group Finance Director	Ingrid Johnson (SA)	July 2014		
Non-executive director	Vassi Naidoo (SA/British)	May 2015	May 2018	1st
Group Chief Executive	Bruce Hemphill (SA)	November 2015		
Non-executive director	Trevor Manuel (SA)	January 2016	January 2019	1st

CORPORATE
GOVERNANCE CONTINUED

Key roles and responsibilities

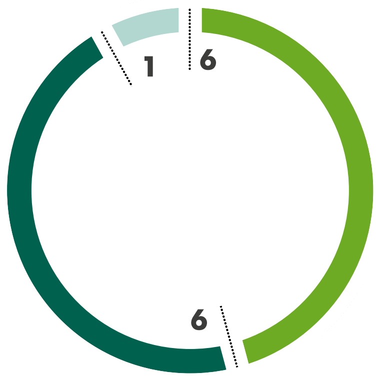
Chairman

- Leading the Board
- Ensuring the Board's effectiveness and setting its agenda
- Ensuring that the directors receive accurate, timely and clear information, and adequate time is available for discussion of all agenda items
- Ensuring effective communication with shareholders
- Promoting a culture of openness and debate
- Ensuring constructive relationships between the executive and non-executive directors.

Group Chief Executive

- Defining, creating and implementing strategy and objectives
- Developing manageable goals and priorities
- Leading and motivating the management teams
- Developing proposals to present to the Board on all areas reserved for its judgement
- Developing policies for approval by the Board and ensuring their implementation.

NATIONALITY OF BOARD MEMBERS



African **46%**
UK and Europe **46%**
US **8%**

Note: For the purposes of this table, Vassi Naidoo is treated as South African.

What was the directors' attendance record during 2016?

The table below sets out the number of meetings held and individual directors' attendance at meetings of the Board and its principal committees (based on membership of those committees, rather than attendance as an invitee) during 2016.

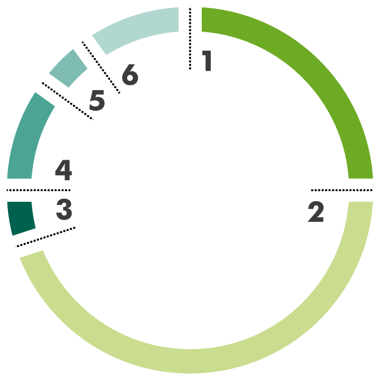
Are the non-executive directors independent?

Of the 10 current non-executive directors (excluding the Chairman), the Board considers eight to be independent within the criteria set out in the UK Corporate Governance Code 2014; that is, they are independent in character and judgement and have no relationships or circumstances which are likely to affect their judgement, or could appear to affect it. These eight are: Mike Arnold, Zoe Cruz, Alan Gillespie, Danuta Gray, Adiba Ighodaro, Roger Marshall, Nkosana Moyo and Nonkululeko Nyembezi-Heita.

Attendance record

	Board (scheduled only)	Board (scheduled and ad hoc)	Group Audit Committee	Board Risk Committee	Remuneration Committee	Nomination and Governance Committee
	Number of meetings attended/number of meetings eligible to attend					
Mike Arnold	7/7	15/15	8/8	6/6	–	–
Zoe Cruz	7/7	15/15	–	5/6	11/11	–
Alan Gillespie	6/7	12/15	–	–	10/11	5/6
Danuta Gray	6/7	12/15	–	–	11/11	4/6
Bruce Hemphill	7/7	15/15	–	–	–	–
Adiba Ighodaro	7/7	15/15	7/8	–	–	–
Ingrid Johnson	7/7	15/15	–	–	–	–
Trevor Manuel	5/7	12/15	–	6/6	–	–
Roger Marshall	7/7	15/15	8/8	6/6	11/11	–
Nkosana Moyo	7/7	10/15	5/8	–	7/11	–
Vassi Naidoo	6/7	11/15	3/5	3/3	–	5/6
Nonkululeko Nyembezi-Heita	7/7	13/15	–	6/6	–	6/6
Patrick O'Sullivan	7/7	15/15	–	–	–	6/6
Former director						
Paul Hanratty	2/2	4/4	–	–	–	–

ALLOCATION OF BOARD TIME DURING 2016



1. Capital, business performance and finance **25%**
2. Strategy **45%**
3. People issues and succession **5%**
4. Regulatory matters, including Solvency II **10%**
5. Culture, responsible business and stakeholder matters **5%**
6. Other **10%**

As previously noted, Vassi Naidoo is not considered independent because he is chairman of Nedbank Group Limited, and circumstances may arise where he has to balance the fiduciary duties owed to both parent and subsidiary having regard to minority interests in the latter.

Trevor Manuel is the Chairman of OMGH, the holding company of both OMEM and Nedbank Group Limited. In light of the enhanced role that OMGH is expected to play as the South African Twin Peaks regulation comes into effect, Mr Manuel is not categorised as an independent non-executive director at plc level.

Who is the Senior Independent Director?

Alan Gillespie has been the Senior Independent Director since May 2011. The Senior Independent Director is available to shareholders if they have concerns that are unresolved after contact through the normal channels of the Chairman, Group Chief Executive or Group Finance Director, or where such contact would not be appropriate. The Senior Independent Director's contact details can be obtained from the Group Company Secretary.

How many times did the Board meet during 2016, and where did it meet?

The Board met 15 times during 2016, of which seven meetings were scheduled and eight were additional meetings, which was more frequently than has been typical in recent years. The increase in meetings resulted from the adoption of the new strategy of managed separation. Two Board meetings (in June and December) were held in South Africa. The majority of the rest of the meetings were held at the Company's Head Office in London, with ad hoc meetings being held by telephone.

Non-executive directors' fees

The managed separation process has resulted in a significant increase in non-executive directors' workload. This is demonstrated by the 15 Board meetings and 11 Remuneration Committee meetings held in 2016 relative to a normal schedule of seven to eight Board meetings and five or six Remuneration Committee meetings in a year. This level of responsibility and the resulting workload is expected to continue as the managed separation progresses. In addition, the majority of fees have not been subject to a substantial review since 2014, resulting in them falling well behind market norms for a business of our size and complexity. In this context, the Chairman and the Group Chief Executive took the decision to increase fees with effect from 1 January 2017, to ensure that our non-executive directors are appropriately remunerated for the added responsibilities and significant demands that the managed separation has brought and will continue to bring over the coming period. The fee increases were positioned broadly in line with the FTSE 100 median. The fees for committee chair roles were positioned above median to reflect the additional workload that the managed separation introduced. We have also ensured that the fee increases are reasonable relative to large-cap JSE companies.

What did the Board do during 2016?

For the first three months of 2016, the Board's focus was on reviewing and agreeing the Company's new strategy of managed separation, as well as the usual activities of approving the Company's 2016-2018 business plan, the second interim dividend for 2015 and the contents of the 2015 Annual Report and Accounts and preliminary results announcement. The new strategy was announced in March 2016, following completion of a review undertaken by the Group Chief Executive and his senior executive team, supported by our external advisers.

For the remainder of the year, the Board focused on the implementation of the managed separation, whilst ensuring that the Company's responsibilities as a listed company continued to be well managed, including the following matters:

- Governance of the managed separation process, including internal management, decision-making and use of advisers, and management of its risks, following recommendations from the Board Risk Committee
- Development of the investment case, equity stories and business plans of the four underlying businesses
- The future strategy of OMEM and Nedbank, and OMEM's readiness to stand alone as an independent business
- The Company's strategy for OMAM, including the acquisition of Landmark Partners, the market sell-down executed in December and other potential means of monetising the Company's stake
- Strategy and developments in OMW, including its corporate governance and the progress of its IT transformation project
- Performance of the four businesses, as well as the 2017 to 2019 business plan and consideration of the first interim dividend for 2016
- Arrangements for the wind-down of the Company's Head Office, including the continued management of risks and processes for which the Head Office has been responsible and the management of the Company's external debt
- Briefings on economic, political and regulatory developments in South Africa and some of the Group's other major markets.

In addition, the Board focused on the performance of the businesses, receiving regular reports from the Group Finance Director. The quality of this reporting has been enhanced this year, particularly to enable the Board to have a clearer line of sight on the effects of volatile markets on the Company and its businesses.

Are directors required to hold shares in the Company and what are their current interests?

Under the Directors' Remuneration Policy, the Group Chief Executive is required to build up a holding of shares in the Company equal in value to at least 200% of his annual base salary within five years of appointment. For other executive directors the requirement is 150% of annual base salary within five years of appointment.

CORPORATE GOVERNANCE CONTINUED

The Board encourages, but does not require, non-executive directors to build up holdings equal to 50% of their annual base fees within 12 months after appointment and to increase this over time to 100% of their annual base fees. The target for the Chairman was set at 50% of his annual base fee, to be achieved over time.

Details of directors' interests (including interests of their connected persons) in the share capital of the Company and its quoted subsidiaries, Nedbank Group Limited and OMAM, at the beginning and end of 2016 are set out in the table below. The interests of the executive directors in share options and forfeitable shares awards are described in the section of the Directors' Remuneration Report entitled 'Directors' shareholdings and share interests'. There were no changes to any of the interests between 31 December 2016 and 8 March 2017.

"Our business relies on the commitment, talent and diversity of our employees"

How are directors' conflicts of interest managed?

Processes are in place for any potential conflicts of interest to be disclosed and for directors to avoid participation in any decisions where they may have any such conflict or potential conflict. The Nomination and Governance Committee considers other significant commitments or external interests of potential appointees as part of the selection process and discloses them to the Board when recommending an appointment. Non-executive directors are required to inform the Board of any subsequent changes to such commitments, which must be pre-cleared with the Chairman if material.

The presence of our directors and senior management on the boards of our subsidiaries creates a risk that their duties to the company of which they are a director, and to the Company as shareholder, may conflict. The managed separation has created an increased risk of these conflicts

Directors' interests

	At 31 December 2016 (or date of resignation, if earlier)			At 31 December 2015		
	Old Mutual plc ordinary shares	**Nedbank Group Limited shares**	**OM Asset Management plc shares**	Old Mutual plc ordinary shares	Nedbank Group Limited shares	OM Asset Management plc shares
Mike Arnold	**26,475**	–	–	26,475	–	–
Zoe Cruz	**34,500**	–	–	34,500	–	–
Alan Gillespie	**13,000**	–	–	13,000	–	–
Danuta Gray	**14,175**	–	–	14,175	–	–
Bruce Hemphill	**48,300**[1]	–	–	–[1]	–	–
Adiba Ighodaro	–	–	–	–	–	–
Ingrid Johnson	**525**[1]	10,088[2]	–	525[1]	18,814[2]	–
Trevor Manuel	–	–	–	–	–	–
Roger Marshall	**45,000**	–	–	45,000	–	–
Nkosana Moyo	**10,000**	–	–	10,000	–	–
Vassi Naidoo	–	**45,785**	–	–	43,575	–
Nonkululeko Nyembezi-Heita	**28,667**	–	–	13,839	–	–
Patrick O'Sullivan	**100,000**	–	–	100,000	–	–
Former directors						
Paul Hanratty (resigned 12 March 2016)	**446,578**[1]	–	–	446,578[1]	–	–

1 These figures do not include rights to forfeitable shares that have not yet vested, which are described in the Directors' Remuneration Report.
2 These shares are currently held under the terms of the Nedbank Compulsory Bonus Share Scheme and the Nedbank Voluntary Bonus Share Scheme.

of interests as the strategy for these businesses develops and is implemented. In addition to its existing processes, and the duties of those directors under applicable company law, the Company has established additional procedures for disclosing and managing those conflicts of interests and those situations which, although not strictly giving rise to a conflict of interest, might reflect differences of interests which need to be carefully managed.

The Company's procedures for dealing with directors' conflicts of interest continued to operate effectively during 2016 and no director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Additional details of various non-material transactions between the directors and the Group are reported on an aggregated basis, along with other transactions by senior managers of the Group, in Note J3 to the financial statements.

The executive directors are permitted to hold and retain, for their own benefit, fees from one external (non-Group) non-executive directorship of another listed company (but not a chairmanship), subject to prior clearance by the Board and provided the directorship concerned is not in conflict or potential conflict with any of the Group's businesses. None of the executive directors currently holds any external non-executive directorships of other publicly-quoted companies.

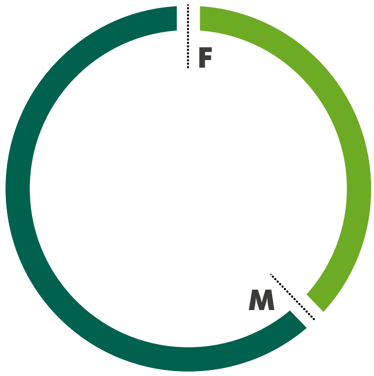
Has the Company granted indemnities to its directors?

In accordance with the Company's Articles of Association, each director is granted an indemnity by the Company in respect of liabilities incurred as a result of their office, to the extent permitted by UK law. The Company has entered into formal deeds of indemnity in favour of each of the directors. The indemnities described above were in force throughout 2016 and have remained so up to the date of this report. The Company also maintains directors' and officers' liability insurance.

Leadership and effectiveness

Our business relies on the commitment, talent and diversity of our employees. In order to understand and meet the needs of customers better, we strive to have an employee population that is representative of the markets we serve. To attract and retain appropriately skilled employees, managers and executives, we maintain effective HR practices.

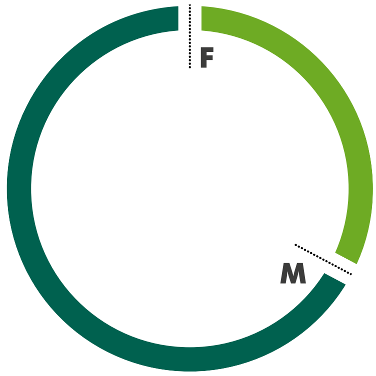
PLC BOARD GENDER SPLIT AS AT 31 DECEMBER 2016



Female **38%**
Male **62%**

2018 target = >30%

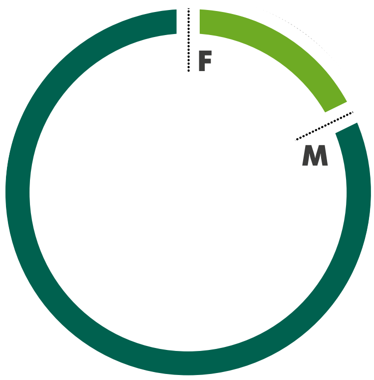
PLC EXCO GENDER SPLIT AS AT 31 DECEMBER 2016



Female **33%**
Male **67%**

2018 target = 30%

KEY ROLES[1] GENDER SPLIT

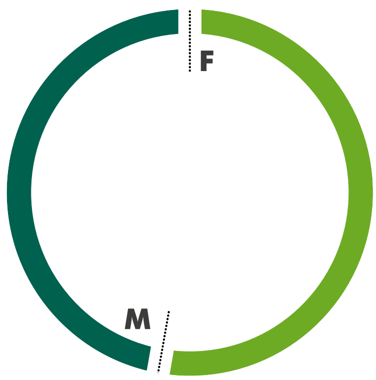


Female **18%**
Male **82%**

2018 target = 30%

1 Membership of the Executive Committees of the Company and the four businesses as at 31 December 2016 (50 positions in total)

GENDER SPLIT OF PERMANENT STAFF



Female **53% – 34,995**
Male **47% – 31,212**

What is the Company's approach to ensuring diversity?

Each business is required to develop an environment that promotes the benefits of equal opportunities and diversity. Recruitment, promotion, selection for training and other aspects of employee management are free from discrimination – including on grounds of gender, race, disability, age, marital status, sexual orientation and religious belief. For our businesses in South Africa, these imperatives have to be balanced against their Broad-Based Black Economic Empowerment (B-BBEE) requirements.

We recognise that difference in its broadest sense is critical to our success and, while focus varies by country, increasing gender diversity is a priority for all of our businesses. We continue to exceed our diversity target of at least three female members of the Board, with female membership of our Board at 38% (five out of 13) for most of the year. Also, two of our six-member plc Exco are women. We also welcomed Sir John Parker's review into the ethnic diversity of UK boards, and we were pleased to be in fifth place in the list of FTSE 100 companies by number of ethnic minority directors.

CORPORATE GOVERNANCE CONTINUED

We remain committed to improving our diversity and continue to strive towards the targets for 2018 that we set in 2013 – see the diagrams on the preceding page. We have invested significantly in our women's networks and mentoring initiatives.

How do we ensure that Board members have the right knowledge to discharge their duties?

The composition of and succession plans for the Board are formally considered at least annually. We have developed a skills and industry experience matrix to help the Board assess the composition profiles of the Board and major subsidiary boards. The Nomination and Governance Committee regularly discusses talent and succession plans for the businesses' Executive Committees.

Training and induction of non-executive directors

Training for Board members in 2016 covered topics such as the EU Market Abuse Regulation, management of credit risk, briefings on political and economic developments and the role of the Group's regulators.

The Company has a comprehensive induction programme for new non-executive directors to enable new appointees to the Board to familiarise themselves with the Group's operations, financial affairs and strategic position so that they can make an effective contribution as soon as possible after they have joined the Board. This programme includes sessions with each of the four businesses and the Company's auditors and external legal advisers.

How is the performance of the Board and its committees reviewed?

Performance reviews of the Board and its standing committees are conducted annually and are carried out by an external expert at least once every three years. Under its current Chairman, the Board has invested a significant amount of effort in understanding its effectiveness through both internally and externally facilitated reviews using a range of approaches.

The feedback from the 2015 review resulted in a number of actions being taken during 2016, which included in particular increasing the level of interaction and collaboration between the Board and the subsidiary boards. This was recognised to be of particular importance during the managed separation. However, in the light of the expected life of the Company as a listed company and the changes in the roles of the Board and its standing committees, a number of other actions were not taken forward.

The Board effectiveness review for 2016 was conducted internally using an online questionnaire supplemented by one-to-one interviews with each Board member. The questionnaire sought feedback around a number of different aspects of the Board and its committees, including:

- Board governance
- Managed separation
- Decision-making.

A separate questionnaire was issued to gather feedback on the Chairman.

The feedback was collated and reported back to the Board. The review concluded that:

- The Chairman, the Board and its committees had operated effectively during 2016, with clarity of purpose and appropriate consideration given to stakeholder expectations.
- Despite the increased level of interaction with the subsidiary boards in 2016, there should be more engagement with those boards during 2017.

What are the Board's standing committees and what did they do during the year?

The Board has a number of standing committees to which various matters are delegated in line with their terms of reference.

The main changes to the committees during 2016 were that Trevor Manuel joined the Board Risk Committee when he became a director at the start of 2016 and Vassi Naidoo joined the Group Audit Committee, and stepped down from the Board Risk Committee, in May 2016.

The current membership of the Board's main standing committees is as follows:

Group Audit Committee

Roger Marshall (Chairman) (since 2010)
Mike Arnold (since 2009)
Adiba Ighodaro (since 2014)
Nkosana Moyo (since 2014)
Vassi Naidoo (since May 2016).

Secretary to the committee:
Colin Campbell succeeded Martin Murray on 1 June 2016.

Board Risk Committee

Mike Arnold (Chairman) (since 2010)
Zoe Cruz (since 2014)
Roger Marshall (since 2010)
Trevor Manuel (since January 2016)
Nonkululeko Nyembezi-Heita (since 2013).

Other member of the committee during part of the year:
Vassi Naidoo (May 2015 to May 2016).

Secretary to the committee:
Colin Campbell (since 2012).

Nomination and Governance Committee

Patrick O'Sullivan (Chairman) (since 2010)
Alan Gillespie (since 2010)
Danuta Gray (since 2013)
Vassi Naidoo (since May 2015)
Nonkululeko Nyembezi-Heita (since 2013).

Secretary to the committee:
Colin Campbell succeeded Martin Murray on 1 June 2016.

Remuneration Committee

For details of the Remuneration Committee, see the Directors' Remuneration Report.

Other committees

The Board establishes special-purpose committees, as required, to deal with particular strategic projects or other matters. In connection with the managed separation, the Board has established a Managed Separation Urgent Issues Committee, consisting of the Chairman, the Senior Independent Director, the Chairmen of the Board's standing committees and the Chairman of OMGH, for the purpose of being able to take time-critical decisions in relation to managed separation on behalf of the Board. All members of the Board are however entitled to attend and participate in meetings of that committee.

REPORT FROM THE **GROUP AUDIT COMMITTEE**

Roger Marshall
Chairman of the Group Audit Committee

Reports from the Board's standing committees

The following reports on the activities of the Group Audit, Board Risk and Nomination and Governance Committees during 2016 have been submitted by their respective Chairmen. The activities of the Remuneration Committee are described in the Directors' Remuneration Report later in this document.

The Group Audit Committee (the committee) met eight times during 2016. One meeting was held partly as a joint session with members of the Board Risk Committee to discuss the IT transformation projects in OMW and in South Africa, and the OMW Heritage business.

Group Audit Committee focus area	How the matter was reviewed	
Assumptions related to policyholder liabilities recognised by the Group's insurance businesses The Group recognised insurance policyholder liabilities of £9,982 million at 31 December 2016 (2016: £7,714 million). Estimation of these routinely involves assessment of risk exposures, expense allocations and business persistency.	We reviewed reports from the Group Chief Actuary and the external auditors. We also reviewed the conclusions of the subsidiary Audit Committees.	Items in particular focus were the accounting consequences of the transfer of certain risk policies in the South African life company to the new Policyholder Protection Fund and the assumptions for future expenses in the OMW Heritage business.
Loan loss provisions Loan loss provisioning requires the assessment of recoverable amounts, which requires judgement in the estimation of future payments. At 31 December 2016, the Group's total advances were £44,237 million, with related provisions of (£1,129 million) (2015: £31,724 million and (£759 million)). Loans outstanding are principally from Nedbank.	The committee considered this area in detail, particularly in light of the increased stresses affecting credit conditions that have taken place in South Africa during 2015 and 2016, although conditions improved in the natural resources sector during 2016. The committee reviewed information related to detailed credit exposures. The committee was satisfied that adequate provisions were carried at 31 December 2016 under current accounting standards.	Local governance structures provide assurance on the adequacy of loan loss provisioning and key matters arising were routinely highlighted in reports from the subsidiary audit committees. The committee held a joint meeting with the Board Risk Committee in South Africa to review the development of OMEM's credit governance framework.
Goodwill Goodwill and intangible assets amounted to £2,471 million at 31 December 2016 (2015: £3,276 million). These balances principally relate to the OMW business but there are also significant balances in OMEM and Nedbank.	The committee reviewed the impairment calculations on a preliminary basis in December 2016 and then reviewed updated calculations at the end of February 2017. The committee also looked at sensitivity analysis on the basis of declining growth rates and increasing discount rates.	This analysis supported the committee in concluding that goodwill and intangible assets were in general appropriately valued but that an impairment in relation to goodwill carried in our East Africa business was appropriate.
Valuation of investments and securities Total investments and securities were £100,533 million at 31 December 2016 (2015: £84,019 million) and investments in associated undertakings and joint ventures were £542 million at 31 December 2016 (2015: £514 million).	The committee considered the valuation of investments and received reports from management and the external auditors. The vast majority of investments can be valued using current market practices. However, for certain private equity investments and others where there have not been recent market transactions, more judgement is required.	The committee was, in general, satisfied with the valuation processes. The committee considered management's proposal for an impairment in the carrying value of ETI, which included value-in-use estimates on a number of different scenarios and agreed the proposed impairment was appropriate. This issue was also examined in detail by the Nedbank Audit Committee. The resulting write-down was recognised in IFRS profit and loss, but excluded from AOP.

CORPORATE
GOVERNANCE CONTINUED

Membership of the committee

During the year, Vassi Naidoo joined the committee. Vassi has brought additional skills to the committee, including recent and relevant financial experience, which complements the existing mix of finance and business skills. A majority of the members of the committee have competence in accounting and auditing and committee members as a whole have experience of insurance, banking and investment.

Going concern and viability statement

We reviewed the materials submitted to the Board in support of the going concern statement and longer-term viability statement, and discussed the appropriate duration of and wording for this for the Board to approve. The viability statement required appropriate consideration in the light of the managed separation and its anticipated timetable.

Set out on page 91 is a summary of areas of focus during the year, in addition to the committee's usual oversight responsibilities, which are described in the table on page 93.

Solvency II

The committee has received regular reports during the year on the Group's Solvency II reporting to the PRA and has received reports from the Group Chief Actuary and the external auditors concerning the Solvency II information as at 31 December 2016 contained in this Annual Report.

Alternative profit measure

The Group makes a number of adjustments to IFRS profit to derive an AOP measure. This is common practice among peers. Some of these adjustments eliminate IFRS requirements that introduce distorting results, such as recognising gains or losses on own debt or recognising certain costs of financing in equity. Other adjustments seek to adjust the IFRS result in order to arrive at underlying profit by, for example, substituting a Long-Term Investment Return for the actual investment returns for the year. The committee reviews the appropriateness of the AOP measure on an ongoing basis. It also reviews the Long-Term Investment Return rate annually. The committee seeks to validate that the adjustments made in determining AOP are appropriate to the objective of presenting a measure of the long-term profitability of the business to users of the financial statements and is mindful of the FRC's expectations in this area.

During the year, the committee considered a proposed change to AOP to continue to include the results of OMAM within AOP, despite it being held for sale, as it had been a subsidiary throughout the year. The committee agreed to this change, as to exclude OMAM from AOP would be confusing to users and would complicate the use of AOP in dividend and remuneration decisions. More generally, the committee considered whether it was appropriate to continue to use AOP during 2017. The committee decided that it was still appropriate, as it is widely used by users of the financial statements and is a key determinant of dividend and remuneration decisions. However, more adjustments are likely to be necessary to deal with the effects of the managed separation.

Audit tender and rotation

A competitive tender for the Group's external audit was last carried out in 2014. The outcome of the process was that the committee recommended that the Board should retain KPMG LLP as the Group's external auditor from 2016 onwards, subject to the usual annual shareholder approval of their reappointment at forthcoming AGMs. The Board accepted this recommendation.

During the year, we reviewed (with support from Group Internal Audit) KPMG LLP's compliance with the commitments given to the Group as part of the tender process. The majority of these commitments have been delivered to management's satisfaction and plans are in place to reach alignment on the other commitments. However, some commitments will not be taken forward as a result of changes brought about by the managed separation.

External auditor effectiveness

During the year, we reviewed KPMG LLP's effectiveness as our current auditor (with support from Group Internal Audit) and confirmed satisfaction with the quality of the audit. The review analysed critical competencies expected of our external auditor and included feedback from key finance personnel from Group and subsidiary entities and audit committee members at subsidiaries and Group level.

We also noted that a review by the FRC of the 2015 Group audit had identified no matters of concern.

The outcome underpins our recommendation to reappoint KPMG LLP in relation to the audit for the year ending 31 December 2017 at this year's AGM.

Non-audit services

The Group operates within a clearly defined policy on the nature and amount of non-audit services that can be provided by the Group's external auditor (see 'Audit arrangements' later in this Annual Report). The policy itself is formally reviewed annually. Under the revised policy which was adopted during the year, which incorporates the FRC's final draft of its revised ethical standards, total fees for non-audit services are limited to a maximum of 25% of the total fees for external audit services unless I, as Chairman of the committee, specifically approve any fees in excess of this amount. In 2016, I authorised fees on a series of risk reviews in connection with OMW's IT transformation project, which resulted in this limit being exceeded. The actual non-audit fee ratio for 2016 was 29%.

As Chairman of the committee, I am notified of expenditure on non-audit services monthly and for certain services I will be consulted for pre-approval. The committee reviews compliance with the non-audit services policy each quarter.

The committee is satisfied that KPMG LLP has been engaged by the Group in accordance with the requirements of this policy during 2016.

Internal Audit

The committee pays close attention to Internal Audit reports and to the progress of management actions to address weaknesses. Internal Audit continues to embed the recommendations of the recent Financial Services Internal Audit Code and in particular is encouraged to carry out work in advance of or in parallel with developments, rather than intervening after the event. Internal Audit's overall conclusion for 2016 was that it had not observed any unmitigated material issues that would indicate that the overall control environment in the Group was unsatisfactory.

In 2016, we introduced a new quality assurance process for Internal Audit using an external professional services firm to perform an independent external quality assurance review as mandated by the International Standards for the Professional Practice of Internal Auditing (the Standards) and reporting directly to the committee. This review involved a sample of internal audit files across the Group and concluded that Internal Audit generally complies with the Standards .

The Group's Internal Audit Charter remains unchanged from last year and is available on the Company's website.

Primary responsibilities of the Group Audit Committee

Financial and capital reporting

- Monitor the integrity of the Group's financial statements and review the critical accounting policies
- Review and challenge, where necessary, management's critical accounting estimates and judgements in relation to the interim and annual financial statements
- Review the content of the Annual Report and Accounts and interim results and advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable
- Review the going concern and viability statements so as to be able to report the committee's views on these to the Board
- Consider the Group's Solvency II capital calculations and methodologies, with input from the Group Chief Actuary and the external auditor
- Preparation for the implementation of SAM and the Twin Peaks regulatory model in South Africa
- Determine whether any training or education sessions are required by the committee on specific issues
- Monitor and review the costs of the managed separation.

Internal Audit

- Approve the appointment of the Group Internal Audit Director
- Approve the annual Group Internal Audit plan
- Review results of Internal Audit work and management plans to address issues raised
- Review Internal Audit's annual assessment of controls
- Monitor external effectiveness reviews of Internal Audit.

External audit

- Make recommendations concerning the appointment, reappointment and removal of the external auditor
- Be responsible for the Group's audit tender process
- Oversee the relationship with the external auditor, including the terms of engagement (including remuneration) and their effectiveness, independence and objectivity
- Agree the policy for and provision of non-audit services
- Agree the policy on the employment of former employees of the external auditor
- Review the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process
- Approve the annual audit plan, to ensure that it is consistent with the scope of the audit engagement and co-ordinated with the activities of the Group's Internal Audit function
- Review the findings of audits with the external auditor and consider management's responsiveness to audit findings and recommendations
- Monitor the effectiveness of the external audit by a formal annual assessment and also the results of any reviews published by the Financial Reporting Council's Audit Quality Review.

Internal control and risk management

- Review the effectiveness of systems for internal control, financial reporting and risk management
- Liaise with subsidiary audit committees and ensure all relevant issues are communicated to the committee
- Consider the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response.

Whistleblowing

- Review arrangements by which employees may confidentially raise concerns about possible improprieties in financial reporting or other matters.

CORPORATE GOVERNANCE CONTINUED

REPORT FROM THE BOARD RISK COMMITTEE

Mike Arnold
Chairman of the Board Risk Committee

The Board is responsible for maintaining sound risk management and internal control systems. In order to meet that objective, it has mandated the Board Risk Committee (the committee) to reinforce a strong risk culture by ensuring that the Group fulfils its strategic objectives within the stated risk framework, that poor practice in risk management is challenged, and that sustained improvements in risk management are made. During 2016, the committee continued to meet that objective by overseeing, reviewing and monitoring the risk management and governance of the Group's four businesses, as well as spending a substantial amount of its time considering both the risks of adopting the Company's managed separation strategy and the management of risk during the managed separation process.

The committee met formally six times during the year, of which five were scheduled and one was an additional ad hoc meeting. Part of one of the scheduled meetings was held jointly with the Group Audit Committee. The Chief Risk Officer, the Group Chief Actuary and the Group Internal Audit Director attended all the meetings. The external auditor was invited to attend all of the meetings. As well as these six meetings, the committee held four workshop sessions to look more deeply at specific risk management issues. Also, during the finalisation of the managed separation strategy by the Board prior to its announcement in March 2016, part of the key Board meeting which evaluated the new strategy was given over to a detailed review of the risks of that strategy as compared with the risks of continuing with the Group's previous strategy. This work was commissioned by the committee and I chaired that part of the Board meeting.

The committee received a report from the Group Chief Risk Officer on risk and regulatory matters at each of its scheduled meetings during 2016, in which changes to the Group's risk profile were identified and discussed.

Areas of focus

During our meetings and workshops in 2016, we focused on:

- The risks of all aspects of the Company's new strategy of managed separation, including:
  - the risks of the strategy itself and the risks to executing it
  - the effective governance and management of the Company's risks and regulatory responsibilities as the Company's Head Office winds down its activities
  - risk appetite and liquidity impacts, both in general and at different points during execution of the managed separation
  - risks of implementing particular transactions and strategies at particular points in time, such as the risks of launching the tender for the Company's Tier 1 Bonds
- The Group's Own Risk and Solvency Assessment (ORSA), under which the Group identifies and assesses its risks and determines the resources necessary to ensure that its solvency needs are met and are sufficient to achieve its business strategy. This included analysing a series of scenarios as a means of testing the forward-looking assessment of risk such as, in particular, the risks of a downturn in the South African macroeconomic environment (including a downgrade in the country's sovereign credit rating) and the risks of the UK's exit from the EU (in the run-up to the referendum in June 2016)
- Changes to the Group Operating Model (now the Decision-Making Framework) which were needed in order to facilitate and promote the Company's new strategy and the shift to the 'active portfolio manager' model of governance.
- Assessments of the Group's capital and solvency position, including the impact of the external macroeconomic environment and of market volatility
- The oversight and governance of credit risk and liquidity risk, especially in OMEM and in particular the businesses within OMEM which undertake lending to retail customers

> **"During 2016, we focused on the risks of all aspects of the Company's new strategy of managed separation"**

— Proposed acquisitions, disposals and other strategic projects being undertaken by the Group, including the execution of OMW's business transformation arrangements, the IT transformation project in OMEM's South African business, the acquisition of Landmark Partners by OMAM and other potential acquisitions and disposals across the Group.

I received updates between the scheduled meetings through my regular meetings with the Group Chief Risk Officer and the Group Chief Actuary. The committee also held a private meeting with the Group Chief Risk Officer.

In connection with the finalisation of the Group's annual results, the committee reviewed and approved the Chief Risk Officer's report for the Remuneration Committee in order to assist that committee in its deliberations.

The committee also undertook a review of its performance against its terms of reference. The committee complied with the vast majority of the requirements of the terms of reference and put plans in place to ensure that the remaining items could be addressed.

During 2016, the majority of the committee's meetings and workshops involved the participation of board members and executives from the Group's four businesses. We held sessions with them covering a number of the focus areas highlighted above. Also, either Roger Marshall or I personally attended meetings of the risk and audit committees of the major subsidiaries of the Group. We have ongoing dialogue with the independent non-executive directors of those subsidiaries who chair their committees.

Plans for 2017

In 2017, the committee will be closely involved in the review and execution of the Company's managed separation strategy, as well as preparations for the implementation of SAM and the Twin Peaks regulatory model in South Africa. The committee will also work even more closely with the risk committees of the Group's businesses as they move towards being ready to stand alone, in order to share the insight and experience which the committee has gained through its oversight of the risks of the Group.

REPORT FROM THE **NOMINATION AND GOVERNANCE COMMITTEE**

Patrick O'Sullivan
Chairman of the Nomination and Governance Committee

Our role as the Nomination and Governance Committee (the committee) is to review and make recommendations to the Board on the appointment of directors, the structure of the Board and the appropriate governance arrangements between Old Mutual plc as the parent company and its underlying major businesses. We also review development and succession plans for senior executive management and certain appointments to the boards and standing committees of principal subsidiaries in line with the Decision-Making Framework. We receive regular updates on the composition of principal subsidiary boards, which include details of the skills represented on such boards and the subsidiary companies' own succession plans. This will enable us to ensure that these bodies are equipped to deliver the Group's strategy of managed separation.

In planning for refreshing and renewing the Board's composition, we aim to ensure that changes take place without undue disruption, that there is an appropriate balance of experience and length of service and that our process for identifying and recommending candidates as Board directors is formal, rigorous and transparent. In identifying candidates and making recommendations, we pay appropriate regard to the independence of candidates, their ability to meet the expected time commitment involved and their suitability and willingness to serve on Board committees.

During 2016, the committee agreed that Vassi Naidoo should step down from the Board Risk Committee and join the Group Audit Committee (GAC), in order to ensure a better balance of directors on these two committees. The committee concluded that Vassi's skills and experience, particularly regarding accounting and auditing matters, would augment the existing composition of the GAC. The committee also approved changes to the Company's senior executive management team in order to position that team better to oversee and deliver the managed separation.

In view of the managed separation, the committee has increased its focus on the composition of the boards and of the senior executive management of the Group's four businesses, including their development and succession plans. The committee agreed a process with the OMW board for an independent chairman to be identified, leading to the selection of Glyn Jones as its new Chairman. The committee has also been closely involved as Glyn has commenced the process for strengthening the OMW board to position it for its future life as a standalone entity. In addition, and whilst it was a matter of regret for the committee that Ralph Mupita resigned as CEO of OMEM, the committee has agreed a process with the OMEM board for a new CEO to be identified.

We continue to plan for the anticipated introduction of Twin Peaks regulation in South Africa and ensuring that Old Mutual Group Holdings (OMGH), the South African holding company of OMEM and Nedbank, has the necessary facilities and governance arrangements in place to fulfil regulatory expectations. Trevor Manuel became chairman of OMGH this year, succeeding Paul Hanratty. The committee is evaluating proposals for the future composition of the OMGH board and of the boards of other South African companies which may need to exercise oversight over our businesses in the country.

In addition to our work described above, we continued during the year to monitor talent management and diversity initiatives, progress against action items identified by the previous year's externally-facilitated Board effectiveness review, and the process for conducting the 2016 review.

CORPORATE GOVERNANCE CONTINUED

The committee considers the current Board composition at Old Mutual plc level suitable for the Group's business requirements. Following adoption of the strategy of managed separation, the planned programme of non-executive director retirements from the Board referred to in last year's Annual Report has been suspended as it lacks relevance to a company which is winding down its operations. The existing Board is currently anticipated to stay in place until the managed separation process is substantially complete, although this will be kept under active review.

How has the launch of the managed separation affected our Investor Relations Programme in 2016?

We have adapted our plans and strategy to reflect that the objective during managed separation is to highlight the underlying operations of the four businesses, their performance and the activities of the holding company.

We conducted separate roadshows for individual businesses. We held a capital markets event during the year which was webcast and had over 100 attendees. The event programme was:

— Introduction to the day and overview of managed separation strategy – Bruce Hemphill (Group Chief Executive)
— OMW presentation and Q&A – Paul Feeney and Steve Braudo (CEO and COO of OMW)
— Nedbank presentation and Q&A – Mike Brown (CEO of Nedbank)
— OMEM presentation and Q&A – Ralph Mupita (CEO of OMEM)
— OMAM presentation and Q&A – Peter Bain (CEO of OMAM)
— Execution of the strategy – Rob Leith (Director of Managed Separation)
— Unlocking value and closing remarks – Bruce Hemphill.

A significant number of sell-side research analysts specialising in UK Wealth Management attended the event.

We continue to make significant efforts to educate the public markets and to communicate openly with our shareholders, institutional debt and equity investors around the world, and sell-side analysts by means of a proactive investor relations (IR) programme run by a small, dedicated IR team based in London and South Africa. The team works closely with the media relations, responsible business and public affairs teams around the Group. Old Mutual's investor base is very diverse in both investor style and geographic location and the Group has around 440,000 retail shareholders.

In 2016, we conducted investor meetings in the UK, South Africa, North America and continental Europe, involving 204 individual institutions. Most meetings involved the Group Chief Executive, the Group Finance Director or another member of the plc management team. The Group Finance Director continued to build relationships during 2016, in particular one-to-one meetings with sell-side analysts in Europe and South Africa. As part of the managed separation, we embarked on a programme to introduce existing potential shareholders to the management teams of the four businesses so that they start to develop their own relationships.

Copies of all investor presentations and, where appropriate, transcripts are posted on the Company's website so that they are accessible to shareholders generally. Currently 13 sell-side analysts from Europe and South Africa actively publish research on the Company. We encourage sell-side analysts to cover the Company – giving investors their opinions on the Group's valuation, performance and the business environment in which it operates – and also to make meaningful comparisons with our peers.

The Chairman makes contact with major investors and meets them as required. The Senior Independent Director is also available for interaction with shareholders. Matters raised in these governance-focused meetings during 2016 included the Company's strategy, regulatory developments, remuneration, succession planning, diversity and transformation.

The Chairman, and the Chair of the Remuneration Committee, had extensive engagements with shareholders to discuss the new directors' remuneration policy, including the MSIP, which was subsequently approved at the Company's General Meeting in June 2016. The IR team updates the Board on issues arising from communications with the investment community. It also commissions independent surveys to inform the Board about how major investors see the Company's management and performance.

Our intranet gives employees easy access to key information about the Group, including its culture, vision, strategy and financial performance. Regular senior management roadshows give employees further opportunities to understand more about the aims of the Group.

Number of investor events during 2016 (excluding sell-side and governance meetings)

— 247 events in total
— 216 with management (31 IR only)
— 204 institutions.

What are the arrangements for Annual General Meetings (AGMs)?

The Board uses the AGM, held at the Company's Head Office in London each year, to comment on the Group's results for the previous year and developments during the current year to date. Shareholders also have the opportunity to ask the Board questions. The AGM is webcast and a record of the proceedings is also made available on the Company's website shortly after the end of the meeting. All formal business items at the AGM are conducted on a poll, rather than by a show of hands. The Company's share registrars ensure that all properly submitted proxy votes are counted, and a senior member of the UK registrar's staff acts as scrutineer to ensure that votes cast are correctly received and recorded.

Substantial interests in the Company's shares

At 31 December 2016, the following substantial interests in voting rights in relation to the Company's shares had been declared to the Company in accordance with the Disclosure Guidance and Transparency Rules:

	Number of voting rights	% of voting rights
Public Investment Corporation of the Republic of South Africa	541,196,818	10.98%
BlackRock Inc.	261,673,856	5.3%
Coronation Asset Management (Pty) Limited	245,831,935	4.98%

Each substantially separate issue at the AGM is dealt with by a separate resolution and the business of the meeting always includes a resolution on the receipt and adoption of the Report and Accounts.

The notice of AGM is sent out to shareholders who have elected or are entitled to receive physical documents in time to arrive in the ordinary course of the post at least 20 working days before the date of the meeting.

Who will be standing for election or re-election at this year's AGM?

All the current directors will stand for or re-election at this year's AGM and the Board will recommend that every director who is standing should be re-elected. Brief biographical details of all the directors are contained in the Board of Directors section earlier in this Annual Report. Additional information about them, and further details of the basis on which the Board has assessed each director's performance and recommends their re-election, are set out in the shareholder circular relating to the AGM.

What is the Company's issued share capital and who are the Company's largest shareholders?

The Company's issued share capital at 31 December 2016 was £563,421,277 divided into 4,929,936,178 ordinary shares of $11\frac{3}{7}$p each (2015: £563,273,444 divided into 4,928,642,637 ordinary shares of $11\frac{3}{7}$p each). The total number of voting rights in the Company's issued ordinary share capital at 31 December 2016 was also 4,929,936,178.

During 2016, the Company issued 1,293,541 ordinary shares of $11\frac{3}{7}$p each under employee share schemes at an average price of £1.5375 per share.

At 31 December 2016, shareholder authorities were in force enabling the Company to make market purchases of, and/or to purchase pursuant to contingent purchase contracts relating to each of the overseas exchanges on which its shares are listed, its own shares up to an aggregate of 492,870,000 shares. It bought back no shares during 2016 or during the period up to 8 March 2017.

In the period 1 January to 8 March 2017, the Company issued a further 30,396 shares under its employee share schemes at an average price of £1.609 each. As a result, the Company's issued share capital at 8 March 2017 was £563,424,751 divided into 4,929,966,574 ordinary shares of $11\frac{3}{7}$p each. The total number of voting rights at that date was also 4,929,966,574.

There have been no other notifications of disclosable interests by shareholders and no notifications of changes to the interests set out in the table of substantial interests in the Company's shares above between 31 December 2016 and 8 March 2017.

How can I find out about the rights and obligations attaching to the Company's shares?

The rights and obligations attaching to the Company's ordinary shares are those conventional for a publicly-listed UK company. The Corporate Governance section of the Company's website provides a summary of these (along with certain other information relating to dividends, directors and amendments to the Company's articles of association) and the Company's current articles of association.

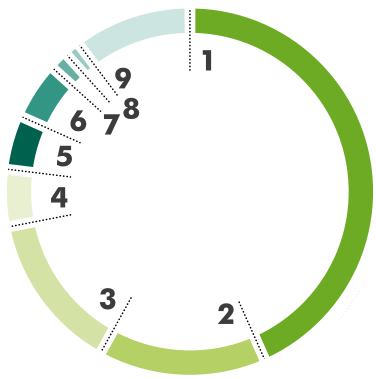
What is the Company's dividend policy and what dividend will be paid for 2016?

The Board intends to pursue a dividend policy reflecting the operational cash generation, investment and liquidity needs of the Group, as well as the capital requirements of the underlying businesses, and will target a dividend cover equivalent to 2.5 to 3.5 times Group AOP earnings for each annual reporting period, with the first interim dividend cover equivalent to 3 times Group AOP earnings for the first interim period. With effect from the first interim dividend for 2017, dividends in currencies other than sterling will be paid in local currency on the basis of the average effective exchange rate over the relevant six-month period after taking into account hedging activities and timing of remittances for the relevant period.

Consistent with this policy, the Board has declared a second interim dividend for 2016 of 3.39p per share (or its equivalent in other applicable currencies). This, together with the first interim dividend of 2.67p per share paid in October 2016, equates to 3.2 times AOP earnings cover for the full year.

Further information on the second interim dividend for 2016 (including the currency equivalents) is given in the Shareholder Information section at the back of this Annual Report.

SHAREHOLDER ANALYSIS



1. South African institutional **43.5%**
2. UK **14.6%**
3. USA **13.9%**
4. Rest of Europe **5.0%**
5. Rest of the world **4.9%**
6. South African retail **4.8%**
7. BEE **1.9%**
8. Policyholders **1.3%**
9. Miscellaneous and unidentified **10.1%**

Source: Nasdaq

CORPORATE GOVERNANCE CONTINUED

Why is the Company paying a second interim dividend instead of a final dividend?

As with 2015, the final dividend for 2016 has been declared as a second interim dividend, which does not require shareholder approval at the AGM. Consequently, the second interim dividend is revocable by the Board until paid. This means that the Company is able to pay the dividend at the end of April. This also means that, under Solvency II rules, the Company's ordinary shares continue to qualify as eligible regulatory capital.

What other factors are relevant in determining dividend payments?

In addition to giving specific consideration to the Company's dividend policy, all dividend declarations are assessed by the Board in the context of their impact on the viability of the Company, as described elsewhere in this report.

Dividend declarations must also take account of the distributable reserves of the holding company, Old Mutual plc, which were £2,059 million at 31 December 2016. In assessing the distributable reserves of the Company, management also considers its ability to access subsidiary distributable reserves.

The Group capital management policy also takes account of provisions in the OMLAC(SA) demutualisation agreement which restrict the application of South African dividend remittances to the payment of Company dividends.

“We have adapted our plans and strategy to reflect that the objective during managed separation is to highlight the underlying operations of the four businesses”

What dividends were waived during 2016?

During 2016, trustees of the Company's, Quilter Cheviot's and the Company's South African subsidiary employee benefit trusts waived dividends on certain shares in the Company held by them relating to awards where the scheme participants were not entitled to receive dividends pending vesting. The total number of shares concerned was 13,292,116 for the second interim dividend for 2015 and 25,893,799 for the first interim dividend for 2016.

Audit arrangements

Who is the Company's external auditor and how much is it paid?

KPMG LLP (or, before 2014, its related associated entity KPMG Audit Plc) has been the Company's external auditor since 1999. We have made arrangements with KPMG LLP for appropriate audit director rotation in line with the requirements of the UK Auditing Practices Board. The current audit engagement partner in the UK, Jonathan Holt, assumed this role in June 2016.

The Group Audit Committee report above describes how that committee satisfies itself about the external auditor's performance and its recommendation to reappoint KPMG LLP (which has expressed its willingness to continue in office) as auditor for 2017 at this year's AGM. The Company has not entered into any contractual restriction preventing it from considering a change of auditor.

During the year ended 31 December 2016, fees paid by the Group to KPMG LLP and its associates totalled £15.1 million for audit services (2015: £13.8 million) and £3.7 million for tax compliance, audit-related assurance, corporate finance transactions and other non-audit services (2015: £3.5 million). In addition to the above, Nedbank paid a further £3.3 million (2015: £3.1 million) to Deloitte in respect of joint audit arrangements.

The Group Audit Committee has approved detailed guidelines as part of the Group's policy on non-audit services, which are summarised in the Corporate Governance section of our website.

Risk assessment and financial control environment

What is the Company's internal control environment and how is it monitored?

The Group's finance function actively monitors the quality of the Group's financial reporting controls, by seeking positive affirmation from its principal subsidiary businesses twice-yearly to the effect that key controls safeguarding reliable, accurate and timely Group external IFRS reporting are in place and operating effectively.

Management assessed the effectiveness of this framework at 31 December 2016, based on the criteria described in 'Internal Control – Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that it was effective. Management reports on the status of these controls to the Group Audit Committee, and this has enabled the committee to support the Board in concluding that it can rely on the operation of these controls as part of its review of internal control effectiveness referred to above.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group and its businesses has been in place for the year ended 31 December 2016 and up to this report's date of approval, as described in more detail below. Further details of the Group's risk and capital management disciplines are described earlier in this Annual Report.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, while the implementation of internal control systems is the responsibility of management. Executive management has implemented an internal control system designed to help ensure:

- The effective and efficient operation of the four businesses by enabling management to respond appropriately to significant risks to achieving the Group's business objectives
- The safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed
- The quality of internal and external reporting
- Compliance with applicable laws and regulations, and with internal policies on the conduct of business.

> **"We remain committed to having a robust internal control environment across the Group"**

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's actions to review the effectiveness of the system of internal control include:

- An annual review of the risk assessment procedures, control environment considerations, information and communication and monitoring procedures at Group level and within each business. This review covers all material controls including financial, operational and compliance controls and risk management systems
- A certification process, under which all businesses are required to confirm that they have undertaken risk management in accordance with the Group risk framework, that they have reviewed the effectiveness of the system of internal controls, that internal policies have been complied with, and that no significant risks or issues are known which have not been reported in accordance with policy
- Regular reviews of the effectiveness of the system of internal control by the Group Audit Committee, which receives reports from the Group Internal Audit function. The committee also receives reports from the external auditor, which include details of significant internal control matters that have been identified during the course of their work.

These activities supplement the regular risk management activities which are performed on an ongoing basis.

The certification process described above does not apply to some joint ventures where the Group does not exercise full management control. In these cases, the Company monitors the internal control environment and the potential impact on the Group through representation on the board of the entity concerned.

The Board reviewed the effectiveness of the system of internal control during and at the end of the year. Our annual internal control assessment has not highlighted any material failings. We remain committed to having a robust internal control environment across the Group.

CORPORATE GOVERNANCE CONTINUED

> **A quality assurance process is now in place for internal audit**

The Board confirms that, in accordance with the processes described above and in the Risks section of this Annual Report, it has, in conjunction with the Board Risk Committee, carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The relevant risks and the manner in which they are being managed or mitigated are explained in more detail in the Risks section of this Annual Report.

What is the role of Group Internal Audit?

The purpose of Group Internal Audit (GIA) is to help the Board and executive management to protect the assets, reputation and sustainability of the Group. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and executive management; assessing whether they are adequately controlled; and challenging executive management to improve the effectiveness of governance, risk management and internal controls.

GIA's work is focused on the areas of greatest risk, both current and emerging, to the Group as determined by a comprehensive risk-based planning process. The Group Audit Committee approves the annual Internal Audit plan and any subsequent material amendments to it and also satisfies itself that GIA has adequate resources to discharge its function. The Board is able to confirm that this was the case for 2016.

There are Internal Audit teams in each of our major businesses. The heads of Internal Audit in the Group's wholly-owned subsidiaries report directly to the Group Internal Audit Director (GIAD). Heads of audit in majority-owned subsidiaries have a dual reporting line to the GIAD.

During 2016, the GIAD reported functionally to the Chairman of the Group Audit Committee and administratively to the Group Chief Executive. The GIAD attends all meetings of the Group Audit Committee, and has unrestricted access to the Group Chief Executive and the Chairman of the Board, as well as open invitations to attend any meetings of the subsidiary audit committees, the Board Risk Committee and the plc Exco.

Internal Audit teams across the four businesses use a single audit methodology which meets the international standards set by the Institute of Internal Auditors. Issues raised by Internal Audit in the course of its work are discussed with management, who are responsible for implementing agreed actions to address the issues identified within an appropriate and agreed timeframe.

The GIAD submits formal reports to each meeting of the Group Audit Committee, summarising the results of Internal Audit activity, management's progress in addressing issues and other significant matters.

As reported last year, a quality assurance process is now in place for internal audit, and an update on this is included in the report from the chairman of the Group Audit Committee.

Can you confirm that the Company is a going concern?

The Group's financial position, its cash flows, liquidity position and borrowing facilities are described in the Financial review and the Risks section of this Annual Report. In addition, Notes F1 to F5 to the financial statements includes the Group's objectives, policies and processes for managing its capital (solvency risk) and liquidity risks, and sets out details of the principal risks related to financial instrument market risk, credit risk and insurance risk as well as their sensitivities.

The preceding sections of the Annual Report referred to above also explain the basis on which the Group generates and preserves value over the longer term and the strategy for delivering its objectives. The Group's capital and cash flow under the Solvency II Directive are stress tested and are within the limits described in the Risks section in order to identify those risks that would threaten the Group's solvency and liquidity. As a consequence, the directors believe that the Group is in a strong financial position and is well placed to manage its business risks successfully.

Based on its enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

The Board's assessment of going concern is underpinned by the enquiries and assessments it has made in the course of its assessment of the Group's viability, which is set out in further detail below.

Is the Board satisfied that the Group's businesses are viable in the longer term?

The Board routinely assesses the reasonableness of the expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. In view of the managed separation, and the fact that the Company's strategy is to divide the Group into its four businesses, the Board has had to make an assessment that both the Company itself and each of the four businesses will be able to continue in operational existence on that basis.

In addition to enabling the Board to conclude that the Company is a going concern, this assessment has enabled the Board to confirm that the Company and wider Group will remain viable, such that they are able to settle their liabilities as they fall due in the longer term, meaning for this purpose the period up to the end of 2019. Although, as a result of the managed separation, it is intended that the Group will not exist in its current form by 2019, an analysis of the companies expected to be comprised in each of the current Group's four businesses indicates that, on a standalone basis, each business will be viable. In addition, although it is expected that the Company will cease to be the listed parent company of the Group, the Company itself will retain sufficient resources to meet its obligations in its reduced state. In reaching this conclusion, the Board has assessed projections covering the period from 2017 to 2019, as set out in the Group's rolling three-year business plan, which was formally approved by the Board.

> **"The Group is in a strong financial position and is well placed to manage its business risks successfully"**

These projections include analysis of the Group's and businesses' current and prospective financial performance and cash flows on which forecasts of its regulatory capital, liquidity and financial positions have been based. The exact composition of the groups of companies which will constitute the standalone OMEM and OMW businesses has not been definitively concluded, but this composition is not expected to have any material impact on the viability of those businesses.

The Board considers a three-year outlook when considering the longer-term viability of the businesses of the Group. This is the period for which the Group prepares its detailed business plan which sets out the businesses' prospective operating performance and financial position, including its capital position.

Some Group businesses write business that is very long term in nature, especially in the area of life assurance and pensions. This is accounted for appropriately, applying well-established actuarial principles. In adopting a three-year time horizon for this viability statement (which is a requirement under the UK Corporate Governance Code 2014), no inference should be drawn about a lack of viability of the Group in relation to such longer-term commitments.

In assessing the viability of the Group and the businesses, consideration has been given to the applicable regulatory capital requirements. This has included an assessment of the Company's Solvency II position over the period of the managed separation. This has been addressed by overlaying the financial impacts of a number of managed separation scenarios on to the 'base case' business plan. In considering the possible steps required to undertake the process of managed separation, the Board has routinely taken into consideration the adequacy of the Group's capital and resources in the relevant geographies and in light of the appropriate local regulatory obligations to enable it to achieve the desired strategic outcome.

CORPORATE GOVERNANCE CONTINUED

As the Group's ongoing viability is additionally subject to certain factors that are beyond the control of its directors, such as future macro-environmental conditions and the political situation of the countries in which it operates, further analysis has been performed to ensure that, barring unforeseen circumstances, these do not pose a material threat to the viability of the Group. As a consequence, the base case business plan and related managed separation scenarios have been subject to stress testing and risk assessment. The principal risks considered in these scenarios are consistent with those set out elsewhere in this Annual Report. In addition to the more severe stress tests and scenarios, management and the Board also consider milder downside sensitivities as part of routine Board reports. The Group and Company also maintain contingency plans and resources to deal with potential adverse developments, which have been reviewed by the Board.

Has all relevant information been disclosed to the auditor?

The directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Other Directors' Report matters

As an international business active in many countries, the Group operates through subsidiaries, branches, joint ventures and associated companies established in, and subject to the laws and regulations of, many different jurisdictions.

> **"Responsible business practices are core components of the Company's risk management strategy"**

Does the Company have any significant agreements involving change of control?

The following significant agreement to which the Company is a party contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company:

- £800 million Revolving Credit Facility dated 22 August 2014, as amended, between the Company, various syndicate banks (the Banks) and Bank of America Merrill Lynch International Limited as agent (the Agent). If a person or group of persons acting in concert gains control of the Company, the Company must notify the Agent. The Agent and the Company will negotiate with a view to agreeing terms and conditions acceptable to the Company and all of the Banks for continuing the facility. If such negotiations fail within 30 days of the original notification to the Agent by the Company, the Banks become entitled to declare any outstanding indebtedness repayable by giving notice to the Agent within 15 days of the 30-day period mentioned above. On receiving notice for payment from the Agent, the Company shall pay the outstanding sums within three business days to the relevant Bank(s).

What is our approach to being a responsible business?

Responsible business practices are core components of the Company's risk management strategy. We have a network of people who manage and monitor our responsible business approach. Each of our four businesses has named a senior executive with overall responsibility for these issues. Following the adoption of managed separation as our strategy, the role played by the Company in developing the responsible business vision is being transferred to the businesses. However, a Responsible Business Forum has been established by the Company and is used by the Company's Head of Responsible Business to ensure that our commitment to remaining a responsible business throughout the managed separation is met and to enable the businesses to receive the necessary support to develop their responsible business practices as part of their preparations to stand alone as independent businesses.

What is our commitment to human rights?

Our commitment to respect human rights and to comply with the Universal Declaration of Human Rights is embedded in our Code of Conduct and employment practices. This commitment has not changed as a result of managed separation and we are working with the businesses to transfer our understanding of the risks and responsibilities relating to human rights to them. As part of the transition, we are building local-level engagement and collaboration with a range of stakeholders, including those in our supply and investment chains, to support the process.

Whilst each business embeds its response to our Positive Futures Plan into its business strategy, responsible investment remains a priority for all four businesses. We continue to build on our understanding and approach to the identification and management of the human rights risks to which we may be exposed through our investments. We also assess the impact of new investments on the protection and respect of human rights and for potential human rights abuses.

Each business is identifying priority areas to mitigate risk and taking steps to ensure it does not cause or contribute to any negative human rights impacts. This work will continue during the managed separation and forms part of our responsible business transition plans. In particular, as each business puts in place risk management and responsible business governance structures at a local level which are fit for the future of its business, human rights risks are being taken into account.

In addition to our ongoing approach we have been working specifically on compliance with the UK Modern Slavery Act 2015 (MSA), focusing this work on OMW given the managed separation. We have produced a standalone MSA statement which is available to download from: www.oldmutualplc.com.

Where can I find the other matters required to be included in the Directors' Report?

The Company has taken advantage of paragraph 1A of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to disclose certain information that must be disclosed as part of its Directors' Report either elsewhere in this document or on our website as set out below:

- Important events relating to the Group since the end of the financial year are included in the Strategic Report as well as in Note J9 to the financial statements
- A description of likely future developments of the business of the Company and its subsidiaries is contained in the Strategic Report and the Financial Review and Risks section
- The Group's involvement in research and development, insofar as relevant to its operations, is given in the Strategic Report and the Financial Review and Risks section
- Our financial risk management objectives and policies are described in the Risks section of this Annual Report. Along with Notes F1 to F5 to the financial statements, this also addresses the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk
- Information about the Group's greenhouse gas emissions is given in the business model section of this Annual Report.

Did the Group make any political donations during 2016?

The Group made no EU or other political donations during the year.

How did the Board approve this Annual Report?

The Board approved this Annual Report at its meeting on 8 March 2017. It confirmed that it considered the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, it took into account input from the Group Audit, Remuneration and Board Risk Committees, which had previously had the opportunity to review and comment on drafts of the sections falling within their respective remits.

Governing law

The Strategic Report, Financial Review and Risks section, and this Corporate Governance report collectively comprise the directors' report for the purposes of section 463(1)(a) of the Companies Act 2006. The Directors' Remuneration Report contained in this Annual Report is the directors' remuneration report for the purposes of section 463(1)(b) of that Act. English law governs the disclosures contained in and liability for the Directors' Report and the Directors' Remuneration Report.

Colin Campbell
Group Company Secretary
8 March 2017

DIRECTORS' REMUNERATION REPORT

In this section, we describe the Directors' Remuneration Policy and how our directors were paid during 2016.

Danuta Gray
Chairman of the Remuneration Committee

Annual Statement

On behalf of the Remuneration Committee (referred to in the rest of this report as the committee), I am pleased to present the Directors' Remuneration Report for 2016.

2016 was a year of significant strategic change with the announcement of the managed separation of the Group in March. This required a complete review of our remuneration policy, with particular emphasis on aligning our incentive plans to the strategy. There continues to be significant government and media focus on executive pay which the committee monitors carefully. We remain committed to ensuring there is strong alignment with shareholder interests in the pay arrangements for our executives and to operate with complete transparency in discharging our duties through the managed separation process.

Contents

Review of performance and plan outcomes in 2016

This has been a year of significant change for the Group and for its four businesses, against a backdrop of unprecedented political and economic turmoil in some of our key markets. Stock markets and currencies have been especially volatile in the aftermath of the UK's EU referendum and the US presidential election. The forces at play in the financial world, with increasing emphasis by regulators and politicians on ring-fencing and protectionism, support our strategy in ways that could not have been foreseen a year ago. Despite the challenging external environment, our businesses performed resiliently during 2016, with adjusted operational profit (AOP pre-tax) of £1.7 billion, being flat in the period (IFRS: £1,216 million, up 1%), 1% growth in AOP EPS to 19.4 pence (growth stated on a constant currency basis) and RoE of 13.3% relative to 14.2% in 2015. This is a resilient performance, and a much improved second half, given the external challenges the businesses had to face in our main markets.

Total Shareholder Return continued to outperform the FTSE 100 in 2016; however, returns on the JSE ALSI were behind the index over the year. Notwithstanding this, we generated a good return for our investors, 18.5% on the LSE and 13.7% on the JSE ALSI over the last three years (using a three month average at the beginning and end of these periods).

These metrics are the principal financial measures that the committee considers in the incentive plans for executives, and the resilient results are therefore reflected in the incentive outcomes measured against performance periods ending 31 December 2016. This is consistent with our commitment to align executive remuneration to company performance and shareholder interests.

Short-Term Incentive

The short-term incentive (STI) plan has two components – a financial component and a personal performance component. The committee approved an outcome of 84.2% of maximum for the financial element of the STI, reflecting the performance delivered in 2016.

> **“The change in strategy prompted the committee to review the current executive remuneration arrangements and consider how our remuneration structures should evolve to support the managed separation”**

The outcome of the personal element, which is based on an assessment of each executive against a personal scorecard, is contained in this report, along with details of the performance assessment for the executive directors that held office in 2016. We believe this improves transparency of how the total incentive outcomes have been determined.

Long-Term Incentive

The awards under the long-term incentive plan (LTIP), originally granted in 2014, vested at 48.9% of maximum after the committee had applied discretion to the outcome. The 2014 LTIP scorecard was based on a combination of financial and strategic objectives determined at the beginning of the performance period, which ended on 31 December 2016. The strategic component represented 40% of the total scorecard and was split between stretching growth objectives for our African businesses and OMW, which were disclosed at the beginning of the period, and restructuring, risk, governance, culture and reputation objectives, which we agreed would be fully disclosed at the end of the period to avoid any potential commercial disadvantage to the Group. Full disclosure of each of these objectives and the committee's assessment of delivery is contained in this report.

The committee reviews risk management and controls across the Group annually, taking input from the Board Risk Committee and the Group's Chief Risk Officer, to ensure that financial results and strategic projects over a one- and three-year period have been achieved within the risk framework and risk appetite limits established for the Group. Although the Group had operated within the expected risk framework and policies, the committee exercised its discretion to apply a downward adjustment of 6% to the outcome of the 2014 LTIP, to take consideration of the projected time and cost overruns of the OMW UK platform IT transformation project.

Summary

Whilst the STI outcome was broadly in line with the 2015 outcome for the executive directors, the LTIP vested at its lowest level since 2010. The committee was satisfied, taking consideration of the factors discussed above, that the outcomes overall fairly reflected the performance delivered and the value created for shareholders over the one- and three-year periods of the plans. The committee will continue to monitor pay closely against relevant performance and market benchmarks to ensure it is appropriate for the remainder of the managed separation process.

Key areas of focus during the year

New Directors' Remuneration Policy and the Managed Separation Incentive Plan

The change in strategy prompted the committee to review the current executive remuneration arrangements and consider how our remuneration structures should

DIRECTORS' **REMUNERATION REPORT** CONTINUED

evolve to support the managed separation. As a result, following extensive consultation with many of our largest shareholders, the committee introduced a new Directors' Remuneration Policy (referred to in the remainder of this report as the 'New Policy'). The New Policy was required to enable the committee to align the incentives of our executives to the new strategy and delivery of positive outcomes for shareholders.

To this aim, the committee believed that a one-time long-term incentive arrangement, covering multiple years in line with the contemplated timeframe of the managed separation, was required to align executives to the new strategy, taking into account the finite nature of that strategy and the Company's Head Office. The following proposals were therefore put to our shareholders at a General Meeting held on 28 June 2016:

— The introduction of the New Policy, which included the introduction of our new long-term incentive plan, the Managed Separation Incentive Plan (MSIP)
— The introduction of new share incentive plan rules (the Old Mutual plc Managed Separation Incentive Plan), specifically designed to deliver the MSIP awards to executives
— Authority for the modification of the strategic element of the performance conditions attached to the LTIP awards granted in 2015 and the Group Chief Executive's 2015 LTIP buyout award, to be consistent with the managed separation strategy
— From performance year 2017 onwards, provision for the committee to determine the metrics for STI awards on an annual basis during the managed separation process.

We are grateful for the support we received from shareholders, with 81.71% of votes cast being in favour of the New Policy (with a similar level of support for the adoption of new share incentive plan rules (the 'Plan'), and 93.17% of votes being cast in favour of the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 December 2015. However, the committee is mindful that the level of votes against the New Policy and the Plan indicated that a significant minority of shareholders had concerns about the New Policy. We are committed to operating the New Policy and the MSIP in a transparent and responsible manner, monitoring progress relative to the balancing criteria of time, cost, risk and value. Solid progress was made in 2016, as detailed later in this report.

Continued focus on executive pay

There is a significant UK Government and media focus on executive pay at the present time. The UK Government is concerned that public trust in large corporates has eroded as the gulf between executives' and average workers' pay has widened.

The committee considers these issues carefully but also has to have regard to shareholder interests in attracting and motivating a strong management team to carry out a difficult managed separation. As we progress through separation, our remuneration policy will increasingly be tailored to local company circumstances rather than an overall group framework. The Group in its current form is made up of very distinct businesses operating in different markets and we strive to achieve fairness in each of them. Given our current situation, we do not consider that a pay ratio is a relevant disclosure but we shall continue to monitor the situation.

With changes likely to take effect towards the latter stages of the managed separation process, the committee will monitor developments and will play a role in helping the businesses to adopt best practices.

Since the Executive Remuneration Working Group reported in July last year, a number of investors (and the Investment Association which established the Working Group) have encouraged companies to adopt incentive plans that best suit their company's strategy and business cycle. The MSIP, designed with the objective of incentivising our executives to deliver our separation strategy in a manner that delivers value to our shareholders, is aligned to the Working Group's views.

Looking forward to 2017

In accordance with the flexibility afforded in the New Policy, the committee considered an appropriate structure for the 2017 STI for executives. It concluded that it was still appropriate for the most significant component of the STI to be linked to the overall financial results of the Group, as this is critical to continuing to deliver shareholder value while the strategy is being delivered, as well as maintaining momentum in business performance. The remainder of the STI is linked to a personal scorecard.

From 2017, the STI structure will have consistent weighting for the executive directors' performance metrics, being: financial metrics 75% (37.5% RoE and 37.5% EPS in constant currency) and personal scorecard metrics: 25%.

The committee believes that this structure appropriately balances the need to continue to return exceptional performance, while delivering on key milestone strategic objectives during the year.

The committee remains committed to exercising appropriate governance and oversight of remuneration matters across the Group as the businesses ready themselves for separation and the plc executives execute the strategy. We will continue to ensure alignment of performance and delivery to reward of the executive team, as well as ensure that the businesses have remuneration policies and incentive arrangements in place that responsibly and effectively align their executive teams to delivery of the managed separation strategy and long-term business performance that creates sustainable shareholder value over time.

I hope that you find this report helpful and a clear indication of the committee's commitment to aligning executive pay to shareholder interests.

Danuta Gray
Chairman of the Remuneration Committee

Our remuneration at a glance

Alignment of executive remuneration to our strategy and shareholder value

Our approach to remuneration is designed to align our executives to the delivery of our strategy and long-term shareholder value creation. We do this through: (i) Short-term and long-term financial and risk measures that incentivise the delivery of stretching business performance goals in a sustainable manner; (ii) Executive scorecards that closely align their objectives and performance to the delivery of key priorities; (iii) Long-term strategic objectives under the MSIP which reward the successful completion of the managed separation; (iv) A significant portion of executive remuneration being delivered in shares under the STI, which are restricted from sale for three years from the award date, and a post-vesting holding period under the terms of the MSIP. Our most senior executives must also build up and then maintain a minimum shareholding in the Company's shares; and (v) Malus and claw back provisions contained within the rules of our share incentive plans.

Performance against targets in 2016

2016 STI awards

	RoE		EPS in constant currency		Personal objectives		Weighted outcomes			
Executive director	Metric weight	% of metric achieved	Metric weight	% of metric achieved	Metric weight	% of metric achieved	% of maximum	% of base pay	£000	After discretionary adjustment £000
Bruce Hemphill	37.5%	92%	37.5%	76.3%	25%	95%	86.9%	130.4%	1,173	1,173
Ingrid Johnson	30%	92%	30%	76.3%	40%	90%	86.5%	129.8%	818	818
Former executive director										
Paul Hanratty	30%	92%	30%	76.3%	40%	90%	86.5%	129.8%	349	209

LTI awards granted in 2014

	Weighting	% of maximum achieved
Financial metrics	60%	51.7%
Strategic objectives	40%	74.0%
Total weighted outcome		**60.6%**
Total weighted outcome (as a percentage of maximum) (A)		**52.7%**
TSR multiplier – % achieved (B)		**98.7%**
Achievement – % of maximum award (A x B)		**52.0%**
Downward risk adjustment (6% applied to scorecard achievement)		**3.1%**
Vesting – % of maximum award		**48.9%**

Single total figures of remuneration for 2016

Executive director	Base pay £000	Taxable benefits £000	STI £000	LTI £000	Pension-related benefits £000	Items in the nature of remuneration £000	Total £000
Bruce Hemphill	900	92	1,173	–	313	2	2,480
Ingrid Johnson	630	92	818	819	220	5	2,584
Former executive director							
Paul Hanratty[1]	129	–	100	–	45	1	275

1 Paul Hanratty ceased to be an executive director of the Company on 12 March 2016. Figures for 2016 represent remuneration paid for the period up to that date (including the STI paid in relation to the period in which he was a director). Remuneration paid for the period 13 March 2016 to 14 September 2016 is set out in the 'Payments to past directors' section of this report. His STI for 2016 has been subject to a discretionary downward adjustment, described later in this report.

Implementation of policy in 2017

	Element	Summary description	Maximum as % of base pay	Change to implementation of policy in 2016
Fixed	Base pay	Linked to agreed market benchmarks – normal annual increases are kept in line with employees of the executive's home country	Not applicable	2.5% increase
Fixed	Benefits including pension-related benefits	Fixed allowance equal to 35% of base pay for pension and other elective benefits. Core insurance and other agreed benefits are also provided	Not applicable	No change
Variable	STI and LTI	STI – Annual measures include: financial (75%) and measures of personal performance (25%). 50% is paid in cash in March each year and 50% is deferred for a period of three years into a share award (DSTI)	STI – 150% LTI – N/A	The weighting of metrics for Ingrid Johnson has been changed so that there is a consistent weighting for both executive directors No further LTI awards will be granted to the current executive directors

In respect of incentive targets contained within this report, EPS and RoE are calculated on a post-tax AOP basis.

DIRECTORS'
REMUNERATION REPORT
CONTINUED

Directors' Remuneration Policy

Introduction

The New Policy was subject to a binding shareholder vote at a General Meeting held on 28 June 2016. It was approved with 81.71% of votes cast being in favour of its adoption and took effect for a period of up to three years from the date of shareholder approval. The New Policy in its entirety is displayed on the Investor Relations section of the Company's website.

The New Policy reflects our view of current market practice and our remuneration principles. Fixed annual elements, including base pay and benefits, recognise the level of responsibility of our executives and ensure current and future market competitiveness. Variable pay arrangements are designed to motivate and reward them for making the Company successful during the managed separation and maximising shareholder returns.

Under the New Policy, variable pay arrangements will include a short-term incentive to reward the achievement of annually agreed business objectives, and the MSIP. No other grants of long-term incentives will be made to the current executive directors under the New Policy.

Executive directors will continue to be expected to retain a sufficient number of the vested shares from legacy LTI, MSIP and deferred STI share awards, over a five-year period from the time of their appointment, to meet their respective shareholding requirements, reinforcing the alignment between the executive directors' personal returns and shareholder returns.

In arriving at the award quantums included in the New Policy, we benchmarked total compensation against remuneration packages paid by peer group companies. The peer group used for this purpose consisted of large insurers. It is intended that, going forward, the only element of remuneration that will be benchmarked on an annual basis will be base pay. The peer group will be kept under review to take into account different companies that enter the market, those that change their size or the main characteristics of their business, and any changes to the nature or size of the Company during the lifetime of the New Policy.

Directors' Remuneration Policy table (executive directors)

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Base pay			
Recognises the role and the responsibility for delivery of strategy and results.	— Paid in 12 monthly instalments — Reviewed annually with any changes becoming effective from 1 January.	— Base pay is set in the range of peer benchmark groups. The maximum is the top of the range of large insurers — Maximum annual increases will not normally exceed the average increase for the home country workforce. Larger increases may be awarded in certain circumstances, such as an increase in scope or responsibility of the role, or salary progression for a newly appointed director.	— None.

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Benefits allowance for retirement provision and other elective benefits			
Designed to provide appropriate, market-aligned benefits consistent with the role.	— The Company provides a benefit allowance to fund contributions to retirement funding arrangements and other elective benefits — Otherwise paid monthly in cash.	— A fixed allowance of 35% of base pay.	— None.
	Other benefits		
	— Benefits common to employees of the home employer, health assessments and the opportunity to participate in Sharesave — Travel from home to work, and travel for partners to certain Board meetings or corporate events of the Company and its major subsidiaries (including the tax for which settled on the individual's behalf) — For overseas appointments, flexibility to provide benefits in line with those of the executive's home country and relocation costs for internal or external appointments of executive directors.	— The cost of core insured benefits is determined by the insurance provider based on experience factors in the pool of employees covered and so may vary from year to year — The Company offers the opportunity to participate in an HMRC-approved Sharesave scheme — All other benefits are direct costs borne by the Company based on policy agreed by the Remuneration Committee (the committee) — A summary of key items normally paid for on relocation is set out under 'Approach to remuneration in connection with recruitment' below.	— None.
Short-term incentive (STI)			
Incentivises achievement of annually agreed business objectives and strategic priorities.	— Determined annually following the finalisation of annual results — 50% of the award vests immediately — 50% is deferred for a period of three years into a share award, conditional on continued employment. Dividends are paid during the restricted period — The committee has the discretion to amend deferred STI awards under the rules of the plan, to adjust deferred STI awards in the event of any variation of the share capital of the Company, and to adjust or vest deferred STI awards on a demerger, special dividend or other similar event which affects the market price of the shares to a material extent.	— The maximum opportunity is 150% of base pay — Vesting against targets is 0% at threshold performance and 100% for meeting stretching targets, with interpolation between these points — The committee has discretion: – To amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, demerger or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – To adjust the outcome, if it is not aligned to the overall performance of the Company — Any exercise of discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.	— Annual measures include: – Financial (minimum 50%); – Operational; – Strategic; – Measures of individual performance (set out in the director's personal scorecard); and – Risk management (up to 5% formulaic downward adjustment) — The committee has discretion to reduce STI outcomes to nil if required, via a risk management assessment based on a report of risk exposures or to reflect financial underperformance not adequately reflected in the financial measures — The committee has discretion to vary the weighting of the performance measures over the life of the Directors' Remuneration Policy.

DIRECTORS'
REMUNERATION REPORT
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How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Managed Separation Incentive Plan (MSIP)			
Incentivises executive directors to: (i) execute the managed separation; (ii) deliver performance in the underlying Group businesses; (iii) unlock and create long-term shareholder value, and; (iv) operate within a robust risk framework.	— Grant of nil cost share options over Old Mutual plc shares — Vesting depends on the achievement of performance targets measured at the earlier of the completion of the managed separation or a four-year period ending on 11 March 2020 — The Board of Old Mutual plc (or its successor) will make a judgement on the completion of the managed separation based on the strategic objectives announced on 11 March 2016 — The committee (or its successor) will determine when it is appropriate for vesting to occur upon completion of the managed separation — Participants are entitled to receive dividend equivalents representing the dividends or any other distributions they would have received if they had been owners of their vested shares between the date of grant (or 14 March 2016 in the case of the initial awards) and the earliest possible exercise date of their awards — A post-vesting holding period of one year will be applied to 50% of the vested award (on a net of tax basis if applicable), in a form that will track the shareholder experience as closely as possible, which might include a restriction on the ability of the executive to exercise 50% of the option during that one year period — The committee (or its successor) has discretion: – To amend awards under the rules of the plan – To adjust awards in the event of any variation of the share capital of the Company – To split awards into separate awards, or adjust or vest awards on a demerger; – To adjust or vest awards on a special dividend or other similar event which affects the market price of the shares to a material extent — Over the course of the managed separation period, the form of the award will track the shareholder experience as closely as possible — Awards may in certain situations be automatically surrendered and replaced by awards in a new/acquiring/demerged company.	— The maximum grant will not exceed a face value of 1,000% of 2016 base pay (equal to 5,122,367 shares) for the current Group Chief Executive and 750% of 2016 base pay (2,689,243 shares) for the current Group Finance Director. The maximum awards are based on the average Old Mutual plc share price over a 30-day period up to and including the date on which the Company announced the managed separation of the Group (£1.757 per share) — The maximum grant is inclusive of the nil cost share options granted under the Old Mutual plc Performance Share Plan – Restricted Shares on 14 March 2016, which were exchanged for nil cost share options under the Old Mutual plc Managed Separation Incentive Plan — Upon recruitment, the committee may grant awards with a face value of up to 750% of base pay in the year of award. This is in addition to the buying out of unvested awards from a previous employer — Vesting at threshold is 8.75% of the award and 100% vests only for meeting stretching targets, with interpolation between these points — The committee has discretion to: – Amend, and/or set different performance measures for material changes (such as an acquisition, demerger or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – Adjust the outcome if it is not aligned to the overall performance of the Company — Any exercise of discretion would be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.	— Performance conditions include: – Strategic (40%) – Financial (25%) – TSR relative to a bespoke composite peer group benchmark TSR (35%) – Risk management: (up to 5% formulaic downward adjustment) — The committee has discretion to reduce MSIP outcomes to nil if required, via a risk management assessment based on a report of risk exposures or to reflect financial underperformance not adequately reflected in the financial measures — Performance is measured over the period up to vesting — Divestment of a business may trigger testing of the financial performance criteria for that business and/or reweighting of the businesses and TSR indices.

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable

Legacy long-term incentives (LTI) – no further awards will be granted to executive directors under this plan

Incentivised attainment of long-term objectives and strengthened the alignment of interests between executive directors and shareholders.	— Vesting is subject to the achievement of performance targets measured after a three-year period — Vesting normally occurs 50% after three years and 50% after four years and in no circumstances before three years — The committee has discretion to amend awards under the rules of the plan, to adjust awards in the event of any variation of the share capital of the Company, and to adjust or vest awards on a demerger, special dividend or other similar event which affects the market price of the shares to a material extent.	— Vesting is 0% at threshold and 100% for achieving stretching targets, with interpolation between the points — The committee has discretion to: – Amend, and/or set different performance measures for material changes (such as a change in strategy, acquisition, demerger or market conditions), if it considers such amendments necessary to achieve the original purpose and any new measures are not materially less difficult to satisfy – Adjust the outcome if it is not aligned to the overall performance of the Company — Any exercise of discretion would be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.	— Awards granted in 2015: – Financial (70%) – Strategic (30%) – TSR multiplier against the FTSE 100 index (50%) and the JSE ALSI (50%). — Awards granted in 2013 and 2014: – Financial (60%) – Strategic (40%) – TSR multiplier against the FTSE 100 Index (50%) and the JSE ALSI (50%).

Shareholding requirements

To strengthen alignment of interests between executive directors and shareholders.	— The minimum shareholding requirement as a percentage of base pay is to be achieved within five years of appointment to the role as follows: – Group Chief Executive – 200% – Other executive directors – 150% — Unvested and vested but unexercised share awards or options are not taken into account in the calculation.	— None.	— None.

Provisions of previous policy that will continue to apply

Any commitment made before the individual became an executive director of the Company and any vesting of outstanding share incentive awards will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled or such vesting occurs.

Malus and claw back provisions

	Criteria	Applicable to:
Malus	— Misleading or misstated financial results — Loss due to failure to observe risk management policies — Gross misconduct — Actions leading to reputational damage.	— Cash STI – during the period between the end of the performance period and the payment date — Unvested deferred STI awards – during the three-year performance period — Unvested legacy LTI awards – three or four years matching the vesting period — Unvested MSIP awards – up to the date of vesting of the award.
Claw back	— Misleading or misstated financial results — Loss due to failure to observe risk management policies — Gross misconduct.	— Cash STI – for a three-year period following the payment date — Vested legacy LTI awards – for two years if three-year vesting and for one year if four-year vesting — Vested MSIP awards – for one year from vesting.

DIRECTORS'
REMUNERATION REPORT
CONTINUED

Notes to the Directors' Remuneration Policy table (executive directors)

Performance measures and targets

The committee selects performance measures that are central to the Company's overall strategy and are used by the executive directors and Board in overseeing the operation of the business. The performance targets for the STI are determined annually by the committee.

External directorships

Executive directors are, subject to prior clearance by the Board, permitted to hold one external non-executive directorship of a listed company and are entitled to retain the fees payable to them for doing so.

Consideration of employment conditions elsewhere in the Group

The Company's approach to executive director and wider employee remuneration is based on a common set of remuneration principles and a governance structure which have been implemented across all major subsidiaries. This includes subsidiary remuneration committees with agreed terms of reference, who have oversight over local matters and ensure that the remuneration principles and policies are implemented consistently.

Although the committee does not consult directly with employees on the executive director remuneration policy, it reviews proposals in the context of a detailed understanding of remuneration for the broader employee population. The structure of total remuneration packages for executive directors, and for the broader employee population is similar, with the exception of MSIP and LTI awards, which comprises base pay, pension and benefits and eligibility for a discretionary STI based on performance in the financial year. The level of STI and the portion deferred are determined by role and responsibility.

Executive directors and selected senior executives participate in the MSIP. As with the MSIP, the legacy LTI plan applied to executive directors and senior executives based at the plc in London. Other LTI plans are in place for senior executives in subsidiary companies.

Annual base pay increases for the executive directors are normally limited to the average base pay increase for employees in their home country, unless there has been a change in role or salary progression for a newly appointed director.

Approach to remuneration in connection with recruitment

The committee's approach to remuneration in connection with recruitment is to pay no more than is necessary to attract appropriate candidates to the role. It should be noted that the Company operates in a specialised sector, is undergoing an extraordinary period of transition under the managed separation strategy, and many of its competitors for talent are from outside the UK. Remuneration terms for any new executive directors will be based on the approved remuneration policy and would include the same elements, and be subject to constraints at or below those of the existing executive directors, as shown below:

Element of remuneration	Maximum percentage of base pay
Base pay	N/A
Benefit allowance (for retirement, elective benefits or in cash)	35%
Other benefits	Dependent on circumstances and location
STI	150%
MSIP	Up to 750%

In determining the MSIP award opportunity to be offered to new executive directors on recruitment, consideration will be given to progress achieved in executing the managed separation strategy and the time elapsed. These considerations will likely lead to a reduction of the level of award opportunity over time as the managed separation progresses.

When it is necessary to 'buy out' an individual's unvested awards from a previous employer, the committee will seek to match the expected value of the awards by granting awards that vest over a timeframe similar to those given up, with a commensurate reduction in quantum where the new awards will be subject to performance conditions that are not as stretching as those applicable to the awards given up. Existing annual incentive given up may be bought out on an expected value basis or incorporated in an appropriate way into the executive's bonus for the first performance year only.

Where appropriate, the committee will agree reasonable costs of relocation in line with the Group's mobility policy which, based on individual circumstances, provides for a settling-in allowance and costs incurred such as travel, shipping, immigration and tax advice, temporary housing, transaction costs on home sale/purchase, home/school search and school fees and, if in relation to a temporary assignment, tax equalisation and a housing allowance. All of these costs will be covered gross of tax incurred by the executive, where applicable.

Service agreements and payments for loss of office

Executive directors' service agreements are designed to provide an appropriate level of protection for the executive and the Company by: (i) setting out individual entitlements to elements of remuneration consistent with policy; (ii) summarising notice periods and compensation on termination of employment by the Company; and (iii) describing the obligations in relation to confidentiality, data protection, intellectual property and restraint on certain activities. In the event that the employment of an executive director is terminated, any compensation payable will be determined in accordance with the terms of the service agreement between the Company and the executive director, as well as the rules of any incentive plans.

The Company's policy is to make payments in accordance with pre-established contractual arrangements, but with consideration of individual circumstances. These circumstances may include the reason for termination and, for deferred STI, MSIP and legacy LTI share incentive awards, some discretion in the determination of Good Leaver status for vesting of such awards.

The policy in this respect is set out in the following table:

Standard provision	Policy	Details
Notice	— Policy is to provide a maximum of 12 months' notice.	— In certain cases, executive directors will not be required to work their notice period and, depending on the circumstances, may be put on 'garden leave' or granted pay in lieu of all or part of their notice period (PILON). PILON, including base pay, benefits and pension-related benefits, would normally be paid monthly and be subject to mitigation when alternative employment is secured but may also be paid as a lump sum — Executive directors are generally subject to annual re-election at the Company's Annual General Meeting.
Treatment of STI awards	— STI awards will be made to Good Leavers based on an overall assessment of corporate and personal performance and pro-rated for the period worked in the performance year of termination.	— Paid in cash.
Treatment of MSIP awards	— All awards lapse except for Good Leavers.	— MSIP vesting for Good Leavers* is based on the achievement of performance conditions. The number of shares to vest would be calculated on a pro-rata basis, based on the period of time after the date of grant (or 14 March 2016 in the case of the initial awards) and ending on the date of termination relative to the restricted period up to the vesting date. The committee retains the discretion not to apply time-based pro-rating where appropriate.
Treatment of unvested legacy LTI and deferred STI share incentive awards	— All awards lapse except for Good Leavers.	— Legacy LTI vesting for Good Leavers* is based on the achievement of performance conditions. The number of shares to vest would be calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period — Deferred STI awards for Good Leavers* vest fully on termination, subject to the committee's discretion to lapse part or all of the award.
Compensation for loss of office	— Settlement agreements with executive directors may provide for, as appropriate: – Incidental costs related to the termination, such as legal fees for advice on the settlement agreement – Provision of outplacement services – Payment in lieu of accrued, but untaken, holiday entitlements – Exit payments in relation to any legal obligation or damages arising from such obligation – Settlement of any claim arising from the termination – Continuation or payment in lieu of other incidental benefits – In the case of redundancy, two weeks' base pay per year of service.	— Terms are subject to the signing of a settlement agreement.

* Subject to further adjustments which may be applied to discretionary Good Leavers as set out in the 'Treatment of incentive awards on termination, change of control or other corporate events' section of this policy.

DIRECTORS' **REMUNERATION REPORT** CONTINUED

Standard provision	Policy	Details
Non-executive directors	— One month's notice (12 months for the Chairman) — Appointed for an initial three-year term — Normally expected to serve two three-year terms, subject to annual re-election at the Company's Annual General Meeting — A third term (of up to three years, or longer in exceptional circumstances) may be offered on a year-by-year basis after completion of the first two terms.	— Non-executive directors are subject to annual re-election at the Company's Annual General Meeting.

Treatment of incentive awards on termination, change of control or other corporate events

For all deferred short-term incentives, legacy long-term incentives, and MSIP awards, the share incentive plan rules provide for automatic 'Good Leaver' status on termination of employment in the event of: (i) death; (ii) injury or disability; (iii) redundancy; (iv) the employing company or business ceasing to be a subsidiary or business of Old Mutual plc; and (v) certain takeovers and other corporate events.

In addition, the committee has discretion to award Good Leaver status for any other reason (discretionary Good Leavers). In these circumstances, the committee has discretion to apply less generous terms than would apply under the automatic Good Leaver reasons. The committee's determination will take into account the particular circumstances of the executive director's departure and the recent performance of the Company. Following the execution of the managed separation, it is not expected that the executive directors will have roles in the resulting independent entities. This is addressed in the table below:

Component	Automatic Good Leaver	Other leaver*	Change of control	Other corporate events
STI	— Pro-rata payment for the period worked in the performance year, based on agreed performance criteria — Paid in cash.	— No award will be made.	— At the discretion of the committee.	— No impact, but performance targets may need to be reviewed.
Deferred STI	— The committee has discretion to vest all awards on termination.	— Outstanding awards are forfeit.	— Vest automatically except in the case of internal re-organisations or mergers (as defined in the rules), where there may be an automatic surrender and replacement of awards in the new/ acquiring company.	— The committee has the discretion to amend deferred STI awards under the rules of the plan, to adjust deferred STI awards in the event of any variation of the share capital of the Company, and to adjust or vest deferred STI awards on a demerger, special dividend or other similar event, which affects the market price of the shares to a material extent.

* Anyone who is not a Good Leaver or a discretionary Good Leaver.

Component	Automatic Good Leaver	Other leaver*	Change of control	Other corporate events
MSIP	— Vest on the normal vesting date (except where exceptional reasons apply, when vesting may be immediate), subject to achievement of performance targets, calculated on a pro-rata basis, based on the period of time after the date of grant (or 14 March 2016 in the case of the initial awards) and ending on the date of termination relative to the restricted period — The committee has discretion to disapply automatic time-based pro-rating of awards for Good Leavers before the date at which the managed separation is complete — Options will be granted on the basis that there will be no time-based pro-rating of awards where the managed separation is completed before the end of the four-year long-stop period and the director remains in employment at that time, but the committee retains discretion to apply time-based pro-rating if appropriate.	— Outstanding awards are forfeit.	— Awards may be exchanged or may vest subject to the achievement of performance measures and pro-rated to reflect the reduced period of time between the date of grant (or 14 March 2016 in the case of the initial awards) and vesting (rounded up to the next whole year). The committee may disapply pro-rating if it considers it appropriate to do so.	— Demerger: awards may be split into separate awards, exchanged for new awards over the demerged company, adjusted or vested at the committee's discretion — Other corporate events: the committee has the discretion to amend MSIP awards under the rules of the plan, to adjust MSIP awards in the event of any variation of the share capital of the Company, and to adjust or vest MSIP awards on a special dividend or other similar event, which affects the market price of the shares to a material extent.
Legacy LTI	— Vest on the normal vesting date (except in the event of death or where other exceptional compassionate reasons apply, when vesting may be immediate), subject to achievement of performance targets, calculated on a pro-rata basis, based on the period of time after the date of grant and ending on the date of termination relative to the restricted period — The committee has discretion to disapply time-based pro-rating of awards when appropriate.	— Outstanding awards are forfeit.	— Vest subject to the achievement of performance measures and pro-rated from grant date to the anniversary of grant date following change of control. In the case of internal re-organisations or mergers (as defined in the rules), there may be an automatic surrender and replacement of awards in the new/acquiring company. The committee may disapply pro-rating if it considers it appropriate to do so.	— The committee has the discretion to amend LTI awards under the rules of the plan, to adjust LTI awards in the event of any variation of the share capital of the Company, and to adjust or vest LTI awards on a demerger, special dividend or other similar event, which affects the market price of the shares to a material extent.
Sharesave	— In line with HMRC rules and the rules of Sharesave.	— In line with HMRC rules and the rules of Sharesave.	— In line with HMRC rules and the rules of Sharesave.	— The committee does not have the discretion under the rules of the plan to adjust the number of shares under option.

* Anyone who is not a Good Leaver or a discretionary Good Leaver.

The committee retains the discretion to make reasonable and proportionate changes to the New Policy if the committee considers this appropriate in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any PRA guidance relating to Solvency II). This includes the ability to make administrative changes to benefit the operation of the New Policy and/or to implement such changes ahead of any formal effective date, ensuring timely compliance. Where proposed changes are considered by the committee to be material, the Company will consult its major shareholders. Any changes would be formally incorporated into the New Policy when it is next put to shareholders for approval.

The committee retains the discretion, acting in accordance with the applicable share plan rules, to adjust the delivery of awards at the completion of the managed separation, reflecting the circumstances of the corporate events.

DIRECTORS' REMUNERATION REPORT CONTINUED

How shareholder views are reflected in the New Policy

The change in strategy prompted the committee to review and propose revised incentive plans, resulting in consultation with shareholders.

We discussed the design features of the draft MSIP with our largest shareholders and also shared a substantial amount of information about the proposed design with major shareholder representative bodies in the UK such as ISS and the Investment Association. The feedback received during this period was reflected in the New Policy.

Dates of directors' service contracts and letters of appointment

Executive director	Commencement date in current role	Continuous service date	Notice period
Bruce Hemphill	1 November 2015	1 November 2015	12 months
Ingrid Johnson	1 July 2014	1 September 1993	12 months

Non-executive director	Date of original appointment	Date of current appointment	Current term as director	Date current appointment terminates
Patrick O'Sullivan	1 January 2010	1 January 2017	3rd (Second period)	1 January 2018
Mike Arnold	1 September 2009	1 September 2016	3rd (Second period)	1 September 2017
Zoe Cruz	6 January 2014	6 January 2017	2nd	6 January 2020
Alan Gillespie	3 November 2010	3 November 2016	3rd (First period)	3 November 2017
Danuta Gray	1 March 2013	1 March 2016	2nd	1 March 2019
Adiba Ighodaro	6 January 2014	6 January 2017	2nd	6 January 2020
Trevor Manuel	1 January 2016	1 January 2016	1st	1 January 2019
Roger Marshall	5 August 2010	5 August 2016	3rd (First period)	5 August 2017
Nkosana Moyo	1 September 2013	1 September 2016	2nd	1 September 2019
Vassi Naidoo	1 May 2015	1 May 2015	1st	1 May 2018
Nonkululeko Nyembezi-Heita	9 March 2012	9 March 2015	2nd	9 March 2018

Directors' service contracts and letters of engagement for the non-executive directors are available on the Company's website at www.oldmutualplc.com.

Directors' Remuneration Policy table (non-executive directors)

How the element supports our strategic objectives	Operation of the elements (fees and benefits)	Maximum potential pay-out	Performance measures used, weighting and time period applicable
To attract non-executive directors who have the broad range of experience and skills required to oversee the implementation of the strategy.	— Fees for non-executive directors (other than the Chairman) are set by the Board and paid in 12 monthly instalments — The Chairman's fees are set by the committee and paid in 12 monthly instalments — Reimbursement and settlement by the Company of travel expenses to Board meetings or corporate events of the Company (including the tax for which settled on the individual's behalf) — Travel for partners to a limited number of Board meetings or corporate events of the Company and its major subsidiaries (including the tax for which settled on the individual's behalf).	— Fees are set within the range of comparative board and committee fees, benchmarked against an appropriate group of FTSE 100 companies. Average increases will not normally exceed the average increase for the UK workforce, except where: – Committee roles or responsibilities change significantly – Market fees in relation to certain roles change significantly — Non-executive directors may hold positions on the boards of subsidiary companies and are entitled to retain the fees payable to them for doing so.	— Non-executive directors are not eligible to participate in performance related incentive plans.

Annual Report on Remuneration

The Annual Report on Remuneration sets out the payments made and awards granted to the directors in 2016 and how the Company intends to implement the New Policy in 2017. This, along with the Chairman's Annual Statement, is subject to an advisory shareholder vote at the 2017 AGM.

Market benchmarks

In accordance with the New Policy, benchmarking will only be undertaken in relation to the base pay of the executive directors. The primary peer group for benchmarking executive remuneration comprises large insurers and, for 2016 and 2017, included Prudential plc, Aviva plc, RSA Insurance Group plc, Legal & General Group plc, Standard Life plc, Allianz Group and Axa Group.

For non-executive directors, benchmarking is performed against non-executive directors' remuneration in FTSE100 companies using the whole of the FTSE100 population as well as an extract of companies by market capitalisation.

Single total figures of remuneration for executive directors (audited)

	Base pay		Taxable benefits		STI		LTI		Pension-related benefits		Items in the nature of remuneration		Total	
Executive director	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Bruce Hemphill[1]	**900**	150	**92**	1,540	**1,173**	950	**–**	–	**313**	52	**2**	2,119	**2,480**	4,811
Ingrid Johnson	**630**	615	**92**	104	**818**	784	**819**	121	**220**	215	**5**	13	**2,584**	1,852
Former executive director														
Paul Hanratty[2]	**129**	645	**–**	9	**100**	803	**–**	674	**45**	220	**1**	4	**275**	2,355

1 Bruce Hemphill joined the Board on 1 November 2015. Figures for 2015 represent remuneration paid for the period from that date
2 Paul Hanratty ceased to be an executive director of the Company on 12 March 2016. Figures for 2016 represent remuneration paid for the period up to that date (including the STI paid in relation to the period in which he was a director).

Element	Description
Taxable benefits	— These amounts represent the gross value of benefits that are paid for by the Company and are chargeable to UK income tax. They cover such items as tax advice, spouse's travel, use of a car and driver and, for Bruce Hemphill, relocation costs from South Africa to the UK. In accordance with the approved Directors' Remuneration Policy, the Company paid for certain costs of relocating, such as a settling-in allowance, relocation agents' costs, moving costs, transport of household items, temporary housing and transaction costs, indirect costs of purchasing a house in the UK and cost of travel for his family. The committee applied caps to certain elements of Bruce Hemphill's relocation package to ensure that controls were in place to manage the total costs incurred. The total value of the costs covered was £825,931 in 2015. The Company accounted for the tax due on these costs directly, resulting in gross costs of £1,467,310 in 2015 and it is this value that is included in the single total figure for that year.
STI	— STI awarded in relation to performance in the year, including 50% that is deferred for three years in the form of a share award. Vesting of the share awards is not subject to the achievement of performance targets but requires the director to remain in office during the vesting period. Malus applies to the shares held under award prior to vesting and claw back applies to the cash element. As part of Bruce Hemphill's recruitment arrangements in relation to the buy-out of existing awards, he received a guaranteed STI award for 2015 to the value of £950,000, 50% of which was deferred for three years in the form of a share award.
LTI	— The 2015 Directors' Remuneration Report reflected the value of LTI vesting based on the average Old Mutual plc share price over the final quarter of 2015 (198.04p), as the options granted in 2013 had not vested at the time of publication. The values have been updated to reflect the actual market value of 50% of the award that vested in April 2016, namely 184.8p per share, while the balance of 50% (which is due to vest in April 2017) is valued as it was in 2015. In disclosing the value of the LTIP for Paul Hanratty in the 2015 single figure, the scorecard outcome was applied to too many shares resulting in an overstatement of value and shares vesting in 2016 of 13%. This has been corrected in the single figure table above and the number of shares due to vest in April 2017 from the second tranche of the 2013 LTIP award has been reduced to ensure that Paul Hanratty receives the correct number of vested shares across both tranches — The 2016 LTI value has been calculated using the average Old Mutual plc share price over the final quarter of 2016 (195.6p) and, for the 50% of the options that are due to vest in April 2017, the value will be restated in the 2017 Directors' Remuneration Report. Malus and claw back apply to the shares held under option — In respect of Ingrid Johnson, the LTI value for 2015 has been updated to reflect the actual market value of the awards that vested or were matched in 2016 (namely R181 per share in respect of the Nedbank Restricted Share Award over 8,320 Nedbank shares, and R189.66 per share in respect of the matching award of 5,750 Nedbank shares) converted to sterling using the exchange rate for each vesting date (namely R21.99 and R20.8011 to £1 respectively) — In respect of Ingrid Johnson, the 2016 LTI value represents the value of her Nedbank award that is due to vest in 2017, calculated using the average Nedbank share price over the final quarter of 2016 (R226.38), converted to sterling using the average exchange rate over the final quarter of 2016 (R17.2717 to £1).

DIRECTORS' REMUNERATION REPORT CONTINUED

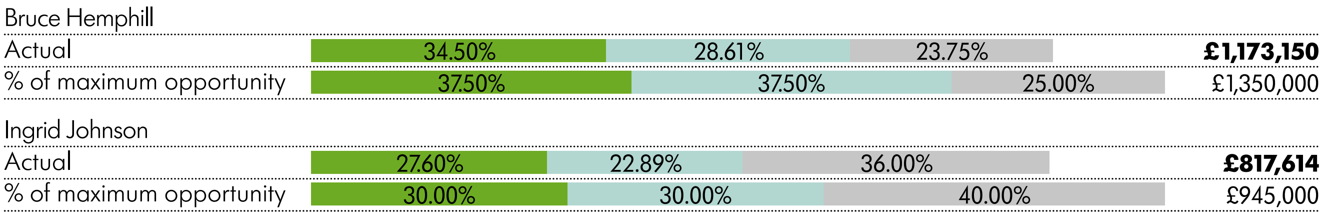
Element	Description
Pension-related benefits	— This represents the benefit allowance of 35% of base pay less any amounts sacrificed for the purchase of other benefits. The company allocated £27,750 of Bruce Hemphill's benefit allowance to the Old Mutual Group Personal Pension Plan, and the corresponding amount for Ingrid Johnson was £19,031. In respect of the period in 2016 that Paul Hanratty was a director of the company, £7,971 of his benefit allowance was allocated to the Old Mutual Group Personal Pension Plan.
Items in the nature of remuneration	— This includes: (i) non-taxable benefits, including those paid for through the sacrifice of pension-related benefits, which were not considered to be significant in value; (ii) for 2015, the value of the discount applied to Ingrid Johnson's tax-advantaged share option granted under the Old Mutual plc 2008 Sharesave Plan; and (iii) for 2015, the face value, at the time of award, of Bruce Hemphill's buy-out awards not subject to performance conditions.

Additional requirements in respect of the single total figure table (audited)

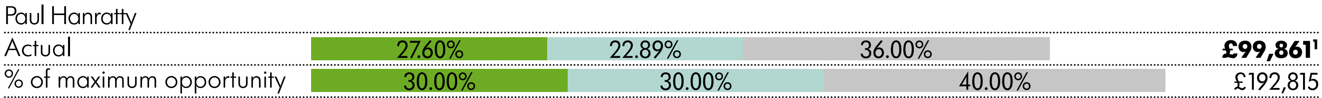
2016 STI outcomes

The following charts illustrate the outcome for each element of the 2016 STI performance targets, followed by the underlying detail of achievement against those targets:

Executive directors



Former executive director



1 After the discretionary adjustment and pro-rated for time served as a director in 2016.

RoE
EPS in constant currency
Personal scorecard objectives

Group financial performance achievement

Performance measure	Threshold	Target	Maximum	Actual	% of maximum achieved
RoE	11.3%	12.5%	13.8%	13.6%	92.0%
EPS in constant currency	17.2	19.1	21.0	20.1	76.3%
Weighted outcome					**84.2%**

The outcomes of the financial metrics were adjusted to exclude the impact of unplanned managed separation costs incurred at the plc office, OMEM and OMW in 2016. The executives are accountable for the management of the total cost of executing the managed separation through the MSIP.

Personal performance achievement

The tables below provide details of achievement against personal objectives during 2016:

Bruce Hemphill – Personal scorecard 2016

	Weight	Objectives	Performance	Outcome
Managing the Business	40%	— Design and gain approval for a new strategy for the Group — Determine and demonstrate progress to creating sustainable and successful standalone businesses — Establish a process to rightsize plc operations and address legacy issues including management of debt — Review the dividend policy to be appropriate for the new strategy — Oversee the businesses to deliver strong and competitive performance.	— The managed separation strategy was successfully designed and adopted by the Board in the first half of 2016. A review of the business portfolios for OMEM and OMW has been completed and significant progress has been made in defining their new target operating models — The repositioning of the Company's Head Office to a holding company has been well executed, resulting in headcount reductions and run-rate savings of £16m whilst maintaining required levels of business delivery — An approach to reduce holding company debt to optimal levels has been defined and is being acted upon — A new capital management policy has been implemented that addresses the need to maintain capital strength and support the cost of executing the managed separation, while maintaining appropriate returns to shareholders — The businesses delivered resilient operational performance in extremely tough macroeconomic conditions in 2016 and have been suitably challenged to deliver enhanced performance through business planning.	40%
Risk and Corporate Governance	20%	— Ensure the Group and businesses operate within risk appetite limits and policy — Maintain positive and constructive regulatory engagement — Ensure the Group's governance framework is appropriate for strategic implementation and regulatory environment.	— The Group operated within risk policy and appetite limits in 2016, which were enhanced to reflect the demands of managed separation — The strong focus on responsible business has been maintained with oversight being successfully transitioned to the businesses — We have experienced a challenging regulatory environment in the UK, but formation of the new OMW board and pro-active regulatory engagement have been positive developments. Regulatory engagement in South Africa has been positive — The Group Operating Model was successfully replaced with a new governance framework (the Decision-Making Framework) to ensure that decision-making and governance frameworks were fit-for-purpose for managed separation.	18%
People and Leadership	40%	— Ensure we have the right plc and business executive teams to deliver the strategy — Support the businesses to ensure they have the appropriate board compositions — Demonstrate the key leadership qualities to achieve the strategy.	— A strong plc executive team has been assembled and restructured to deliver the managed separation — Executive team reviews and target operating models for our wholly-owned businesses are well advanced. The resignation of our CEO in OMEM was unexpected, but a strong internal executive was identified quickly to act as interim CEO until a replacement is recruited — The resignations from the OMW board were quickly addressed, with a new Chairman and board members now appointed — The Group Chief Executive demonstrates a strong leadership style which is well suited to the demands of delivering the change that managed separation requires.	37%
Total	100%			95%

DIRECTORS' **REMUNERATION REPORT** CONTINUED

Ingrid Johnson – Personal scorecard 2016

	Weight	Objectives	Performance	Outcome
Managing the Business	50%	— Ensure cash, debt and capital are managed appropriately and adequate resources are maintained to underpin solvency, liquidity and dividends — Address legacy plc issues including management of debt — Review the dividend policy to be appropriate for the new strategy — Design and implement financial measurement and tracking processes to facilitate decision making in implementing the strategy — Oversee the businesses to deliver strong and competitive performance.	— The Group was managed within appropriate levels of capital, liquidity and gearing during the year. 57% of the free cash generated by the businesses was remitted to plc (up from 52% in 2015), liquidity headroom was maintained at £1.5billion. and our solvency ratio was 124% (down from 138% in 2015) — There was a successful resolution of legacy seed capital issues and accelerated realisation of deferred tax assets — An approach to reduce holding company debt to optimal levels has been defined and is being acted upon — A new capital management policy has been implemented that addresses the need to maintain capital strength and support the cost of executing the managed separation, whilst maintaining appropriate returns to shareholders — Enhanced financial performance reporting and tracking processes have been successfully implemented to facilitate decision-making processes — The businesses delivered resilient operational performance in extremely tough macroeconomic conditions in 2016, and have been suitably challenged to deliver enhanced performance through business planning.	45%
Risk and Corporate Governance	30%	— Ensure the Group and businesses operate within risk appetite limits and policy — Maintain positive and constructive regulatory engagement — Ensure the Group's governance framework is appropriate for strategic implementation and regulatory environment.	— The Group operated within risk policy and appetite limits in 2016, which were enhanced to reflect the demands of managed separation — We have experienced a challenging regulatory environment in the UK, but formation of the new OMW board and pro-active regulatory engagement have been positive developments. Regulatory engagement in South Africa has been positive — The Group Operating Model was successfully replaced with a new governance framework (the Decision-Making Framework) to ensure that decision-making and governance frameworks were fit-for-purpose for managed separation — There was continued success in reducing the liabilities in Old Mutual Bermuda, with further capital repatriation and close engagement with regulators.	27%
People and Leadership	20%	— Ensure we have the right financial operations at plc to deliver our obligations — Support the businesses to deliver performance and become standalone through active board participation — Build deep and constructive relationships with third-party stakeholders.	— The finance teams have been successfully restructured to deliver our BAU obligations and managed separation activities — Solid progress has been made to transition financial operations to the businesses efficiently and cost effectively — Active participation on both the plc and a number of business boards and committees — Frequent and active engagement with shareholders, regulators and other third-party stakeholders to facilitate the managed separation.	18%
Total	100%			90%

Paul Hanratty – Personal scorecard 2016

	Weight	Objectives	Performance	Outcome
Paul Hanratty was in active employment with the business until May 2016, when he commenced garden leave and finally left employment in September 2016. He was only eligible for an STI until his garden leave commenced. His principal objectives for this five month period are detailed.	50%	— Design and gain approval for a new strategy for the Group.	— During the five months in which Paul Hanratty was actively working with the Group, he made a significant contribution to the development of the managed separation strategy, which was successfully designed and adopted by the Board in the first half of 2016.	45%
	30%	— Ensure the Group and businesses operate within risk appetite limits and policy — Maintain positive and constructive regulatory engagement.	— The Group operated within risk policy and appetite limits in 2016, which were enhanced to reflect the demands of managed separation — Regulatory engagement in South Africa has been positive, to which Paul Hanratty played a prominent role in the first half of 2016.	28%
	20%	— Ensure a smooth exit and transition of responsibilities.	— Responsibiltiies as the Chairman of OMEM were successfully transitioned to the Group Chief Executive in the first half of 2016, along with key third-party stakeholder relationships.	17%
Total	100%			90%

The Group operated within the expected risk framework and policies during 2016; however, the committee exercised its discretion in one important area in order to ensure that it maintained its overriding objective to align reward with performance. The committee determined that it was appropriate to make a downward adjustment to the STI payable to Paul Hanratty, equal to 40% of his STI outcome, to take account of the time and cost overruns of the OMW UK Platform IT transformation project.

DIRECTORS' **REMUNERATION REPORT** CONTINUED

Outcomes for LTI awards over Old Mutual plc shares granted in 2014 (for the performance period 2014 to 2016)

Ingrid Johnson received a grant of nil cost share options in August 2014 and these are due to vest 50% on 8 August 2017 and 50% on 8 August 2018. Vesting of the nil cost share options granted to previous executive directors is due to occur 50% on 8 April 2017 and 50% on 8 April 2018. As the nil cost share options had not vested at the date of this report, the average share price for the final quarter of 2016 (195.6p) has been used to determine the value for the purposes of the single total figure.

The underlying details of achievement against objectives are set out below:

	Weighting	% of maximum achieved
Financial metrics	60%	51.7%
Emerging Markets – Africa expansion (excluding banking)	15%	66.7%
Old Mutual Wealth	7.5%	71.0%
Simplify/de-risk the Group, risk management, governance, culture and reputation	17.5%	81.6%
Total weighted outcome		**60.6%**
Total weighted outcome (as a percentage of maximum) (A)		**52.7%**
TSR multiplier – % achieved (B)		**98.7%**
Achievement – % of maximum award (A x B)		**52.0%**
Downward risk adjustment (6% applied to scorecard achievement)		**3.1%**
Vesting – % of maximum award		**48.9%**

Financial objectives – achievement

	Threshold[1]	Target	Maximum	Outcome	Weight	Weighted outcome
EPS (p) (IFRS AOP-based CAGR[2]) post-tax	5%	7.5%	10%	1.8%	15%	0%
EPS (c) (IFRS AOP-based CAGR[2]) post-tax	5%	7.5%	10%	11.6%	15%	15%
RoE (IFRS-AOP based averaged over three years)	12%	13.5%	15%	13.6%	30%	16%
						31%

Strategic objectives – achievement

(1) Emerging Markets – Africa expansion (excluding banking)	Threshold[1]	Target	Maximum	Outcome	Weight	Weighted outcome
Customer growth in Africa (excluding SA) (CAGR[2])	10%	15%	20%	37.2%	10%	10%
Profit (AOP) growth in Africa (excluding SA) (CAGR[2]) (pre-tax including LTIR)	10%	15%	20%	9.3%	5%	0%
						10%

(2) Old Mutual Wealth	Threshold[1]	Target	Maximum	Outcome	Weight	Weighted outcome
Profit (AOP) growth UK and International (CAGR[2]) (pre-tax)	10%	15%	20%	17.1%	7.5%	5.3%

1 Vesting was 0% at threshold with straight-line interpolation between threshold and maximum
2 Compound annual growth over the three-year performance period.

(3) Group structural changes, risk management, governance, culture and reputation

An outcome of 81.6% of maximum was agreed by the committee, on the basis of an assessment of performance against this objective. Over the period, the Company successfully delivered on a number of strategic objectives identified as key priorities by the committee at the beginning of the performance period, namely:

Restructuring objectives	Performance Assessment	Weight	Outcome	Weighted Outcome
Collaboration in South Africa – in assessing this objective, the committee considered the quantum of value achieved against the R1billion target and the quality and sustainability of the value achieved over the period.	— Collaboration synergies of R759million were achieved by the end of 2016. Benefits were from initiatives such as business integration synergies, improved IT synergies, higher sales, procurement savings and improved revenues and profits.	2.5%	75.0%	1.9%
Build the Old Mutual Wealth UK Business – in assessing this objective, the committee considered the effectiveness of outsourcing projects and the build of the OMGI brand and UK advisory presence to achieve stretching NCCF targets.	— **Old Mutual Wealth UK platform IT transformation project:** The project experienced time and cost overruns with the total cost across a six year implementation period forecast to be in the range of £425million to £450million, with £278million incurred by the end of 2016 — **Cumulative 2014-16 NCCF:** achievement of £15.8billion over the three-year period, relative to target of £20.9billion. Overall OMW NCCF held up well in a difficult economic environment and relative to market trends — **OMGI brand:** a successful build of the brand, with the business delivering significant profit growth and build-out of product propositions with strong investment performance. OMGI funds at the end of 2016 represented 25% of OMW total funds under management. The OMW investment division (OMGI & Quilter Cheviot) represented 42% of OMW funds under management relative to a target of 30% — **UK advisory presence:** Intrinsic has seen significant restricted adviser growth at a rate of 23% per annum between 2014 and 2016 relative to a target of 10% CAGR. Excluding third party agreements and acquisitions, the underlying restricted adviser growth was 13% per annum, still ahead of target. The 1,423 restricted advisers made up 43% of the adviser headcount at the end of 2016. The business delivered excellent flows, exceeding the business case profit target for 2016 by over 10%.	2.5%	80.0%	2.0%
Achieve OM Asset Management IPO at minimum value of $1.5billion – in assessing this objective, the committee considered the quality of execution and value created for shareholders when the IPO was achieved.	— The business was successfully IPO'd in Q3 2014 bringing total shareholder value creation of $2.2billion. Rogge Global Partners Limited was excluded from the IPO, brought under Group supervision and subsequently sold — The acquisition of Landmark Partners was successfully closed in Q4 2016 — There were secondary public offerings in 2015 and most recently in December 2016. Shares were trading at $14.50 at the end of the performance period (relative to an initial IPO price of $14) — OM Asset Management has delivered upper quartile TSR relative to peers since the initial IPO.	5.0%	90.0%	4.5%
Effective risk management and run-off of the Old Mutual Bermuda business – in assessing this objective, the committee considered the quality of risk and vendor management, regulatory engagement and run-off of the book of business.	— The run-off of the book continued successfully, reducing liabilities to c.$1.0billion. at 31 December 2016. The business run-off combined with creative de-risking strategies resulted in capital repatriation of $23million in 2015 and $178million in 2016. The successful execution of strategic options included the re-structure of the business during early 2015, and the sale of a restructured Old Mutual Bermuda, effective 1 January 2016, to ensure that the Group's exit of the Old Mutual Bermuda business by late 2018 / early 2019 remains on track. The business maintained effective hedging strategies with 10 year risk managed within agreed parameters.	2.5%	100.0%	2.5%
Risk, governance, culture and reputation	**Performance Assessment**	**Weight**	**Outcome**	**Weighted Outcome**
Risk management – in assessing this objective, the committee considered a report from the Group's Chief Risk Officer and the Group Internal Audit Director on the effectiveness of risk management across the Group over the performance period, assessing whether that risk was managed within policy and risk appetite limits.	— Over the three year performance period, the Group's earnings were achieved in a transparent manner, without excessive risk taking, with the businesses operating within their formal risk appetite limits. The time and cost overruns of the OMW UK platform IT transformation project persisted through the period.	2.0%	50.0%	1.0%
Culture – in assessing this objective, the committee considered the level of group-wide entropy and the effectiveness of improving entropy scores in businesses outside of the Group's target range.	— The Group weighted entropy score was 11.9% in 2016, in line with the prior year. OMEM, Nedbank and OM Asset Management were within or below the target range, whilst other businesses persisted above the target range, remaining broadly flat to the prior year — The employee Net Promoter Score improved in OMW and OM Asset Management but declined in other businesses, resulting in a slight weighted average decrease. Whilst employee engagement declined very slightly across the Group, with a weighted average down 1%, this still remained above global financial services benchmarks.	3.0%	80.0%	2.4%
Outcome		**17.5%**		**14.3%**

DIRECTORS' **REMUNERATION REPORT** CONTINUED

TSR multiplier

A TSR multiplier was used to adjust the outcome of the LTI scorecard in the tables above. TSR was averaged at the start (Q4 2013) and end (Q4 2016) of the three-year performance period.

	Weighting	4% or more below index[1]	Equal to index[1]	4% or more above index[1]	Outcome	Multiplier	Weighted outcome
Annualised relative TSR growth (£)	50%	85%	100%	115%	0.8%	103.1%	51.6%
Annualised relative TSR growth (R)	50%				-1.5%	94.2%	47.1%
Weighted total							**98.7%**

1 Straight-line interpolation between the points.

Risk adjuster

The committee received input from the Group's Chief Risk Officer, endorsed by the Board Risk Committee, which confirmed that the Group had achieved its objectives within the risk policies and risk appetite limits established for the period. However, the committee exercised its discretion in one important area in order to ensure that it maintained its overriding objective to align reward with performance. The committee determined that it was appropriate to make a downward adjustment equal to 6% of the scorecard outcome of the 2014 LTIP, to take account of the time and cost overruns of the OMW UK Platform IT transformation project.

2014 LTI awards over Old Mutual plc shares due to vest to the executive directors (audited)

Executive director	Old Mutual shares under option at grant	Achievement of performance targets	Old Mutual shares under option to vest in 2017	Old Mutual shares under option to vest in 2018	Average Old Mutual plc share price over Q4 2016	Value of share options to vest in 2017 £000	Value of share options to vest in 2018 £000	Total value of LTI as shown in the single figure table £000[1]
Ingrid Johnson	786,989	48.9%	192,419	192,419	195.6p	376,372	376,372	753

1 The LTI value has been calculated using the average price of Old Mutual plc shares over the final quarter of 2016 (195.6p), and for the 50% of the option that will vest in August 2017, will be restated in the 2017 Directors' Remuneration Report, once actual values on vesting are known.

Outcomes for LTI awards over Nedbank shares granted in 2014 (for the performance period 2014 to 2016)

A deferred STI award over 8,743 Nedbank shares was granted to Ingrid Johnson under the Nedbank Compulsory Bonus Share Scheme when she worked for Nedbank in March 2014. The shares held under award were subject to forfeiture provisions which ended, in equal proportions, six months, 18 months and 30 months after the date of award. A matching award was offered (on a one-for-one basis) on any of the shares which were held voluntarily in the scheme until the third anniversary of the date of award. In addition to this, Ingrid Johnson pledged 1,345 Nedbank shares under the Nedbank Voluntary Bonus Share Scheme, under which a matching award was offered (on a one-for-one basis) on any of the shares which were held voluntarily in the scheme until the third anniversary of the date of award. The matching awards were subject to Ingrid Johnson remaining in employment with Nedbank during that three-year vesting period and, for 50% of the award, the achievement of Nedbank corporate performance targets. It was agreed with Nedbank that Ingrid Johnson would retain eligibility in relation to the employment condition provided she remained in employment with the Old Mutual Group.

The element of the matching awards subject to the achievement of Nedbank corporate performance targets is set out below:

Nedbank measure	Target	Achieved	% of award vesting	Maximum number of matching shares to be awarded in 2017	Actual number of matching shares to be awarded in 2017	Value of LTI included in the single figure table £000
Average RoE (excluding goodwill) excess over average cost of equity over the performance period	2%	3.2%	100%	5,044	5,044	66

1 The value has been calculated using the average price of Nedbank shares over the final quarter of 2016 (R226.38), converted into sterling using the average exchange rate over the final quarter of 2016 (R17.2717 to £1). The value shown in the single figure table will be restated in the 2017 Directors' Remuneration Report, once the actual value on vesting is known.

Single total figures of remuneration for non-executive directors (audited)

Non-executive directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits, other than those described in footnote 1 of the table below. This table shows the single total figures for both 2015 and 2016 for the Chairman and the other non-executive directors:

	Fees		Taxable benefits[1]		Total	
Non-executive director	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Patrick O'Sullivan	**380**	380	**17**	22	**397**	402
Mike Arnold[2]	**101**	99	**–**	–	**101**	99
Zoe Cruz	**80**	79	**–**	–	**80**	79
Alan Gillespie	**95**	89	**–**	–	**95**	89
Danuta Gray[3]	**98**	94	**–**	–	**98**	94
Adiba Ighodaro[4]	**70**	69	**–**	–	**70**	69
Trevor Manuel[5]	**161**	–	**–**	–	**161**	–
Roger Marshall[6]	**122**	109	**–**	–	**122**	109
Nkosana Moyo	**80**	79	**–**	–	**80**	79
Vassi Naidoo[7]	**322**	205	**–**	–	**322**	205
Nonkululeko Nyembezi-Heita	**77**	74	**–**	–	**77**	74

1 Neither the Chairman nor any of the other non-executive directors received any pension-related benefits, short-term or long-term incentives or any other items in the nature of remuneration in 2015 or 2016. The amounts included in the taxable benefits columns relate to the provision of travel to and from the Company's office in London
2 Includes fees of £1,481 in relation to attendance at Old Mutual Wealth's Risk Committee meetings
3 Includes fees of £1,481 in relation to attendance at Old Mutual Wealth's Remuneration Committee meetings
4 Fees payable to Adiba Ighodaro were paid to Actis LLP rather than to her personally
5 Includes fees of £91,434 in respect of Old Mutual Group Holdings (SA) (Pty) Limited and Old Mutual Emerging Markets Limited
6 Includes fees of £11,987 in respect of Old Mutual Wealth Management Limited. Roger Marshall joined the Board of Old Mutual Wealth Management Limited on 10 November 2016
7 Includes fees of £244,600 in respect of Nedbank Group Limited (£156,000 in 2015). Vassi Naidoo joined the Boards of the Company, Nedbank Group Limited and Nedbank Limited on 1 May 2015 and the figure for 2015 represents remuneration paid from that date.

Scheme interests awarded during 2016 (audited)

In order to ensure that the executives were aligned to the new strategy from the announcement of the strategy, an initial nil cost share option was granted on 14 March 2016 under the Old Mutual plc Performance Share Plan, in accordance with the terms of the existing Directors' Remuneration Policy. These options were subsequently exchanged for nil cost share options under the Old Mutual plc Managed Separation Incentive Plan:

Date of grant	Award type	Basis of award	Old Mutual shares held under option	Share price at date of grant	Face value at date of grant £000	% receivable if minimum performance is achieved	Vesting date	The end of the period over which the performance targets have to be fulfilled
Bruce Hemphill								
14 Mar 2016	Nil cost share option	LTI	1,978,020	182.0p	3,600	0%	50% – 14 Mar 2019 50% – 14 Mar 2020	31 December 2018
Ingrid Johnson								
14 Mar 2016	Nil cost share option	LTI	1,384,614	182.0p	2,520	0%	50% – 14 Mar 2019 50% – 14 Mar 2020	31 December 2018

DIRECTORS' **REMUNERATION REPORT** CONTINUED

The following table shows share incentive awards granted to the executive directors during 2016 (including the MSIP awards for which the nil cost share options shown above were exchanged). The number of shares placed under award in relation to DSTI awards was calculated using the middle market quotation of Old Mutual plc shares on the business day preceding the date of grant. The total number of shares placed under option in relation to the MSIP was determined using the 30-day average Old Mutual plc share price up to and including the date of release of the Company's preliminary results for 2015 and the announcement of the managed separation strategy, namely £1.757.

Date of grant	Award type	Basis of award	Old Mutual shares held under option or award	Share price at date of grant	Face value at date of grant £000	% receivable if minimum performance is achieved	Vesting date	The end of the period over which the performance targets have to be fulfilled
Bruce Hemphill								
11 Jul 2016	Nil cost share option	MSIP	1,978,020	175.7p	3,475	0%	Completion of managed separation	Period of managed separation
11 Jul 2016	Nil cost share option	MSIP	3,144,347	175.7p	5,525	0%	Completion of managed separation	Period of managed separation
14 Mar 2016	Forfeitable shares award	DSTI	260,990	182p	475	100%	14 Mar 2019	N/A
Ingrid Johnson								
11 Jul 2016	Nil cost share option	MSIP	1,384,614	175.7p	2,433	0%	Completion of managed separation	Period of managed separation
11 Jul 2016	Nil cost share option	MSIP	1,304,629	175.7p	2,292	0%	Completion of managed separation	Period of managed separation
14 Mar 2016	Forfeitable shares award	DSTI	215,419	182p	392	100%	14 Mar 2019	N/A
Former executive director								
Paul Hanratty[1]								
14 Mar 2016	Forfeitable shares award	DSTI	220,612	182p	402	100%	14 Mar 2019	N/A

1 Paul Hanratty ceased to be a director of the Company on 12 March 2016; however, as this award related to the deferred element of the STI that he earned in relation to the 2015 performance year, detail of the award has been provided.

Performance measures for MSIP awards granted in 2016 (audited)

The MSIP is designed to reward:

1. Execution of the managed separation (40%)
2. The delivery of performance in the underlying businesses (25%)
3. Long-term alignment with shareholder value by reference to relative total shareholder return (TSR) (35%)
4. Operating within a robust risk framework (by means of a potential downward adjustment of up to 5% on a quantitative basis, with additional uncapped discretion to adjust on a qualitative basis).

A detailed summary of each of these metrics is set out below:

1. Execution of the managed separation (40%)

This performance condition is directly aligned with the execution of the managed separation strategy. It is assigned the highest weighting at 40% because it is the core of the strategy. It consists of the managed separation of the Group into four standalone businesses through a series of transactions. The assessment of performance against this condition will be made in the judgement of the committee against the key criteria set by the Board:

— Material completion of the business separation
— Appropriate capitalisation of the businesses
— Quality of transaction execution.

Material completion of the business separation
All four businesses operating independently of the Group at the completion of the managed separation. There may be some cross-ownership, but such stakes would be purely as an investment (e.g. 20% or less) or as part of a clear process to separation. In addition, the material completion of the managed separation includes the elimination of the plc costs.

Appropriate capitalisation
The managed separation shall set the businesses up for success, including being appropriately capitalised in relation to both regulatory requirements and local market competitiveness.

Quality of transaction execution
Quality assessment will reflect the balance of the key components of time, cost, risk and value:

- The time criteria will be considered with respect to certain transactions being critical to the future managed separation of other businesses. Also, the current Group structure contains inherent risks which will be mitigated once separation is achieved and therefore it is important to prioritise speed of execution
- The cost criteria will be assessed against both the expected reduction of continuing plc costs at the completion of the managed separation and the management of transaction costs (advisers, etc.) during separation. Lastly, these cost criteria also include the reduction in plc debt costs through the cost-effective management of plc debt
- The risk criteria include consideration of regulatory, reputational, investor and other non-financial impacts
- In addition, value will be considered in terms of whether the transaction was completed in a manner consistent with creating shareholder value over time. Value enhancement will be captured through the Alignment with Shareholder Value measure.

The committee recognises that due to the complex, multi-faceted and interrelated nature of the managed separation objectives and criteria, to assess them it will need to track and report progress as the managed separation is executed, but ultimately reserve a final judgement regarding assessment of achievement of this objective until it is determined that the managed separation has been completed.

2. Performance of the underlying businesses (25%)
This performance condition is directly aligned with the strategic objective to deliver competitive financial performance in each of the businesses while they are part of the Group, in order to maximise the value creation opportunity on separation.

- Each business's performance will be measured against stretching profit growth and Return on Equity (RoE) measures for the period up to its separation from the Group (OM Asset Management will be measured against profit growth only), with RoE measured in accordance with the methodology disclosed for each business in the Company's 2015 Annual Report
- The businesses are weighted in accordance with their relative value to the Group at the commencement of the managed separation objective (see note below on business weighting)
- Profit growth thresholds have been based on the principal three-year macroeconomic growth assumptions for each market (Nominal GDP for South Africa and equity markets for the UK and US) to ensure that management only realise value from this part of the plan if the businesses outperform these benchmarks
- For the South African businesses, the profit metric is established as a relative outperformance target to actual nominal GDP over the performance period to account for the economic uncertainty and align to market practice in the region
- The committee believes that these targets are stretching, taking consideration of the economic outlook and the relatively short period of time the businesses have had to realise returns on recent investments (such as UAP and Quilter Cheviot). They have been carefully constructed to ensure that value will only be realised from this element of the plan if business performance warrants it by generating real value over the period
- If the committee considers it necessary to review the financial targets under the discretion afforded in the New Policy, for reasons linked to the macroeconomic environment, the phasing of three-year growth plans relative to the timeframe taken to complete the separation of a business, or the reallocation of the Group's assets, it will do so with complete transparency and in a way that ensures that the targets are as equally relevant and stretching as originally intended.

3. Alignment with shareholder value (35%)
This performance condition is directly aligned with the strategic objective to unlock and create significant long-term value for shareholders through the managed separation and will be measured through relative total shareholder return (TSR).

- TSR for Old Mutual plc shareholders will be measured against a bespoke index derived from a peer group constructed from relevant peers of each of the businesses in their local markets
- Each individual business peer group will be weighted in accordance with the relative value of each business to the Group at the commencement of the managed separation (see note below on business weighting)
- TSR will be measured from the date of the strategy announcement (using the 30-day average up to and including 11 March 2016) until the managed separation is completed
- When a transaction is completed for a business, its peer group will be down-weighted or removed from the index and the other peer groups will be re-weighted proportionately. In the event of a demerger of a business, its TSR will be tracked relative to its peer group for a period of 180 days to align any short-term volatility in the demerged business's share price to the outcome of the TSR metric
- Threshold has been set in line with the TSR of the bespoke peer group, ensuring that vesting can only be achieved for matching or exceeding the performance of the peers. For achieving the threshold level of performance 25% vesting will be realised, recognising the performance required to meet or exceed the TSR of the peer groups. Maximum vesting on this component will occur when TSR has outperformed the bespoke peer group by 7% per annum
- There will be maximum transparency through annual updates of performance and adjustments made to the index in the annual Directors' Remuneration Report.

Business weighting
The basis for calculating the weighting of the businesses was to use their relative estimated value on 11 March 2016 to the Group, using the market value of the listed businesses (Nedbank and OM Asset Management) and an average of comparable one-year forward price/earnings multiples for the unlisted businesses (OMEM and OMW). The weighting ignored debt, plc costs and other plc assets.

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4. Downward adjustments – risk management

The outcome of the MSIP will be subject to a potential downward adjustment for an assessment of risk management during the performance period. The risk adjustment will be based on two measures:

- **Quantitative adjustment:** a potential downward adjustment of up to 5% will be applied based on the outcome of two risk-based metrics – Group Solvency Ratio and Liquidity at Risk. Achievement of the target (or better) will result in no adjustment to the outcome; achievement at or below the threshold will result in a 5% downward adjustment to the outcome, with straight-line interpolation between threshold and target
- **Qualitative assessment:** undertaken by the Group's Chief Risk Officer and verified by the Board Risk Committee, this assessment will cover management of risk in relation to risk management policy and risk appetite limits, audit/governance reports and regulatory breaches. In addition, any financial performance not adequately reflected in the financial performance measures will be considered in this qualitative assessment. The committee has discretion to make an uncapped downward adjustment to the outcome of the plan in the event of any material risk management or financial underperformance issues.

Full disclosure of the process, findings and adjustments (if applicable) will be disclosed retrospectively in the relevant Directors' Remuneration Report.

Managed Separation Incentive Plan scorecard – metrics and targets

		Weight	Threshold	Target	Maximum
Strategic	Vesting %		0%	50%	100%
	1. Execution of the managed separation				
	Assessment of the success of the separation of the business units into four separate businesses	40.0%	0.0%	50.0%	100.0%
Business unit financial performance* (in local currency)	**1. OMEM**				
	Profit (AOP) growth (CAGR) (post-tax and non-controlling interests)	5.40%	Nom GDP +0%	Nom GDP +2.5%	Nom GDP +5.0%
	RoE (excluding goodwill) – averaged over three years	5.40%	20.0%	22.5%	25.0%
	2. Nedbank				
	Diluted headline EPS growth (CAGR) (post-tax and pre-minority interests)	2.50%	Nom GDP +0%	Nom GDP +2.5%	Nom GDP +5.0%
	RoE (excluding goodwill) – averaged over three years	2.50%	15.0%	16.7%	18.4%
	3. Old Mutual Wealth				
	Profit (AOP) growth (CAGR) (post-tax and non-controlling interests)	3.75%	Not disclosed on the grounds of commercial sensitivity – to be disclosed in the first Directors' Remuneration Report after vesting		
	RoE (excluding goodwill) – averaged over three years	3.75%			
	4. OM Asset Management				
	ENI Growth (CAGR) (post-tax and pre-minority interests)	1.70%	5.0%	7.5%	10.0%
TSR	Vesting %		25%	62.5%	100%
	1. Relative TSR to a composite index of business unit peer group indices				
	Relative TSR (annualised over the period)	35%	Index +0% p.a.	Index +3.5% p.a.	Index +7% p.a.
Totals		**100.0%**			

Downward adjuster					
Risk	Quantitative risk metrics	n/a	-5%	0%	n/a
	Qualitative risk assessment	n/a	Remuneration Committee discretion (uncapped)		

* Given the range of potential separation routes for OMW, the Board considers advance disclosure of the targets to be commercially sensitive. However, targets and ranges will be disclosed retrospectively at the point of vesting of the plan in the relevant Directors' Remuneration Report.

Peer groups for TSR

	SA Life	SA Banking	UK Wealth and Asset Management	US Asset Management
Weight	43.2%	20%	30%	6.8%
Peers	— Sanlam Limited — Discovery Limited — Liberty Holdings Limited — MMI Holdings Limited/South Africa — Santam Limited — Coronation Fund Managers Limited.	— FirstRand — Standard Bank Group — Barclays Africa Group — RMB — Capitec Bank.	— Standard Life — Hargreaves Lansdown — Schroders — St. James's Place — Investec — Henderson Group — Phoenix Group HDG — Jupiter Fund Management — Close Brothers Group — Rathbone Brothers — Brewin Dolphin.	— Affiliated Managers Group, Inc. — Eaton Vance Corporation — Legg Mason, Inc. — Federated Investors, Inc. — Janus Capital Group, Inc. — AllianceBernstein Holding L.P. — Artisan Partners Asset Management Inc. — Cohen & Steers Inc. — Virtus Investment Partners, Inc.

MSIP performance update

The MSIP comprises objectives and targets in three categories:

Strategic Objective (40%): material completion of the managed separation by the end of 2018, ensuring that the subsidiaries are prepared to be successful standalone businesses and an assessment of the quality of transactions reflecting time, cost, risk and value of execution.

Update

Material Completion: there has been solid progress towards the managed separation of the Group being materially complete by the end of 2018.

Successful Standalone Businesses: the four underlying businesses are being prepared for independence. In relation to the two unlisted businesses, OMEM and OMW, a review of the core and non-core businesses within their respective portfolios was completed and work to define new target operating models is well advanced. Additionally, the OMW Board has been strengthened with the appointment of a new Chairman and five new independent directors.

Wind down plc: as part of the managed separation, we are continuing with the phased reduction of the plc Head Office. Since announcing the managed separation strategy, headcount has reduced by more than 50% and holding company debt has reduced by £385 million.

Transaction Execution: The Company's holding in OM Asset Management was reduced from 66% to 51% in December 2016, realising gross proceeds, less underwriting discount, of $291 million.

The committee will only make an assessment as to the outcome at the end of the managed separation process. However, we will continue to receive regular updates on the execution of managed separation relative to the criteria established to ensure this assessment is based on a comprehensive assessment of the entire process, including the cost incurred in executing the separation of the businesses.

Financial Performance of the underlying businesses (25%): stretching three-year profit growth and RoE targets for each business (profit measure only for OM Asset Management)

Update

This has been a year of significant change for the Group and for its four businesses, against a backdrop of unprecedented political and economic turmoil in some of our key markets. Stock markets and currencies have been especially volatile in the aftermath of the UK's EU referendum and the US presidential election. The forces at play in the financial world, with increasing emphasis by regulators and politicians on ring-fencing and protectionism, support our strategy in ways that could not have been foreseen a year ago. Despite the challenging external environment, our businesses performed resiliently during 2016, with a much improved second half, given the external challenges the businesses had to face in our main markets. The financial targets established in the MSIP are based on a three-year timeframe as set out on the next page:

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	MSIP Three-year targets		
	Threshold	**Target**	**Maximum**
OMEM			
Profit (AOP) Growth (CAGR) (post-tax and non-controlling interests)*	7.0%	9.5%	12.0%
RoE (excluding goodwill) – averaged over three years	20.0%	22.5%	25.0%
Nedbank			
Diluted headline EPS growth (CAGR) (post-tax and pre-minority interests)*	7.0%	9.5%	12.0%
RoE (excluding goodwill) – averaged over three years	15.0%	16.7%	18.4%
Old Mutual Wealth			
Profit (AOP) Growth (CAGR) (post-tax and non-controlling interests)*	Not disclosed		
RoE (excluding goodwill) – averaged over three years			
OM Asset Management			
ENI Growth (CAGR) (post-tax and pre-MI)	5.0%	7.5%	10.0%

* Relative measure to nominal GDP over the same period. Our current three-year nominal GDP forecast assumption is 7% = threshold

Actual performance of a business will be crystallised at the date it separates from the Group. The outcome relative to the financial targets for that business will be reported in the Directors' Remuneration Report for that year.

If the committee considers it necessary to review the financial targets under the discretion afforded in the New Policy, for reasons linked to the macroeconomic environment, the phasing of three-year growth plans relative to the timeframe taken to complete the separation of a business, or the reallocation of the Group's assets, it will do so with transparency and in a way that ensures that the targets are as equally relevant and stretching as originally intended.

Relative TSR (35%): relative TSR to a bespoke index derived from the peer groups of the underlying businesses. The peer groups are weighted relative to the estimated respective value of each business on 11 March 2016.

Update

TSR is monitored throughout the period, with the committee receiving regular updates; however, the outcome will only be determined when the managed separation is complete.

In accordance with the principles approved in 2016, the weighting of the peer groups is reviewed each time a transaction is completed. Accordingly, in December 2016 the weightings were revised to reflect the Company's reduced ownership of OM Asset Management. The new weightings that apply from that date are: OMEM 43.9% (43.2%); Nedbank 20.3% (20%); OMW 30.5% (30%) and OM Asset Management 5.3% (6.8%).

At mid-February 2017, the Company's TSR was below that of the bespoke index (threshold performance requires performance to be in line with the bespoke index). This was primarily due to performance relative to South African peers, which constitute 64% of the index and who largely have operations in South Africa, in a period during which the rand appreciated significantly. The committee did note, however, that the Company had experienced a period of improved performance relative to the peer groups in the last quarter of the period measured.

Risk Management: a quantitative downward adjustment of up to 5% and qualitative assessment of risk management over the entire period with an uncapped discretionary downward adjustment.

Update

In 2016, the Company exceeded its liquidity and solvency ratio targets, meaning that no quantitative downward adjustment would apply for 2016 (see 2016 STI outcome for details). These metrics are measured annually and aggregated over the whole period of managed separation.

The committee receives annual risk reports from the Group's Chief Risk Officer, endorsed by the Board Risk Committee, to ensure it has a full understanding of risk events and management's performance as managed separation progresses. While some risk adjustment was applied to the outcome of incentives at the end of 2016, these were in relation to legacy issues predating the managed separation strategy, so no events have transpired to date that the committee considers should result in a downward adjustment to the MSIP at completion. Risk management will continue to be monitored closely by the committee.

Payments to past directors (audited)

Julian Roberts

Julian Roberts, the former Group Chief Executive, ceased to be a director of the Company on 31 October 2015 and was on garden leave from that date until 14 April 2016, at which time his employment with the Company ended. He continued to receive base pay and benefits during that time and the value of base pay and benefits paid to him between 1 January and 14 April 2016 is set out below:

Element	Value
Base pay	£268,269
STI	£254,118
Benefits including pension-related benefits	£93,895
Items in the nature of remuneration	£1,775

Certain LTI awards granted to Julian Roberts vested and were exercised during 2016 as set out below:

	Date of grant	Shares under option at grant	Shares forfeited in respect of achievement of performance targets	Shares vested in 2016	Share price on date of vesting	Value of share options vested in 2016 £000
Julian Roberts	10 April 2012	692,235	213,209	479,026	185.5p	889
	8 April 2013	569,059	162,182	406,877	184.4p	750

Paul Hanratty

Paul Hanratty ceased to be a director of the Company on 12 March 2016 and was on garden leave from that date until 14 September 2016, at which time his employment with the Company ended. He continued to receive base pay and benefits during that time and the value of base pay and benefits paid to him between 13 March and 14 September 2016 is set out below:

Element	Value
Base pay	£326,275
STI	£108,922
Benefits including pension-related benefits	£114,196
Items in the nature of remuneration	£1,951

The 2013 LTI award that vested in 2016 was disclosed in the 2015 Directors' Remuneration Report, and for the 50% of that award that vested in 2016, the figure has been restated in the single figure table. Details of the nil cost share options exercised by Paul Hanratty in 2016 can also be found in the section of this report entitled 'Share awards outstanding at 1 January 2016 and 31 December 2016 (continued)'.

Philip Broadley

Certain LTI awards granted to the former Group Finance Director, Philip Broadley, vested and were exercised during 2016 as set out below:

	Date of grant	Shares under option at grant	Shares forfeited in respect of time-based pro-rating and partial achievement of performance targets	Shares vested in 2016	Share price on date of vesting	Value of share options vested in 2016 £000
Philip Broadley	10 April 2012	461,490	270,667	190,823	185.5p	354
	8 April 2013	379,373	253,152	126,221	184.4p	233

Payments for loss of office (audited)

Paul Hanratty stepped down from the Company's Board and his role as Chief Operating Officer on 12 March 2016 and his employment with the Group ended on 14 September 2016, at the end of his 12-month notice period. In line with the Directors' Remuneration Policy, the committee considered the overall circumstances of his departure as well as his performance and contribution to the Group over more than 30 years. The committee's determinations, which were consistent with the Directors' Remuneration Policy, were set out in full in the 2015 Directors' Remuneration Report.

A summary of his unvested LTI awards at 31 December 2016 is set out in the section of this report entitled 'Share awards outstanding at 1 January 2016 and 31 December 2016' (continued).

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' shareholdings and share interests (audited)

Share awards outstanding at 1 January 2016 and 31 December 2016

Award type	Performance targets to be met	Grant date	Market value per share at grant (p)	At 1 Jan 16	Granted	Exercised or released	Lapsed	At 31 Dec 16	Date from which exercisable or releasable	Expiry date[1]
Bruce Hemphill										
Forfeitable shares – Buy-out	No	05-Nov-15	213.50	182,263	–	182,263[2]	–	–	–	–
	No	05-Nov-15	213.50	182,263	–	–	–	182,263	05-Nov-17	05-Nov-17
	No	05-Nov-15	213.50	182,263	–	–	–	182,263	05-Nov-18	05-Nov-18
Nil cost share options – Buy-out	Yes	05-Nov-15	213.50	754,843	–	–	–	754,843	05-Nov-18	04-Nov-25
	Yes	05-Nov-15	213.50	754,843	–	–	–	754,843	05-Nov-19	04-Nov-25
Forfeitable shares – DSTI	No	14-Mar-16	182.00	–	260,990	–	–	260,990	14-Mar-19	14-Mar-19
Nil cost share options – MSIP[3]	Yes	11-Jul-16	175.70	–	1,978,020	–	–	1,978,020	Completion of managed separation	10-Jul-26
Nil cost share options – MSIP	Yes	11-Jul-16	175.70	–	3,144,347	–	–	3,144,347	Completion of managed separation	10-Jul-26
Total				**2,056,475**	**5,383,357**	**182,263**	**–**	**7,257,569**		
Ingrid Johnson										
Forfeitable shares – DSTI	No	17-Apr-15	240.30	126,204	–	–	–	126,204	17-Apr-18	17-Apr-18
Forfeitable shares – DSTI	No	14-Mar-16	182.00	–	215,419	–	–	215,419	14-Mar-19	14-Mar-19
Nil cost share options – LTI	Yes	08-Aug-14	190.60	393,494	–	–	–	393,494	08-Aug-17	07-Aug-24
	Yes	08-Aug-14	190.60	393,495	–	–	–	393,495	08-Aug-18	07-Aug-24
	Yes	17-Apr-15	240.30	319,912	–	–	–	319,912	17-Apr-18	16-Apr-25
	Yes	17-Apr-15	240.30	319,912	–	–	–	319,912	17-Apr-19	16-Apr-25
Nil cost share options – MSIP[3]	Yes	11-Jul-16	175.70	–	1,384,614	–	–	1,384,614	Completion of managed separation	10-Jul-26
Nil cost share options – MSIP	Yes	11-Jul-16	175.70	–	1,304,629	–	–	1,304,629	Completion of managed separation	10-Jul-26
Sharesave[4]	No	05-May-15	186.70	16,068	–	–	–	16,068	01-Jun-20	30-Nov-20
Total				**1,569,085**	**2,904,662**	**–**	**–**	**4,473,747**		

1 The expiry date is determined by the rules of the plans under which the awards and options were granted
2 In respect of the forfeitable shares that vested during 2016, the value of Old Mutual plc shares on the date of vesting was 193.4p per share
3 On 14 March 2016, nil cost share options were granted to the executive directors under the terms of the Old Mutual plc Performance Share Plan (PSP). These options were subsequently exchanged for nil cost share options under the MSIP and it is the nil cost share options granted under the MSIP that are included in this table. The original nil cost share options granted under the PSP are not shown
4 The market value per share at grant is equal to the exercise price of the option granted under the Old Mutual plc 2008 Sharesave Plan, which was set at a 20% discount to the average Old Mutual plc share price over a three-day period immediately preceding the date of invitation.

Share awards outstanding at 1 January 2016 and 31 December 2016 (continued)

Award type	Performance targets to be met	Grant Date	Market value per share at grant (p)	At 1 Jan 16	Granted	Exercised or released	Lapsed	At 31 Dec 16	Date from which exercisable or releasable	Expiry date[1]
Former executive director										
Paul Hanratty										
Forfeitable shares – DSTI	No	08-Apr-13	194.40	229,222	–	229,222[2]	–	–	–	–
	No	08-Apr-14	202.60	237,566	–	–	–	237,566	08-Apr-17	08-Apr-17
	No	17-Apr-15	240.30	166,731	–	–	–	166,731	17-Apr-18	17-Apr-18
	No	14-Mar-16	182.00	–	220,612	–	–	220,612	14-Mar-19	14-Mar-19
Nil cost share options – LTI	Tested	10-Apr-12	157.10	221,123	–	221,123[3]	–	–	–	–
	Yes	08-Apr-13	194.40	282,922	–	202,289[3]	80,633	–	–	–
	Yes	08-Apr-13	194.40	282,922	–	–	158,070	124,852[4]	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	278,875	–	–	52,416	226,459	08-Apr-17	07-Apr-18
	Yes	08-Apr-14	202.60	278,875	–	–	108,992	169,883	08-Apr-18	07-Apr-19
	Yes	08-Aug-14	190.60	57,844	–	–	17,311	40,533	08-Aug-17	07-Aug-18
	Yes	08-Aug-14	190.60	57,844	–	–	27,437	30,407	08-Aug-18	07-Aug-19
	Yes	17-Apr-15	240.30	335,518	–	–	177,555	157,963	17-Apr-18	16-Apr-19
	Yes	17-Apr-15	240.30	335,518	–	–	217,019	118,499	17-Apr-19	16-Apr-20
Total				**2,764,960**	**220,612**	**652,634**	**839,433**	**1,493,505**		

1 The expiry date is determined by the rules of the plans under which the awards and options were granted
2 In respect of the forfeitable shares that vested during 2016, the value of Old Mutual plc shares on the date of vesting was 184.8p per share
3 In respect of the nil cost share options that were exercised during 2016, the value of Old Mutual plc shares on the date of exercise was 203.60p per share
4 The outstanding amount reflects the correction of the 2013 LTI explained in the notes to the single figure table.

Within a period of five years of appointment to the role, the Group Chief Executive is required to build up a holding of shares in the Company equal in value to 200% of base pay, and the equivalent figure for other executive directors is 150% of base pay.

Unvested share awards or share options and vested but unexercised share options are excluded for the purposes of the calculations. There is no requirement for executive directors to hold shares or share interests in the Company once they have ceased employment with the Group, other than in relation to the 12-month holding period applicable under the terms of the MSIP. Bruce Hemphill's, Ingrid Johnson's and Paul Hanratty's interests in Old Mutual plc shares are set out below.

Shares have been valued for these purposes at the price on 30 December 2016, which was 207.3p per share, other than for Paul Hanratty, whose shares have been valued on 11 March 2016, the date preceding the date he ceased to be a director of the Company (182p per share). There have been no changes to the current directors' personal shareholdings between 31 December 2016 and 8 March 2017.

Executive director	Date ownership requirement to be met by	Share ownership requirement (% of base pay)	Number of shares required to be held	Number of shares owned outright (including by connected persons)	Share ownership requirement met	Vested but unexercised share options	Forfeitable shares awards not subject to performance targets	Nil cost share options subject to performance targets	Sharesave share options not subject to performance targets
Bruce Hemphill	1 Nov 2020	200%	868,307	48,300	No	–	625,516	6,632,053	–
Ingrid Johnson	1 Jul 2019	150%	455,861	525	No	–	341,623	4,116,056	16,068
Former executive director									
Paul Hanratty[1]	1 Jul 2019	150%	531,593	446,578	No	–	624,909	743,744	–

1 This table illustrates Paul Hanratty's personal shareholdings as at 12 March 2016, the date that he ceased to be a director of the Company. The figures above do not therefore reflect any acquisition or disposal of Old Mutual plc shares by him or his connected persons since that date, but do reflect subsequent movements in the number of shares held under award or option.

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There are no share ownership requirements for the non-executive directors. Shares owned by the Chairman and the other non-executive directors holding office at 31 December 2016 (including holdings by connected persons) are shown below:

Non-executive director	Old Mutual plc shares held at 31 December 2016
Patrick O'Sullivan	100,000
Mike Arnold	26,475
Zoe Cruz	34,500
Alan Gillespie	13,000
Danuta Gray	14,175
Adiba Ighodaro	–
Trevor Manuel	–
Roger Marshall	45,000
Nkosana Moyo	10,000
Vassi Naidoo	–
Nonkululeko Nyembezi-Heita	28,667

There have been no changes to the interests in shares owned by the Chairman and the other non-executive directors between 31 December 2016 and 8 March 2017.

Shares in trust and shareholder dilution

At 31 December 2016, there were 113,299,984 shares held in employee share ownership trusts (ESOTs) for the purposes of collaterising some of the obligations under the Group's employee share incentive schemes. The usual strategy is to ensure that, with the exception of Black Economic Empowerment-related ESOTs, at least sufficient shares are held to satisfy restricted share/forfeitable shares awards. In calculating dilution limits, any awards that are satisfied by transfer of pre-existing issued shares (such as shares acquired by market purchase through ESOTs) and any shares comprised in any share option or share award that has lapsed or has been cash-settled are disregarded. At 31 December 2016, the Company had 4.58% of share capital available under the 5%-in-10-years limit applicable to discretionary share incentive schemes and 8.64% of share capital available under the 10%-in-10-years limit applicable to all share incentive schemes. The Company has complied with these limits at all times.

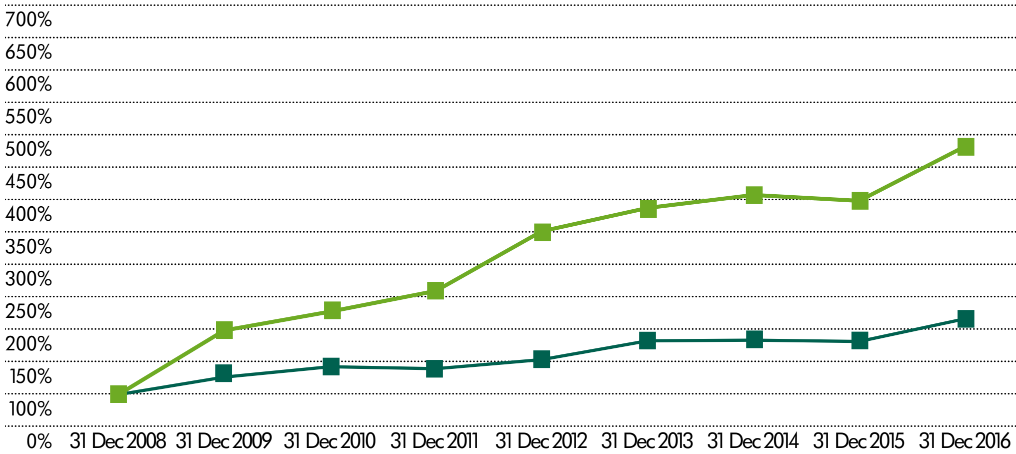
Performance graphs

The charts below show the Company's eight-year annual TSR performance against the FTSE 100 Index and JSE ALSI. These indices were selected because: (i) the Company is part of those indices; and (ii) due to the international structure and diversity of the Group's businesses, the two broad market indices shown are the only relevant market comparators available.

The charts show the value of TSR (assuming dividends reinvested) at each year end from 31 December 2008 to 31 December 2016 on £100/R100 invested in Old Mutual plc shares compared with the TSR (calculated on the same basis) on £100/R100 invested in the FTSE 100 Index and the JSE ALSI at the same dates.

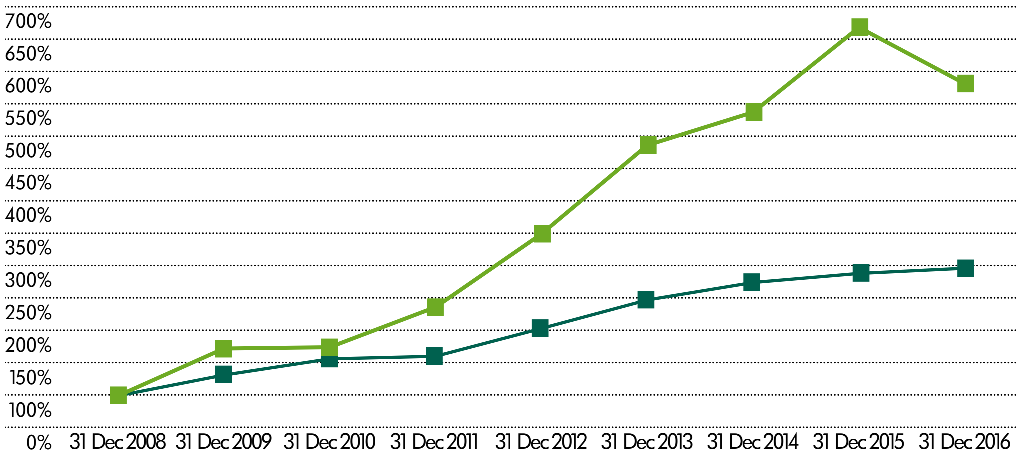
Old Mutual versus FTSE 100

Old Mutual (LSE)
FTSE 100



Old Mutual versus JSE ALSI

Old Mutual (JSE)
JSE ALSI



Source: Datastream

Group Chief Executive's remuneration over the last eight years

		2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Single figure	Julian Roberts	2,163	2,447	8,521	7,881	4,817	4,444	2,270	–
	Bruce Hemphill	–	–	–	–	–	–	4,811	2,480
STI payout against maximum opportunity	Julian Roberts	77%	98%	92%	88%	85%	79%	86.3%	–
	Bruce Hemphill	–	–	–	–	–	–	–	86.9%
LTI vesting against maximum opportunity	Julian Roberts	0%	0%	100%	80%	84%	69%	71.5%	48.9%
	Bruce Hemphill	–	–	–	–	–	–	–	–

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Percentage change in the remuneration of the Group Chief Executive

The table below shows the percentage change in the remuneration of the Group Chief Executive (from 2015 to 2016) compared to that for UK-based employees of the Old Mutual Group. The committee has selected employees in the UK, as the Group Chief Executive is employed in the UK and has a similar remuneration structure to those employees.

Element	Group Chief Executive % change	Average UK-based employee[1] % change
Base pay[2]	(2.7)%	2.1%
Taxable benefits[3]	(26.6)%	2.0%
STI[4]	0.8%	(1.9)%

1 UK-based employees excluding employees in Nedbank, Old Mutual Global Investors (UK) Limited and OMAM
2 Base pay is calculated using Julian Roberts' base pay for 10 months of 2015 and Bruce Hemphill's base pay for two months of 2015
3 Taxable benefits reflect the benefits paid to Julian Roberts and Bruce Hemphill in 2015 combined (excluding Bruce Hemphill's cost of relocation), compared to the taxable benefits paid to Bruce Hemphill in 2016
4 STI is based on 10 months of Julian Roberts' STI for 2015 plus two months of Bruce Hemphill's guaranteed STI for 2015 compared to the full STI payable to Bruce Hemphill in 2016.

Relative importance of spend on pay

The table below illustrates the Group's spend on pay compared with distributions to shareholders:

			Year-on-year change	
	2016 £m	2015 £m	£m	%
Dividends paid to ordinary equity holders	**426**	422	4	0.9
Dividends paid to Nedbank non-controlling interests	**132**	128	4	3.1
Dividends paid to OMAM non-controlling interests	**10**	7	3	42.9
Remuneration paid to all Group employees	**1,782**	1,634	148	6.0

Implementation of remuneration policy in 2017

The New Policy will be implemented in 2017 as follows:

Base pay

The table below shows the changes to base pay for 2017, which were below the average increase of 3.1% received by other employees in the plc Head Office. Other UK-based employees' review processes and outcomes will be reflected in the 'Percentage change in the remuneration of the Group Chief Executive' section of the Directors' Remuneration Report in 2017.

Executive director	**2017 £000**	2016 £000	% increase
Bruce Hemphill	**922.5**	900	2.5
Ingrid Johnson	**646**	630	2.5

STI
There has been no change to the maximum award of 150% of base pay payable to each of the executive directors or the metrics used to measure performance; however, the weighting of metrics for Ingrid Johnson has been changed so that there is a consistent weighting for both executive directors.

2016 structure – % of maximum STI

Executive director	Group financial targets (50% RoE and 50% EPS in constant currency)	Personal scorecard metrics
Bruce Hemphill	75%	25%
Ingrid Johnson	60%	40%

2017 structure – % of maximum STI

Executive director	Group financial targets (50% RoE and 50% EPS in constant currency)	Personal scorecard metrics
Bruce Hemphill	75%	25%
Ingrid Johnson	75%	25%

Downward adjustments – risk management
A potential downward adjustment of up to 5% will be applied based on the outcome of two risk-based metrics. Achievement of the target (or better) will result in no adjustment to the outcome; achievement at or below the threshold will result in a 5% downward adjustment to the outcome, with straight-line interpolation between threshold and target.

There will also be a qualitative risk assessment undertaken by the Group's Chief Risk Officer and endorsed by the Board Risk Committee, which will cover management of risk in relation to risk management policy and risk appetite limits, audit/governance reports and regulatory breaches. In addition, any financial performance not adequately reflected in the financial performance measures will be considered in this qualitative assessment. The committee has discretion to make an uncapped downward adjustment to the outcome of the STI in the event of any material risk management or financial underperformance issues.

LTI
Following the introduction of the MSIP, no further long-term incentive awards will be granted to the current executive directors.

2015 LTIP awards – Strategic objectives update
At the Company's General Meeting on 28 June 2016, shareholders approved a proposal for the committee to revise the strategic component of the 2015 LTIP awards to align with the managed separation strategy.

We have maintained the weighting of the strategic objective at 30% and have replaced the original strategic objective, which focused on: (i) In Africa, building a financial services champion; (ii) In the UK, building the leading retail investment business; and (iii) The delivery of our culture and responsible business objectives, and have replaced them with a single strategic objective (as set out below), linked to the progress made towards achieving managed separation as at the end of the 2015 LTIP performance period (31 December 2017). The committee has satisfied itself that the revised objective is not materially less difficult to achieve than the original objectives and is not detrimental to participants.

Execution of the managed separation (30%)
This performance condition is directly aligned with the execution of the managed separation strategy. An assessment of progress made towards the separation of the Group into four standalone businesses (including the elimination of plc costs) will be made in the judgement of the committee at the end of the plan performance period (31 December 2017), taking consideration of the key criteria of:

Appropriate capitalisation of the businesses – The managed separation shall set the businesses up for success, including being appropriately capitalised in relation to both regulatory requirements and local market competitiveness.

Quality of transaction execution – Quality assessment will reflect the balance of the key components of time, cost, risk and value:

— The time criteria will be considered with respect to certain transactions being critical to the future managed separation of other businesses. Also, the current Group structure contains inherent risks which will be mitigated once separation is achieved and therefore it is important to prioritise speed of execution
— The cost criteria will be assessed against both the expected reduction of continuing plc costs and the management of transaction costs (advisers, etc.) during the performance period. Lastly, these cost criteria also include the reduction in plc debt costs through the cost-effective management of plc debt
— The risk criteria include consideration of regulatory, reputational, investor and other non-financial impacts
— In addition, value will be considered in terms of whether the transaction was completed in a manner consistent with creating shareholder value over time.

DIRECTORS'
REMUNERATION REPORT
CONTINUED

Post-employment holding periods

The committee has chosen not to require executive directors to hold shares for a period after vesting or exercise, or after leaving the Group. However, the terms of the MSIP awards include a post-vesting holding period equal to 50% of the vested award (on a net of tax basis if applicable), in a form that will track shareholder experience post-separation of the Group, as closely as possible over the period, which might include a restriction on the ability of the executive to exercise 50% of the option during that one-year period.

Non-executive directors' fees

The annual fees payable to the Chairman and to the other non-executive directors in 2016 and 2017, by role, are set out below. An explanation of the increase to non-executive directors' fees is set out in the Corporate Governance Report.

Role	**2017 £**	2016 £
Chairman	**400,000**	380,000
Senior Independent Director	**20,000**	17,500
Board fee	**66,000**	60,000
Chairman of the Board Risk Committee	**40,000**	30,000
Member of the Board Risk Committee	**15,000**	10,000
Chairman of the Group Audit Committee	**40,000**	30,000
Member of the Group Audit Committee	**15,000**	10,000
Member of the Nomination and Governance Committee	**8,500**	7,000
Chairman of the Remuneration Committee	**40,000**	30,000
Member of the Remuneration Committee	**15,000**	10,000
Average payment per non-executive director (excluding the Chairman) based on the Board and Board committee structure in place at 31 December 2016	**101,000**	86,000

Solvency II

From 1 January 2016, certain parts of the Group were required to comply with the remuneration requirements of Solvency II. The parts of the Group specifically impacted are Old Mutual plc, OMW and OMEM. The committee, along with the Company's Management Remuneration Committee, oversees that all relevant businesses in the Group are compliant with the Solvency II remuneration requirements. A total of 42 Material Risk Takers have been identified.

Consideration by the directors of matters relating to directors' remuneration

Committee meetings and members

The following, all of whom are or were at the relevant time independent non-executive directors of the Company, served as members of the committee during the year:

Non-executive director	Position	Period on the committee	Meetings attended	Meetings not attended
Danuta Gray	Chairman	March 2013 to date (Chairman since May 2014)	11	–
Zoe Cruz	Member	January 2014 to date	11	–
Alan Gillespie	Member	November 2010 to date (Chairman from May 2013 to May 2014)	10	1
Roger Marshall	Member	May 2013 to date	11	–
Nkosana Moyo	Member	January 2014 to date	7	4

The committee Chairman has access to and regular contact with the Group Human Resources Department independently of the executive directors. During 2016, the committee met 11 times. The Board accepted the recommendations made by the committee during the year without amendment. Paul Forsythe, Deputy Group Company Secretary, acted as secretary to the committee.

Advisers to the committee

A review of the committee's independent adviser was undertaken in 2014 and, following a competitive tender process, the committee appointed PwC as its independent adviser. PwC provides wide-ranging advice and services across the Group on matters including transactions, tax, internal audit and IT security. In its capacity as adviser to the committee, PwC works with management to prepare recommendations for the committee's consideration and provides advice to the committee on benchmarking of total remuneration packages for the executive directors and other senior employees, the design of short-term and long-term incentive arrangements (including for employees of subsidiary companies), updating the committee on corporate governance best practice, advice in relation to the measurement of performance for incentive purposes and other matters within the committee's terms of reference. PwC also provides advice to management on remuneration matters. The committee undertakes a review of the advice it receives to assess whether it is objective and independent; it also satisfies itself that there are no conflicts of interest arising between it, the advisers and the Company. PwC is a signatory to the Remuneration Consultants' Group Code of Conduct. Work undertaken by PwC for the committee is charged on a time basis and for 2016 was £209,699 (2015: £208,991) excluding VAT.

Ian Luke, Don Schneider and Rex Tomlinson assisted the committee during the year. Group Human Resources provided supporting materials for matters that came before the committee, including comparative data and justifications for proposed base pay, benefits, annual incentive plans, share awards and criteria for performance targets and appraisals against those targets. Patrick O'Sullivan, Bruce Hemphill, and Sue Kean, the Group's Chief Risk Officer, gave advice to the committee in assessing the performance of the Group Chief Executive, other members of the plc Executive Committee and business CEOs, and the assessment of risk, respectively.

Voting at General Meetings

The voting results at AGMs and GMs on resolutions relating to our Directors' Remuneration Reports, the Directors' Remuneration Policy, and other remuneration-related resolutions over the last three years were as follows:

Year of report	Type	Date of AGM/GM	Votes for	Votes for %	Votes against	Votes against %	Total votes cast (excluding votes withheld)	Votes withheld
2015	Directors' Remuneration Report	28 June 2016	3,345,897,363	93.17	245,393,581	6.83	3,591,290,944	10,467,799
	New Policy	28 June 2016	2,933,954,378	81.71	656,580,062	18.29	3,590,534,440	25,437,978
	Adoption of the Managed Separation Incentive Plan	28 June 2016	2,909,574,894	81.11	677,784,311	18.89	3,587,359,205	28,613,213
2014	Directors' Remuneration Report	14 May 2015	3,166,003,379	94.21	194,559,265	5.79	3,360,562,644	11,506,850
2013	Directors' Remuneration Policy	15 May 2014	3,280,532,172	97.17	95,664,621	2.83	3,376,196,793	27,097,233
	Directors' Remuneration Report	15 May 2014	3,253,282,521	97.04	99,343,587	2.96	3,352,626,108	50,669,930

The committee is mindful that a significant minority of shareholders had concerns about the New Policy and is committed to operating the New Policy and the MSIP in a transparent and responsible manner, monitoring progress relative to the balancing criteria of time, cost, risk and value.

Consideration of shareholder views

In developing the revised New Policy and the MSIP, we consulted with our largest shareholders and also shared a substantial amount of information about the proposals with major shareholder representative bodies in the UK such as ISS and the Investment Association. The feedback received during the consultation period was reflected in the New Policy and the design of the MSIP.

Financial statements

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GROUP FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

— Select suitable accounting policies and then apply them consistently
— Make judgements and estimates that are reasonable and prudent
— State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
— Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

— The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
— The strategic report includes a fair review of the development and performance of the business and the position of Old Mutual plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

8 March 2017

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY

For year ended 31 December 2016

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Old Mutual plc for the year ended 31 December 2016, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes which include the reconciliation of adjusted operating profit to profit after tax. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as discussed below.

(a) Policyholder liabilities £88,063 million (2015: £75,909 million), Long-term insurance policyholder liabilities £9,982 million (2015: £7,714 million) Risk vs 2015: ◂▸

Refer to page 91 (Group Audit Committee Report), pages 220 to 223 (accounting policy) and the disclosures in notes A3, E and G6 to the financial statements.

- **The risk** – Within the life businesses in Emerging Markets and Old Mutual Wealth, judgement is required over the variety of uncertain future outcomes affecting policyholder liabilities, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions, such as expense, tax assumptions, mortality and persistency and the policy for creating and releasing discretionary margins held.
- **Our response** – Our procedures included testing the design, implementation and operating effectiveness of key controls over the measurement and management of the Group's calculation of insurance liabilities and evaluating the appropriateness of methodologies and assumptions used. We involved our own internal actuarial specialists to assist us in challenging certain assumptions used and the process followed for setting and updating these assumptions, particularly around investment return, discount rates, tax, mortality and persistency assumptions. This included assessing the data used in management's analysis prepared to set the assumptions, in the context of our own industry knowledge, external data and our views of experience to date, an understanding of which was enhanced through our attendance at the Group's own internal Independent Review Committee meetings. We also assessed whether the disclosures made relating to the long-term policyholder liabilities is consistent with IFRS and with the methodologies applied by management.

(b) Loans and advances £44,237 million (2015: £31,724 million), provisions for impairment £1,129 million (2015: £759 million) Risk vs 2015: ◂▸

Refer to page 91 (Group Audit Committee Report), pages 211 and 275 to 279 (accounting policy) and the disclosures in notes A3, E and G1 to the financial statements

- **The risk** – The banking divisions' loans and advances impairment assessment requires judgement and subjective assumptions, particularly the estimated stream of future cash flows and credit losses on the unsecured and commercial lending portfolios at Nedbank and Old Mutual Finance within Emerging Markets.
- **Our response** – Our procedures included testing the design, implementation and operating effectiveness of key controls over the loan approval, administration and monitoring processes. We involved our own internal credit specialists to assist us in assessing significant impairment models employed by the Group and comparing the Group's assumptions to externally available data in relation to key inputs such as historical default rates, recovery rates, collateral valuation, and economic growth rates. We also performed detailed testing over the specific provisions held against a sample of loans and advances, by inspecting latest correspondence and Credit Committee minutes, challenging assumptions where relevant and assessing collateral values. We also attended the key Nedbank Credit Committee meetings. We also assessed whether the disclosures made relating to loan loss provisioning is consistent with IFRS and with the methodologies applied by management.

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY CONTINUED

(c) Goodwill and intangibles £2,471 million (2015: £3,276 million) Risk vs 2015: ◄►

Refer to page 91 (Group Audit Committee Report), pages 236 to 237 (accounting policy) and the disclosures in notes A3 and H1 to the financial statements.

— **The risk** – Goodwill and intangible assets (both acquired and internally generated) represent 1.4% of total assets of the Group and the determination of their recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows, discount rate and growth rate applied in the value-in-use valuation models.

— **Our response** – Our procedures included challenging the cash flow forecasts and the corresponding assumptions, such as discount rates and growth rates based on our understanding of the relevant business and the industry and economic environment in which it operates. We performed sensitivity analyses on the key assumptions in Old Mutual Wealth and the OMSEA cash generating unit in Emerging Markets. We compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting and considered the appropriateness of the scenarios used, in the context of our wider business understanding. Our Emerging Markets component team involved their own valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group, in particular those relating to discount rates, and growth rates, with reference to our own independent expectations, which were based on our industry knowledge and experience. For all of the risk areas set out above, we assessed whether the Group's disclosures about the sensitivity of the relevant financial statement items to changes in the respective key assumptions appropriately reflect the associated risks and comply with the requirements of relevant accounting standards.

(d) Investments and securities £100,533 million (2015: £84,019 million) Risk vs 2015: ▲

Refer to page 91 (Group Audit Committee Report), pages 275 to 279 (accounting policy) and the disclosures in notes E and G2 to the financial statements.

— **The risk** – We do not consider investment and securities to include a high risk of significant misstatement, or to be subject to a significant level of judgment. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit. The determination of the fair value of certain financial instruments, held at fair value, is a key source of estimation uncertainty. This applies to both individual financial instruments and also to portfolio valuation adjustments. At 31 December 2016, investments and securities at fair value through profit or loss represented 56% (2015: 60%) of total assets, and available-for-sale assets represented 0.6% (2015: 0.5%) of total assets. The estimation uncertainty is higher for those instruments that are classified as level 3 instruments under IFRS 13: Fair Value Measurement, as significant elements of the valuation are not observable. Of the financial instruments carried at fair value, 1.5% (2015: 1.5%) were classified as level 3.

— **Our response** – At 31 December 2016, level 1 and level 2 instruments primarily comprise listed equity and debt securities and unlisted equity and debt securities respectively. We selected a sample of these instruments and checked their prices or other observable inputs to independent sources. At 31 December 2016, level 3 instruments primarily comprise unlisted private equity investments and investment securities. We used our valuation specialists to challenge the key inputs and assumptions such as estimated cash flows and discount rates which drive the valuation, and to critically assess the valuation methodologies against current market best practice.

We considered sensitivities to key factors including:
- Assessing the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; and
- Assessing the reasonableness of the cash flows and discount rates used by comparing them to similar instruments.

We assessed whether the Group's disclosures including the description of the fair value measurement process and the sensitivity to key inputs appropriately reflects the Group's exposure to financial instruments valuation risk.

(e) Investments in associated undertakings and joint ventures £542 million (2015: £514 million), Investment in Ecobank Transnational Incorporated £235 million (2015: £342 million) Risk vs 2015: ▲

Refer to page 91 (Group Audit Committee Report), pages 250 to 251 (accounting policy) and the disclosures in note I2 to the financial statements.

— **The risk** – As at 31 December 2016 the Group has a 21.2 % investment in Ecobank Transnational Inc (ETI), an associate undertakings at a value of £235 million at year end (2015: £342 million). With volatility in the global financial markets and the lack of observable liquid market inputs, the difficulty in determining appropriate valuations has increased and consequently our assessment of the valuation risk over the investment in ETI has increased in the current year, and has therefore been included within this audit report for the first time. The investment in ETI is assessed for impairment at least annually by management, by reference to the higher of the fair value and the value in use of the investment. The fair value of the investment is based on the share price, which is affected by illiquidity in the Nigerian stock exchange. The value in use is highly sensitive to estimated future cash flows from the ETI investment, discount rate and long-term growth rate.

— **Our response** – Regarding the value in use (VIU) valuation, our procedures included assessing the historical accuracy of the Group's forecasting. Using our own internal valuation specialists, we independently calculated a range of VIU amounts and compared our independently calculated impairment range to the impairment processed by management.

In arriving at our range:

- We independently challenged the future cash flows prepared by the Directors by assessing whether they included all known factors and relevant data sources to arrive at the cash flows
- We independently calculated an appropriate discount rate range taking into account current economic conditions in the West African region as well as factors specific to ETI's financial performance and future prospects. We factored into our discount rate calculation the execution risk associated with ETI management's business strategy which was used as a basis for the future cash flows; and
- We used our professional judgement to determine an appropriate long-term growth rate taking into account market available information on growth rates (published by external reputable market participants and external analysts)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £69 million (2015: £84 million), determined with reference to a benchmark of normalised Group profit before taxation of £1,667 million (2015: £1,663 million). As detailed in note C1 in the Group financial statements, this represents the Group's earnings before taxation from continuing operations adjusted for the following items:

— The effects of short-term market volatility such as short-term fluctuations in investment return
— The impact of strategic choices and inorganic activity such as goodwill impairment, the impact of acquisition accounting and net profit/loss on disposal of subsidiaries, associated undertakings and strategic investments; and
— The impact of significant one-off investments in organic growth.

The Group is in the process of executing a managed separation into four independent businesses and at an appropriate point in the future, the Group, in its current structure, will no longer exist. We have not identified risks of material misstatement arising from the execution of managed separation for the audit of the financial statements the year ended 31 December 2016 however we consider the impact of managed separation in assessing our materiality. Materiality represents 4.1% (2015: 5%) of normalised Group profit before tax. Materiality was reassessed on a regular basis and this reassessment considered the impact of the execution of the managed separation of the Group on its normalised Group profit before taxation.

We reported to the Group Audit Committee any corrected and uncorrected identified misstatements exceeding £3.4 million (2015: £4 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Each of the Group's six business units, being Emerging Markets, Old Mutual Wealth, Nedbank, Institutional Asset Management, Old Mutual Bermuda and plc Head Office businesses, were subjected to audits for Group reporting purposes. The component audit teams at each of the business units undertook their own scoping exercises, with oversight from the Group team, to gain sufficient audit coverage to support their own reporting to the Group team. The component teams performed procedures on those items excluded from normalised Group profit before tax. The components scoped in for Group reporting purposes accounted for 100% of total Group revenues; 100% of Group profit before tax; and 100% of Group total assets.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved each component materiality, which ranged from £20 million to £45 million (2015: £30 million to £50 million), having regard to the mix of size and risk profile of the Group across the components. Given the increased aggregation risk attributable to the Group's change in strategy, component materiality across the components was reduced.

To support the audit instructions sent to our component teams, the Group audit team visited three (2015: five) component locations in South Africa and elsewhere in the UK and has met one component from the US in the UK for planning and risk assessment meetings. The Group audit team maintained regular communication with the auditors at these locations throughout the audit cycle to discuss work progress and identify matters of relevance to our audit of the Group financial statements. At these visits and meetings, the status of any issues being reported to the Group audit team was discussed in detail, and any further work required by the Group audit team was then performed by the component auditor. The Senior Statutory Auditor, in conjunction with other senior staff in the Group audit team, also attended Audit Committee meetings held at the significant components to understand key risks and audit issues at a component level which may affect the Group financial statements.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

— The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
— The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

— We have not identified material misstatements in those reports; and
— In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

GROUP FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLD MUTUAL PLC ONLY CONTINUED

5. We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

— The Directors' viability statement on pages 101 to 102, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
— The disclosures in note A1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

— We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
— The Group Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

— Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
— The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
— Certain disclosures of Directors' remuneration specified by law are not made; or
— We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

— The Directors' statements, set out on pages 100 and 102, in relation to going concern and longer-term viability; and
— The part of the Corporate Governance Statement relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 142, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Jonathan Holt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

8 March 2017

GROUP FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016 £m

	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015 (Restated)[1]
Revenue			
Gross earned premiums	B2	**3,868**	3,589
Outward reinsurance		**(398)**	(335)
Net earned premiums		**3,470**	3,254
Investment return (non-banking)	D2	**8,325**	3,805
Banking interest and similar income	D3	**3,906**	3,320
Banking trading, investment and similar income	D4	**255**	213
Fee and commission income, and income from service activities	D5	**2,636**	2,536
Other income		**104**	79
Total revenue		**18,696**	13,207
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(3,682)**	(3,450)
Reinsurance recoveries		**391**	279
Net claims and benefits incurred		**(3,291)**	(3,171)
Change in investment contract liabilities		**(6,216)**	(2,203)
Credit impairment charges	G1(d)	**(272)**	(307)
Finance costs	D6	**(128)**	(47)
Banking interest payable and similar expenses	D7	**(2,401)**	(1,924)
Fee and commission expenses, and other acquisition costs	D8	**(745)**	(765)
Change in third-party interest in consolidated funds		**(691)**	(226)
Other operating and administrative expenses	D9	**(3,741)**	(3,385)
Total expenses		**(17,485)**	(12,028)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	**4**	59
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**1**	(37)
Profit before tax		**1,216**	1,201
Income tax expense	D1	**(475)**	(347)
Profit from continuing operations after tax		**741**	854
Discontinued operations			
Profit from discontinued operations after tax	K1(a)	**104**	70
Profit after tax for the financial year		**845**	924
Attributable to			
Equity holders of the parent		**570**	614
Non-controlling interests			
Ordinary shares	H10(a)(i)	**253**	291
Preferred securities	H10(a)(ii)	**22**	19
Profit after tax for the financial year		**845**	924
Earnings per ordinary share			
Basic earnings per share based on profit from continuing operations (pence)		**10.4**	11.7
Basic earnings per share based on profit from discontinued operations (pence)		**1.5**	1.0
Basic earnings per ordinary share (pence)	C2(a)	**11.9**	12.7
Diluted basic earnings per share based on profit from continuing operations (pence)		**10.1**	11.2
Diluted basic earnings per share based on profit from discontinued operations (pence)		**1.5**	1.0
Diluted basic earnings per ordinary share (pence)	C2(b)	**11.6**	12.2
Weighted average number of ordinary shares (millions)	C2(a)	**4,686**	4,641

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 (Restated)[1] £m
Profit after tax for the financial year		**845**	924
Other comprehensive income for the financial year			
Items that will not be reclassified subsequently to profit or loss			
Fair value movements			
Property revaluation		**7**	18
Measurement (losses)/gains on defined benefit plans		**(27)**	20
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	**8**	(4)
		(12)	34
Items that may be reclassified subsequently to profit or loss			
Fair value movements			
Net investment hedge		**(104)**	13
Available-for-sale investments			
Fair value losses		**(5)**	(7)
Recycled to profit or loss		**–**	(5)
Exchange difference recycled to profit or loss on disposal of foreign operations		**–**	(71)
Shadow accounting		**(7)**	(10)
Currency translation differences on translating foreign operations		**1,904**	(1,107)
Other movements		**(23)**	(28)
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	**8**	–
		1,773	(1,215)
Total other comprehensive income for the financial year from continuing operations		**1,761**	(1,181)
Total other comprehensive income for the financial year from discontinued operations	K1(b)	**(3)**	5
Total other comprehensive income for the financial year		**1,758**	(1,176)
Total comprehensive income for the financial year		**2,603**	(252)
Attributable to			
Equity holders of the parent		**1,803**	(232)
Non-controlling interests			
Ordinary shares		**778**	(39)
Preferred securities		**22**	19
Total comprehensive income for the financial year		**2,603**	(252)

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

GROUP FINANCIAL STATEMENTS
RECONCILIATION OF ADJUSTED OPERATING PROFIT TO PROFIT AFTER TAX

For the year ended 31 December 2016 £m

	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
Core operations			
Emerging Markets	B3	**619**	615
Nedbank	B3	**799**	754
Old Mutual Wealth	B3	**260**	307
Institutional Asset Management	B3	**141**	149
		1,819	1,825
Old Mutual plc finance costs		**(88)**	(83)
Long-term investment return on excess assets		**20**	21
Corporate costs		**(60)**	(57)
Other net shareholder income/(expenses)		**(24)**	(43)
Adjusted operating profit before tax	B3	**1,667**	1,663
Adjusting items	C1(a)	**(457)**	(344)
Non-core operations	B3	**(5)**	(31)
Profit before tax (net of policyholder tax)		**1,205**	1,288
Income tax attributable to policyholder returns		**144**	31
Profit before tax		**1,349**	1,319
Total tax expense	D1(a)	**(504)**	(374)
Profit from continuing operations and Institutional Asset Management after tax		**845**	945
Loss from discontinued operations after tax		**–**	(21)
Profit after tax for the financial year		**845**	924

Adjusted operating profit after tax attributable to ordinary equity holders of the parent

£m

	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
Adjusted operating profit before tax	B3	**1,667**	1,663
Tax on adjusted operating profit	D1(d)	**(398)**	(403)
Adjusted operating profit after tax		**1,269**	1,260
Non-controlling interests – ordinary shares	H10(a)(iii)	**(319)**	(310)
Non-controlling interests – preferred securities	H10(a)(ii)	**(22)**	(19)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	B3	**928**	931
Adjusted weighted average number of shares (millions)	C2(a)	**4,773**	4,813
Adjusted operating earnings per share (pence)	C2(c)	**19.4**	19.3

GROUP FINANCIAL STATEMENTS
RECONCILIATION OF ADJUSTED OPERATING PROFIT TO PROFIT AFTER TAX CONTINUED

Reconciliation of profit from continuing operations after tax and profit from discontinued operations after tax

	Notes	**Year ended 31 December 2016** £m	Year ended 31 December 2015 £m
Profit before tax as presented in the reconciliation of adjusted operating profit to profit after tax		**1,349**	1,319
Profit before tax from discontinued operations (included in adjusted operating profit)	K1(a)	**(133)**	(118)
Profit before tax in the consolidated income statement		**1,216**	1,201
Total tax expense as presented in the reconciliation of adjusted operating profit to profit after tax		**(504)**	(374)
Less income tax expense from discontinued operations (included in adjusted operating profit)	K1(a)	**29**	27
Income tax expense	D1(a)	**(475)**	(347)
Profit from continuing operations after tax		**741**	854
Loss from discontinued operations after tax as presented in the reconciliation of adjusted operating profit to profit after tax		**–**	(21)
Profit from discontinued operations after tax included in reconciliation of adjusted operating profit to profit after tax	K1(a)	**104**	91
Profit from discontinued operations after tax		**104**	70

Basis of preparation of adjusted operating profit (AOP)
Purpose of AOP
Adjusted operating profit (AOP) is an Alternative Profit Measure used alongside basic IFRS profit to assess underlying business performance. It is a non-IFRS measure of profitability that reflects the Directors' view of the underlying long-term performance of the Group. The calculation of AOP adjusts basic IFRS profit for a number of items as detailed in note C1.

AOP is one of the bases by which operational performance is monitored and managed, similarly it is one of a range of measures by which management performance is assessed. Further detail of the performance measures applied in determining management remuneration is available in the remuneration report in pages 104 to 139 of the Annual Report.

The adjusting items applied in calculating AOP seek to remove the impact of strategic activities; short-term valuation movements; IFRS accounting treatments that are not reflective of the operating activity; and non-operating items. Due to the long-term nature of the majority of the Group's business, management believes that AOP is an appropriate alternative basis by which to assess the underlying operating results of these businesses and the Group as a whole and that it enhances the comparability and understanding of the financial performance of the Group.

The Group Audit Committee regularly reviews the use of determining AOP to confirm that it remains an appropriate basis on which to analyse the operating performance of the businesses. The Committee assesses refinements to the policy on a case-by-case basis, however where possible the Group seeks to minimise such changes in order to maintain consistency over time.

Scope of businesses included in AOP
AOP excludes the results of non-core operations, Old Mutual Bermuda, as these are not reflective of the underlying long-term operating performance of the Group. Refer to note B1 for further information on the basis of segmentation.

For the year ended 31 December 2016, the results of operating segments that were classified as held for sale and discontinued operations for IFRS reporting have been included in the determination of AOP. This is a change in the AOP policy compared to policy applied in respect of previously disposed operating segments, such as US Life during 2010 and Nordic during 2011. As a result, the results of OM Asset Management plc (OMAM) have been included in AOP. In the context of the current strategy, the Directors believe the inclusion of these results will assist with the comparability of year-on-year performance of the core operations as the Group implements its managed separation strategy.

Adjustments to profit

For all core businesses, AOP includes a number of adjustments intended to remove the impact of strategic activities. These include the exclusion of the impairment of goodwill, the impact of accounting for intangible assets acquired in a business combination, costs related to completed acquisitions, and the profit or loss on disposal of subsidiaries (note C1(b) and C1(c)). The definition of adjusting items was refined during 2016 to exclude the impairment of investments in associated undertakings (note C1(b)). Management is of the opinion that these impairments of strategic investments are not reflective of the long-term underlying operating performance of the Group.

AOP is based on a long-term shareholder investment return for the life assurance and property & casualty businesses, which eliminates the short-term volatility movements in the value of shareholder assets (note C1(d)). Other short-term valuation movements excluded from AOP include fair value profits or losses on Group debt instruments (note C1(h)) and the revaluations of put options related to long-term incentive schemes (note C1(g)).

The impacts of accounting treatments that are not reflective of the underlying operating performance of the business are excluded from the determination of AOP. These adjustments relate to the inclusion of dividends declared to holders of perpetual preferred callable securities (note C1(f)), and the inclusion of returns on investments held by life funds in Group equity and debt instruments (note C1(e)).

Costs related to the development of the new Old Mutual Wealth platform capability and outsourcing of UK business administration are excluded from AOP as management is of the view that this long-term investment in operational capability is a non-operating item (note C1(i)).

Adjusted Operating Profit per share

Adjusted operating earnings applied in the calculation of adjusted operating earnings per share is calculated based on AOP after tax and non-controlling interests. It is adjusted to exclude income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016	Notes	At 31 December 2016	At 31 December 2015 (Restated)[1]
			£m
Assets			
Goodwill and other intangible assets	H1	**2,471**	3,276
Mandatory reserve deposits with central banks		**1,111**	716
Property, plant and equipment	H2(a)	**892**	700
Investment property	H2(b)	**1,697**	1,233
Deferred tax assets	H7	**96**	284
Investments in associated undertakings and joint ventures	I2	**542**	514
Deferred acquisition costs	H3	**756**	784
Reinsurers' share of policyholder liabilities	G6	**3,115**	2,661
Loans and advances	G1	**43,108**	30,965
Investments and securities	G2	**100,533**	84,019
Current tax receivable		**74**	88
Trade, other receivables and other assets	H4	**2,416**	1,947
Derivative financial instruments	G4	**1,340**	3,076
Cash and cash equivalents		**4,847**	4,411
Assets held for sale	K2	**8,570**	123
Total assets		**171,568**	134,797
Liabilities			
Long-term business insurance policyholder liabilities	G6	**9,982**	7,714
Investment contract liabilities	G6	**77,599**	67,854
Property & casualty liabilities	G6	**482**	341
Third-party interests in consolidated funds		**7,981**	5,948
Borrowed funds	G7	**4,694**	3,524
Provisions and accruals	H5	**160**	199
Deferred revenue	H6	**290**	274
Deferred tax liabilities	H7	**440**	417
Current tax payable		**144**	186
Trade, other payables and other liabilities	H8	**5,112**	3,749
Amounts owed to bank depositors	G8	**45,309**	32,328
Derivative financial instruments	G4	**1,161**	3,317
Liabilities held for sale	K2	**7,046**	12
Total liabilities		**160,400**	125,863
Net assets		**11,168**	8,934
Shareholders' equity			
Equity attributable to equity holders of the parent		**8,054**	6,680
Non-controlling interests			
Ordinary shares	H10(b)(i)	**2,773**	1,982
Preferred securities	H10(b)(ii)	**341**	272
Total non-controlling interests		**3,114**	2,254
Total equity		**11,168**	8,934

1 The comparative information for 2015 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.

The consolidated financial statements on pages 147 to 308 were approved by the Board of directors on 8 March 2017.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 £m

	Notes	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)[1]
Cash flows from operating activities			
Profit before tax		**1,216**	1,201
Non-cash movements in profit before tax		**3,620**	4,157
Net changes in working capital		**416**	695
Taxation paid		**(468)**	(389)
Net cash inflow from operating activities – continuing operations		**4,784**	5,664
Cash flows from investing activities			
Net acquisitions of financial investments		**(4,374)**	(5,006)
Acquisition of investment properties		**(83)**	(146)
Proceeds from disposal of investment properties		**8**	41
Dividends received from associated undertakings		**9**	2
Acquisition of property, plant and equipment		**(119)**	(142)
Proceeds from disposal of property, plant and equipment		**6**	7
Acquisition of intangible assets		**(141)**	(102)
Acquisition of interests in subsidiaries, associated undertakings joint ventures and strategic investments[2]		**(121)**	(796)
Disposal of a non-controlling interest in OM Asset Management plc		**165**	163
Proceeds from the disposal of interests in subsidiaries, associated undertakings joint ventures and strategic investments		**29**	88
Net cash outflow from investing activities – continuing operations		**(4,621)**	(5,891)
Cash flows from financing activities			
Dividends paid to			
Ordinary equity holders of the Company		**(426)**	(422)
Non-controlling interests and preferred security interests		**(178)**	(183)
Interest paid (excluding banking interest paid)		**(69)**	(51)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)		**2**	2
Net acquisition of treasury shares – ordinary shares		**(33)**	(19)
Sale of shares held by BEE trusts		**–**	175
Proceeds from issue of preferred equity		**95**	–
Acquisition of treasury shares – preferred equity		**(26)**	–
Proceeds from issue of subordinated and other debt		**809**	1,595
Subordinated and other debt repaid		**(492)**	(750)
Net cash (outflow)/inflow from financing activities – continuing operations		**(318)**	347
Net (decrease)/increase in cash and cash equivalents – continuing operations		**(155)**	120
Net increase/(decrease) in cash and cash equivalents – discontinued operations	K1(c)	**45**	(13)
Effects of exchange rate changes on cash and cash equivalents		**1,018**	(746)
Cash and cash equivalents at beginning of the year		**5,147**	5,786
Cash and cash equivalents at end of the year		**6,055**	5,147
Consisting of			
Cash and cash equivalents		**4,847**	4,411
Mandatory reserve deposits with central banks		**1,111**	716
Cash and cash equivalents included in assets held for sale		**97**	20
Total		**6,055**	5,147

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

2 Of the Acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments, £9 million relates to the acquisition of subsidiaries as described in note K2 except for the acquisition of Landmark Partners, £167m, which is included within Net increase in cash and cash equivalents – discontinued operations. The £9 million is calculated net of cash acquired. The remainder, £112 million, relates to the acquisition of associated undertakings, joint ventures and strategic investments.

Cash and cash equivalents in the cash flow statement above include mandatory reserve deposits, in line with market practice in South Africa. Except for mandatory reserve deposits with central banks of £1,111 million (December 2015: £716 million) and cash and cash equivalents subject to consolidation of funds of £976 million (December 2015: £1,534 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve
Shareholders' equity at beginning of the year		**4,929**	**563**	**1,040**	**1,252**
Total comprehensive income for the financial year					
Profit after tax for the financial year		–	–	–	–
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains/(losses)					
Property revaluation		–	–	–	–
Measurement loss on defined benefit plans		–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	–	–	–	–
		–	–	–	–
Items that may be reclassified subsequently to profit or loss					
Fair value gains/(losses)					
Net investment hedge		–	–	–	–
Available-for-sale investments					
Fair value (losses)/gains[1]		–	–	–	–
Recycled to profit or loss		–	–	–	–
Shadow accounting		–	–	–	–
Currency translation differences on translating foreign operations[1]		–	–	–	–
Other movements		–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	–	–	–	–
Total comprehensive income for the financial year		–	–	–	–
Transactions with the owners of the Company					
Contributions and distributions					
Dividends for the year	C3	–	–	–	–
Tax relief on dividends paid		–	–	–	–
Equity share-based payment transactions		–	–	–	–
OM Asset Management plc shares buyback		–	–	–	–
Additional tier 1 capital instruments issued[3]		–	–	–	–
Preferred securities repurchased[4]		–	–	–	–
Other movements in share capital		1	–	2	–
Total contributions and distributions		1	–	2	–
Changes in ownership					
Share of movement in associate reserves		–	–	–	–
Acquisition of shareholding in Banco Unico, SA		–	–	–	–
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–
Change in participation in subsidiaries		–	–	–	–
Total changes in ownership		–	–	–	–
Total transactions with the owners of the Company		1	–	2	–
Shareholders' equity at end of the year		**4,930**	**563**	**1,042**	**1,252**

1 Included in other reserves is a gain of £1 million relating to Economic Transactional Incorporated (ETI) available-for-sale reserve.
2 Retained earnings were reduced in respect of own shares held in policyholder's funds, ESOP trusts, Black Economic Empowerment trusts and other undertakings at 31 December 2016 by £305 million (2015: £243 million).
3 On 20 May 2016, Nedbank issued a R1,500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 7.0% with a call date of 21 May 2021. On 25 November 2016, Nedbank issued a R500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 6.3% with a call date of 26 November 2021. In line with regulations and subject to regulatory approval, these instruments are callable only at the option of the issuer on May 2021 and any interest payment date thereafter.
4 During the year, preference shares with a carrying value of £26 million were purchased by a subsidiary of Nedbank and were classified as treasury shares.

£m

Available-for-sale reserve[1]	Property revaluation reserve	Share-based payments reserve	Other reserves[1]	Foreign currency translation reserve	Retained earnings[2]	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
40	184	367	30	(2,243)	5,174	273	6,680	2,254	8,934
–	–	–	–	–	556	14	570	275	845
–	7	–	–	–	(1)	–	6	1	7
–	–	–	–	–	(18)	–	(18)	(9)	(27)
–	–	–	–	–	5	–	5	3	8
–	7	–	–	–	(14)	–	(7)	(5)	(12)
–	–	–	–	(104)	–	–	(104)	–	(104)
(5)	–	–	–	–	2	–	(3)	(2)	(5)
–	–	–	–	–	–	–	–	–	–
–	(7)	–	–	–	–	–	(7)	–	(7)
–	–	–	–	1,365	–	–	1,365	536	1,901
1	(2)	–	(12)	–	(4)	–	(17)	(6)	(23)
2	–	4	–	–	–	–	6	2	8
(2)	(2)	4	(12)	1,261	540	14	1,803	800	2,603
–	–	–	–	–	(426)	(17)	(443)	(171)	(614)
–	–	–	–	–	–	3	3	–	3
–	–	38	–	–	(4)	–	34	5	39
–	–	–	–	–	(8)	–	(8)	(3)	(11)
–	–	–	–	–	–	–	–	95	95
–	–	–	–	–	–	–	–	(26)	(26)
–	–	–	–	–	(35)	–	(33)	–	(33)
–	–	38	–	–	(473)	(14)	(447)	(100)	(547)
–	–	–	(1)	–	–	–	(1)	–	(1)
–	–	–	–	(1)	(6)	–	(7)	7	–
–	–	–	–	(25)	38	–	13	153	166
–	–	–	–	–	13	–	13	–	13
–	–	–	(1)	(26)	45	–	18	160	178
–	–	38	(1)	(26)	(428)	(14)	(429)	60	(369)
38	182	409	17	(1,008)	5,286	273	8,054	3,114	11,168

GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

For the year ended 31 December 2015		Millions			
	Notes	Number of shares issued and fully paid	Share capital	Share premium	Merger reserve
Shareholders' equity at beginning of the year		4,907	561	856	1,342
Total comprehensive income for the financial year					
Profit after tax for the financial year		–	–	–	–
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains					
Property revaluation		–	–	–	–
Measurement gains on defined benefit plans		–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	–	–	–	–
		–	–	–	–
Items that may be reclassified subsequently to profit or loss					
Fair value gains/(losses)					
Net investment hedge		–	–	–	–
Available-for-sale investments					
Fair value gains		–	–	–	–
Recycled to profit or loss		–	–	–	–
Exchange differences recycled to profit or loss on disposal of business		–	–	–	–
Shadow accounting		–	–	–	–
Currency translation differences on translating foreign operations		–	–	–	–
Other movements		–	–	–	–
Total comprehensive income for the financial year		–	–	–	–
Transactions with the owners of the Company					
Contributions and distributions					
Dividends for the year	C3	–	–	–	–
Tax relief on dividends paid		–	–	–	–
Equity share-based payment transactions		–	–	–	–
Proceeds from BEE transactions		–	–	141	–
Merger reserve released		–	–	–	(90)
Preferred securities repurchased		–	–	–	–
Other movements in share capital		3	–	3	–
Total contributions and distributions		3	–	144	(90)
Changes in ownership					
Shares issued for the acquisition of Quilter Cheviott		19	2	40	–
Share in movement in associate reserve		–	–	–	–
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–
Non-controlling interests in subsidiaries acquired		–	–	–	–
Change in participation in subsidiaries		–	–	–	–
Total changes in ownership		19	2	40	–
Total transactions with owners of the Company		22	2	184	(90)
Shareholders' equity at end of the year		4,929	563	1,040	1,252

£m

Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
48	178	337	37	(1,370)	4,891	526	7,406	2,139	9,545
–	–	–	–	–	590	24	614	310	924
–	18	–	–	–	(5)	–	13	5	18
–	–	–	–	–	13	–	13	7	20
–	(3)	–	–	–	(1)	–	(4)	–	(4)
–	15	–	–	–	7	–	22	12	34
–	–	–	–	13	–	–	13	–	13
–	–	–	(7)	–	3	–	(4)	(3)	(7)
(5)	–	–	–	–	–	–	(5)	–	(5)
–	–	–	–	(71)	–	–	(71)	–	(71)
–	(10)	–	–	–	–	–	(10)	–	(10)
–	–	–	–	(780)	–	–	(780)	(326)	(1,106)
(3)	1	–	(3)	–	(6)	–	(11)	(13)	(24)
(8)	6	–	(10)	(838)	594	24	(232)	(20)	(252)
–	–	–	–	–	(422)	(30)	(452)	(160)	(612)
–	–	–	–	–	–	6	6	–	6
–	–	30	–	–	5	–	35	4	39
–	–	–	–	–	34	–	175	–	175
–	–	–	–	–	90	–	–	–	–
–	–	–	–	–	(11)	(253)	(264)	–	(264)
–	–	–	–	–	(19)	–	(16)	–	(16)
–	–	30	–	–	(323)	(277)	(516)	(156)	(672)
–	–	–	–	–	(42)	–	–	–	–
–	–	–	3	–	–	–	3	–	3
–	–	–	–	(35)	84	–	49	114	163
–	–	–	–	–	–	–	–	105	105
–	–	–	–	–	(30)	–	(30)	72	42
–	–	–	3	(35)	12	–	22	291	313
–	–	30	3	(35)	(311)	(277)	(494)	135	(359)
40	184	367	30	(2,243)	5,174	273	6,680	2,254	8,934

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

A: Significant accounting policies
A1: Basis of preparation
Statement of compliance
Old Mutual plc ('the Company' or 'plc') is a company incorporated in England and Wales and is the ultimate Parent Company of the Group companies. plc Head Office collectively refers to the plc Parent Company and the other centre companies of the Group, which typically own and manage the Group's interests across the Group.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in associates and joint ventures (other than those held by life assurance funds which are accounted for as investments at fair value through profit or loss). The Parent Company financial statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with IFRS as adopted by the EU. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies adopted by the Company and Group, unless otherwise stated, have been applied consistently to all periods presented in these consolidated financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets and liabilities designated as fair value through profit or loss or as available-for-sale, owner-occupied property and investment property, cash-settled share-based payments, pension scheme assets and insurance and investment contract liabilities. Assets and disposal groups held for sale are stated at the lower of the carrying amount prior to disposal and the fair value less costs to sell.

The Parent Company financial statements are prepared in accordance with these accounting policies, other than for investments in subsidiary undertakings and associates, which are stated at cost less impairments in accordance with IAS 27.

The Company and Group financial statements have been prepared on the going concern basis which the Directors believe to be appropriate having taken into consideration the points as set out in the Directors Report in the section headed Going Concern.

The Group has prepared the financial statements in accordance with its detailed accounting policies which can be found at www.oldmutualplc.com/ir. The significant accounting policies are contained in the financial statements and are included in the specific notes to which they relate. The significant accounting policies on financial assets and liabilities are included in note L. Judgements made by the Directors in the applications of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note A3.

Accounting policy elections
The following significant accounting policy elections have been made by the Group:

Property and equipment	— Land and buildings are stated at revalued amounts. Revaluation surpluses are recognised through other comprehensive income.
Investment in venture capital divisions and insurance funds	— In venture capital divisions and insurance funds, the Group has elected to carry associate and joint-venture entities at fair value through profit or loss.
Financial instruments	— The Group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. — Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.
Investment properties	— The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss for the year.
Investments in subsidiaries, associate companies and joint arrangements	— The Group has elected to recognise these investments at cost in the Company financial statements.

Translation of foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the year-end exchange rates, and their income and expenses using the average exchange rates for the year. Other than in respect of cumulative translation gains and losses up to 1 January 2004, 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 deferred in shareholders' equity, net of attributable amounts in relation to net investments, is recognised in profit or loss. Cumulative translation gains and losses up to 1 January 2004, being the effective date of the Group's conversion to IFRS, were reset to zero.

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	Income statement (average rate)	**Statement of financial position (closing rate)**	Income statement (average rate)	Statement of financial position (closing rate)
Rand	**19.9305**	**16.9551**	19.5223	22.8183
US dollars	**1.3558**	**1.2345**	1.5285	1.4734
Euro	**1.2251**	**1.1705**	1.3765	1.3560

A2: Significant corporate activity and business changes during the year

Acquisitions completed during the year

The Group completed the following significant acquisitions during the year:

Acquisition of a further stake in Banco Unico, SA

On 3 October 2016 the Group acquired a 10.9% share in Banco Unico, SA to reach a controlling 50% plus one share (2015: 38.3% share). The acquiree is a banking entity in Mozambique and the acquisition, in line with the Group's strategy of expanding into the rest of Africa, was made by purchasing Banco Unico, SA shares from a third party.

The accounting related to the step up in ownership from 38.3% to 50% plus one share is such that it effectively requires a simultaneous sale of 38.3% followed by an acquisition of the fair value of 50% plus one share of the business. Consequently a loss of £11 million, comprising a loss on step up acquisition and a release of foreign currency translation reserves, was realised on the transaction. Consistent with usual practice, this loss was recognised in the IFRS income statement but excluded from the determination of AOP. The financial results and position of Banco Unico, SA have been consolidated with effect from 3 October 2016.

The purchase price allocation has been completed and goodwill of £1 million and other intangible assets of £8 million have been recognised on this transaction.

Acquisition of Landmark Partners (Landmark)

On 18 August 2016, OM Asset Management plc (OMAM) completed the acquisition of a 60% equity interest in Landmark, a leading global secondary private equity, real estate and real asset investment firm for $242 million (£185 million) in cash with the potential for an additional payment of up to $225 million (£182 million) on or around 31 December 2018. As the potential additional payment is dependent on future service and other conditions, no amounts have been attributed to the consideration of the business. Certain key members of the management team of Landmark have retained the remaining 40% interest in the business as ownership units. Both the potential additional payment and the 40% ownership units held by management are recognised as share-based payment transactions due to service conditions and settlement features. These arrangements vest over varying increments from 31 December 2018 through 31 December 2024.

Goodwill of £111 million and other intangible assets of £63 million were recognised as a result of the transaction. Refer to note K2 for more information.

Acquisition of AAM Advisory (AAM)

On 16 March 2016, Old Mutual Wealth completed the acquisition of 100% of AAM, a Singapore based wealth advice company. The consideration payable was an initial SGD 14 million (£7 million) with additional potential deferred consideration of SGD 26 million (£13 million), which is subject to AAM meeting certain performance targets for the period from 2016 to 2018.

Goodwill of £4 million and other intangible assets of £3 million were recognised as a result of the transaction.

Old Mutual Private Client Advisors (PCA)

During the second half of 2016, Old Mutual Wealth (OMW) completed the acquisition of a number of PCA businesses. The total consideration payable was an initial £8 million with additional potential deferred consideration of £8 million, dependent upon meeting certain performance targets, generally relating to funds under management. Goodwill of £8 million and other intangible assets of £7 million were recognised as a result of the transactions.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

A: Significant accounting policies continued
A2: Significant corporate activity and business changes during the year continued
Acquisitions completed during the year continued
Purchase of remaining stake in Credit Guarantee Insurance Company (CGIC)
On 1 March 2016 Emerging Markets acquired the remaining 13.9% of the shares in CGIC for R190 million (£10 million) resulting in CGIC becoming a wholly owned subsidiary. This transaction has resulted in a debit being recognised directly in reserves of R78 million (£4 million), which is the excess of the consideration paid and the proportionate share of the net assets of CGIC acquired.

During the third quarter of 2016, Emerging Markets accepted an offer from Atradius N.V. to dispose of 25% of CGIC for R494 million (£28 million). The transaction is subject to due diligence and regulatory approval and is expected to be finalised during 2017. The Group expects to recognise a gain on disposal of approximately R289 million (£15 million) directly in equity on completion of the sale of this minority stake.

Other activities during the year
The following two transactions are between Group entities and therefore it has no net impact on the Group financial statements:

Purchase of seed capital investments from Old Mutual plc
On 15 September 2016, OM Asset Management plc (OMAM) purchased approximately $40 million (£32 million) of seed investments from Old Mutual plc under the terms of the Seed Capital Management Agreement, as amended. OMAM intends to purchase all remaining seed capital investments covered by the Seed Capital Management Agreement around 30 June 2017.

Amendment of the OMAM Deferred Tax Asset Deed (DTA)
On 13 June 2016, OMAM and OM Group (UK) Limited (OMGUK) entered into a Heads of Agreement amending the DTA to provide that the obligations of OMAM to make future payments to OMGUK under the DTA, which were originally scheduled to continue until 31 January 2020, would be amended as of 31 December 2016 resulting in a payment of the net present value of the future payments due to OMGUK valued as of 31 December 2016. This payment equals approximately $143 million (£115 million) and will be made over three instalments on each of 30 June 2017, 31 December 2017 and 30 June 2018. The agreement contains certain provisions allowing OMAM to claw back amounts paid in the event that deferred tax assets recognised by OMAM are not recovered by the OMAM business. These claw back arrangements create a potential commitment from OMGUK to OMAM which extends beyond the period of managed separation.

Disposals completed during the year
OM Asset Management plc share buyback and secondary public offering
On 19 December 2016, the Group announced the closing of the secondary public offering of 14.95 million of OM Asset Management plc (OMAM) at a price to the public of $14.25 per share.

Additionally, on 19 December 2016, OMAM repurchased 6 million ordinary shares directly from OM Group (UK) Limited (a wholly owned subsidiary of Old Mutual plc), at a price of $14.25 per share.

The Group realised $291 million (£235 million) gross proceeds, less the underwriting discount from these transactions. A profit of £13 million was recognised directly in equity, reflecting the excess of the consideration over the share of net assets disposed. Foreign currency translation reserves of £25 million were recognised directly in equity and additional non-controlling interest of £153 million was recognised in the statement of financial position.

Following the sale, the Group now owns 51.7% of OMAM. OMAM did not sell any shares in the offering and did not receive any proceeds from the offering.

Disposal of Rogge Global Partners Limited
On 31 May 2016, the Group completed the sale of its interest in Rogge Global Partners Limited (Rogge), a fixed income asset manager, to Allianz Global Investors GmbH. The sales proceeds received are subject to adjustment as amounts could either be clawed back or future amounts become payable based on Rogge's future performance. Final adjustments to the sales proceeds are expected to be resolved during Q4 2017. A profit on disposal of £10 million has been recognised, which reflects the Directors' current assessment of the likely final amount recoverable.

Disposals announced but not completed during the year

Disposal of Old Mutual Wealth Italy

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy, part of the Old Mutual Wealth business for a cash consideration of €278 million (£210 million net of costs) plus interest to completion.

For the year ended 31 December 2016, a goodwill impairment loss of £46 million has been recognised in profit or loss as the net asset value of the business disposed of exceeds the expected net proceeds. The related assets and liabilities were classified as held for sale at 31 December 2016. Refer to note K2 for further information.

Financing activities completed during the year

Nedbank

On 20 May 2016, Nedbank Limited issued a R1,500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 7.0% with a call date of 21 May 2021.

On 25 November 2016, Nedbank Limited issued a R500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 6.3% with a call date of 26 November 2021.

These additional Tier 1 capital instruments represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Limited from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, if certain conditions are reached the regulator may prohibit Nedbank from making interest payments. Accordingly the instruments are classified as equity instruments and disclosed as non-controlling interest.

Nedbank further issued and redeemed debt instruments in the normal course of its funding program. Refer to note G7 for further information.

Financing activities announced but not yet completed

Old Mutual plc

On 3 February 2017 the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities and paid cash from the Group's existing resources. A £29 million loss, including accrued interest and the costs of acquiring the instruments, will be recognised directly in equity in the 2017 financial statements.

Restatement of prior year comparative amounts

Overview

In preparing the Group financial statements for the year ended 31 December 2016, the 2015 financial statements have required adjustments for:

— The classification of the Institutional Asset Management (IAM) operating segment as a discontinued operation, and
— The identification of additional investment funds managed by Emerging Markets as being controlled by the Group.

These adjustments, in aggregate and individually, result in presentational changes to the financial statements, and neither of these adjustments affects the reported IFRS or AOP results or equity attributable to equity holders of the parent.

IAM classified as a discontinued operation in 2016 (IAM – discontinued operation)

For the year ended 31 December 2016, IAM has been classified as discontinued operation in the IFRS consolidated income statement and consolidated statement of cash flows, with comparative figures being restated. The assets and liabilities of IAM are classified as held for sale in the consolidated statement of financial position in the current year. This treatment is consistent with the requirements of IFRS, given the Group's stated strategic intentions and has been presented in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Refer to note K1 for further information.

Consolidation of additional Emerging Markets investment funds (Consol – Investment Funds)

During 2016, the Group has re-evaluated the criteria applied in determining whether investment funds should be consolidated under IFRS 10 'Consolidated Financial Statements' in the Group financial statements. This has resulted in the identification of additional investment funds that are required to be included in the consolidated financial statements. As a result, comparative information has been restated accordingly. The Group has not been able to determine the impact on the consolidated statement of financial position as at 1 January 2015 because the business has subsequently implemented an Investment Repository which has enabled the Group as at 31 December 2015 to identify more widely the investment funds that IFRS 10 regards as controlled. The prior year adjustment did not impact the net assets of the Group, the equity attributable to ordinary equity holders of the parent or any key performance indicators reported by the Group. If the Group were able to determine the impact on the consolidated statement of financial position at 1 January 2015, the material line items that would have been impacted are investments and securities, cash and cash equivalents and third-party interest in consolidated funds. The impact on the income statement for 2015 has been obtained from the financial information available for the investment funds consolidated as at 31 December 2015. The income statement effect of any additional investment funds that have not been identified as at 1 January 2015 is likely to be immaterial.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

A: Significant accounting policies continued
A2: Significant corporate activity and business changes during the year continued
Restatement of prior year comparative amounts continued
Summary impact

The following table summarises the restatement impact, for both the classification of IAM as a discontinued operation and the identification of additional entities to be consolidated on the Group's financial statements:

				£m
		Restatement		
	2015 As Reported	IAM – Discontinued Operations	Consol – Investment Funds	2015 As Restated
Statement of financial position				
Assets				
Investments and securities	82,601	–	1,418	84,019
Trade, other receivables and other assets	2,007	–	(60)	1,947
Cash and cash equivalents	4,520	–	(109)	4,411
Total assets	133,548	–	1,249	134,797
Liabilities				
Third-party interests in consolidated funds	4,661	–	1,287	5,948
Trade, other payables and other liabilities	3,787	–	(38)	3,749
Total liabilities	124,614	–	1,249	125,863
Income statement				
Revenue				
Investment Return (non-banking)	3,795	2	8	3,805
Fee and commission income, and income from service activities	3,027	(491)	–	2,536
Other income	86	(8)	1	79
Total revenue	13,695	(497)	9	13,207
Expenses				
Fee and commission expenses, and other acquisition costs	(786)	6	15	(765)
Change in third-party interest in consolidated funds	(208)	–	(18)	(226)
Finance cost	(49)	2	–	(47)
Other operating and administrative expenses	(3,759)	380	(6)	(3,385)
Total expenses	(12,407)	388	(9)	(12,028)
Share of associated undertakings' and joint ventures' profit after tax	67	(8)	–	59
Loss and disposal of subsidiaries associated undertakings and strategic investments	(36)	(1)	–	(37)
Profit before tax	1,319	(118)	–	1,201
Income tax expense	(374)	27	–	(347)
Profit from continuing operations after tax	945	(91)	–	854
(Loss)/profit from discontinued operations after tax	(21)	91	–	70
Statement of cash flows				
Net cash inflow from operating activities – continuing operations	5,690	(48)	22	5,664
Net cash outflow from investing activities – continuing operations	(5,757)	(3)	(131)	(5,891)
Net cash inflow from financing activities – continuing operations	283	64	–	347
Net increase in cash and cash equivalents – discontinued operations	–	(13)	–	(13)

A3: Critical accounting estimates and judgements

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

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions. There have been no significant methodology changes to the critical accounting estimates and judgements that the Group applied at 31 December 2015. The significant accounting policies are described in the relevant notes.

The key areas of the Group's business that typically require such estimates and the relevant accounting policies and notes are as follows:

Area	Policy note	More detail
Valuation of financial assets and liabilities	L1	E1/E2/E3
Loans and advances	G1	G1
Life assurance contract provisions	G6	G6
Intangible assets and goodwill	H1	H1
Investments in subsidiaries and associated undertakings	I1	I2/I3
Tax	D1	D1/H7

A4: Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'. In order to satisfy the requirements of IAS 1, the following analysis is given to describe how the statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

The following statement of financial position captions are generally classified as current – cash and cash equivalents, non-current assets held for sale, current tax receivable, third-party interests in the consolidation of funds, current tax payable, liabilities under acceptances and non-current liabilities held for sale. The following balances are generally classified as non-current – goodwill and other intangible assets, mandatory reserve deposits with central banks, property, plant and equipment, investment property, deferred tax assets, investments in associated undertakings and joint ventures, deferred acquisition costs, deposits held with reinsurers, provisions, deferred revenue and deferred tax liabilities.

The following balances include both current and non-current portions – reinsurers' shares of life assurance and property & casualty business policyholder liabilities, loans and advances, investments and securities, other assets, derivative financial assets and liabilities, life assurance and property & casualty policyholder liabilities, borrowed funds, amounts owed to bank depositors and other liabilities. The split between the current and non-current portions for these assets and liabilities is given either by way of a footnote to the relevant note to the accounts or by way of a maturity analysis (in respect of major financial liability captions).

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

A: Significant accounting policies continued

A5: Standards, amendments to standards, and interpretations adopted in the 2016 annual financial statements

During the year, there were no new standards implemented that had a material effect on the financial statements of the Group.

A6: Future standards, amendments to standards and interpretations not early-adopted in the 2016 annual financial statements

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, which are relevant to the Group, have been issued by the International Accounting Standards Board (IASB).

— **IFRS 9 'Financial Instruments'**

IFRS 9 was issued in July 2014 and will replace IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective for financial years commencing on or after 1 January 2018. The final version of this standard incorporates amendments to the classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI). These elements of the final standard, and a description of the expected impact on the Group's statement of financial position and performance, are discussed in detail below:

Classification and measurement of financial assets and liabilities

Financial assets are to be classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cashflow characteristics of the financial assets (whether the cashflows represent 'solely payment of principal and interest'). Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (hold to collect).

Financial assets are measured at fair value through other comprehensive income, if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets, and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell'). Movements in the carrying amount of these financial assets should be taken through other comprehensive income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset, which is a debt instrument, is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Other financial assets are measured at fair value through profit or loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit or loss (FVTPL). Changes in the fair value of these financial liabilities which are attributable to the Group's own credit risk, are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

The Group currently designates certain fixed-rate assets and liabilities, which are economically hedged through interest rate swaps, at FVTPL. This option remains available under IFRS 9. During the year, the Group conducted an assessment of potential classification and measurement changes to financial assets based on the composition of the balance sheet as at 31 December 2015. This may not be fully representative of the impact as at 1 January 2018 as IFRS 9 requires that business models be assessed based on facts and circumstances from the date of initial application. However, based on the assessment of financial assets as at 31 December 2015, the Group does not expect the impact of the changes to classification and measurement of financial assets, to be significant to the Group's statement of financial position and performance.

Key matters arising from the assessment relate to monitoring the Group's preliminary business model conclusions and development of the new required disclosures.

Impairment of financial assets
Impairments in terms of IFRS 9 will be determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The Group will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts. The business units individually initiated an IFRS 9 Implementation Programme, which have included a number of work-streams with the following objectives: (i) develop a technical definitions framework; (ii) develop, build and test the new credit models, (iii) draft new accounting policies and (iv) draft the disclosure and reporting framework.

Hedge accounting
The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

IFRS 9 allows the deferral of the requirements relating to hedge accounting, permitting continuation with IAS 39 principles until the IASB's macro-hedging project is completed, so at to ensure that reporting entities do not have to comply with interim measures before macro-hedging rules are finalised. Until such time as this project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The Group has decided to exercise the accounting policy choice to continue IAS 39 hedge accounting and therefore, the Group does not expect to have any significant impact on its macro-hedge accounting.

Interaction with IFRS 4
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts was issued in September 2016. The amendments address the temporary consequences of the different effective dates of IFRS 9 and IFRS 17, the forthcoming insurance contracts standard, by providing an option that is available to entities whose predominant activity is to issue insurance contracts, to temporarily defer the adoption of IFRS 9 until the earlier of 1 January 2021, and the effective date of IFRS 17.

The amendments also provide an option, for designated financial assets, to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39, to alleviate temporary accounting matches that might arise. These amendments have not yet been endorsed by the European Commission for use in the EU.

The Group currently does not anticipate adopting the deferral or overlay options when implementing IFRS 9.

— **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

The standard is effective for the Group for the financial year commencing 1 January 2018. The Group plans to adopt the fully retrospective approach, with the use of certain practical expedients, to the adoption of IFRS 15.

During the year, the Group performed a high level assessment to determine the potential impact of the new standard on the Group's statement of financial position and performance. Based on this assessment, nothing has come to the attention of the Group that would indicate that the impact of the new standard would be significant.

Key matters arising from the assessment relate to the determination of when performance obligations are satisfied.

— **IFRS 16 'Leases'**

The IASB issued IFRS 16 in January 2016. IFRS 16 replaces IAS 17 'Leases' and its related interpretations for reporting periods beginning on or after 1 January 2019.

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

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

The Group is in the process of assessing the impact of IFRS 16.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

B: Segment information
B1: Basis of segmentation
Segment presentation
The Group's reported segments are Emerging Markets, Nedbank Old Mutual Wealth, Institutional Asset Management and plc Head Office, (which includes the plc Parent Company and the other centre companies of the Group, which typically own and manage the Group's interests). All these businesses, except Institutional Asset Management (IAM), have been classified as continuing operations in the IFRS income statement for all reporting periods. In determining the Group's adjusted operating profit (AOP), all these businesses have been classified as core operations for all reporting periods.

For the year ended 31 December 2016, Institutional Asset Management has been classified as discontinued operation in the IFRS consolidated income statement. Comparative profit and loss segment information has been restated accordingly. This treatment is consistent with the requirements of IFRS, given the Group's stated strategic intentions. The operating result of IAM includes Rogge Global Partners Limited up to the date of disposal on 31 May 2016 and the full year result of OM Asset Management plc (OMAM). Consistent with the Group's AOP policy as described in the Basis of preparation of adjusted operating profit on page 150, we will continued to recognise OMAM's operating result within the Group's AOP despite it being classified as a discontinued operation in the IFRS income statement and as held for sale in the statement of financial position.

For all reporting periods, Old Mutual Bermuda is classified as a continuing operation in the IFRS income statement, but as non-core in determining the Group's AOP. For the year ended 31 December 2016, following the repayment of the majority of outstanding notes, interest payable in respect of Bermuda loan notes issued to Old Mutual plc are also included within non-core operations and excluded from AOP as it is no longer considered material.

For the year ended 31 December 2015, other items disclosed as discontinued operations relate to payments in respect of the disposal of US Life in 2011. Further detail is included in note K1.

The Group's segmental results are analysed and reported on a basis consistent with the way that management and the Board of Directors of Old Mutual plc assesses performance of the underlying businesses and allocates resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentation currency) and in the functional currency of each business.

Adjusted operating profit is one of the key measures reported to the Group's management and Board of Directors for their consideration in the allocation of resources to, and the review of the performance of the segments. As appropriate to the business line, the Board reviews additional measures to assess the performance of each of the segments. These typically include sales, net client cash flows, funds under management, gross earned premiums, underwriting results, net interest income, non-interest revenue and credit losses.

Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

The revenues generated in each reported segment can be seen in the analysis of profits and losses in note B3. The segmental information in notes B3 and B4, reflects the adjusted and IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board of Directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

The Group is primarily engaged in the following business activities from which it generates revenue: life assurance (premium income), asset management business (fee and commission income), banking (banking interest receivable and investment banking income) and property & casualty (premium income). Other revenue includes gains and losses on investment securities. An analysis of segment revenues and expenses and the Group's revenues and expenses is shown in note B3.

The principal lines of business from which each operating segment derives its revenues are as follows:

Core operations
Emerging Markets – life assurance, property & casualty, asset management and banking

Nedbank – banking, asset management and life assurance

Old Mutual Wealth – life assurance and asset management

Institutional Asset Management – asset management

Non-core operation
Old Mutual Bermuda – life assurance

B2: Gross earned premiums and deposits to investment contracts

Year ended 31 December 2016			£m
	Emerging Markets	**Old Mutual Wealth**	**Total**
Life assurance – insurance contracts	**1,393**	**142**	**1,535**
Life assurance – investment contracts with discretionary participation features	**1,525**	**–**	**1,525**
Property & casualty	**808**	**–**	**808**
Gross earned premiums	**3,726**	**142**	**3,868**
Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits	**1,656**	**7,952**	**9,608**

Year ended 31 December 2015			£m
	Emerging Markets	Old Mutual Wealth	Total
Life assurance – insurance contracts	1,469	154	1,623
Life assurance – investment contracts with discretionary participation features	1,221	–	1,221
Property & casualty	745	–	745
Gross earned premiums	3,435	154	3,589
Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits	2,020	7,988	10,008

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

B: Segment information continued
B3: Adjusted operating profit statement – segment information for the year ended 31 December 2016

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	**3,726**	**–**
Outward reinsurance		**(314)**	**–**
Net earned premiums		**3,412**	**–**
Investment return (non-banking)	D2	**1,814**	**–**
Banking interest and similar income	D3	**229**	**3,677**
Banking trading, investment and similar income	D4	**14**	**241**
Fee and commission income, and income from service activities	D5	**588**	**922**
Other income		**64**	**24**
Total revenue[3]		**6,121**	**4,864**
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(3,507)**	**–**
Reinsurance recoveries		**222**	**–**
Net claims and benefits incurred		**(3,285)**	**–**
Change in investment contract liabilities		**(545)**	**–**
Credit impairment charges	G1(d)	**(44)**	**(228)**
Finance costs	D6	**(33)**	**–**
Banking interest payable and similar expenses	D7	**(90)**	**(2,311)**
Fee and commission expenses, and other acquisition costs	D8	**(350)**	**(8)**
Change in third-party interest in consolidated funds		**–**	**–**
Other operating and administrative expenses	D9	**(1,115)**	**(1,512)**
Income tax attributable to policyholder returns		**(50)**	**–**
Total expenses		**(5,512)**	**(4,059)**
Share of associated undertakings' and joint ventures' profits/(losses) after tax	I2	**10**	**(6)**
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**–**	**–**
Adjusted operating profit/(loss) before tax and non-controlling interests		**619**	**799**
Income tax expense	D1	**(165)**	**(199)**
Non-controlling interests		**(17)**	**(288)**
Adjusted operating profit/(loss) after tax and non-controlling interests		**437**	**312**
Adjusting items after tax and non-controlling interests	C1(a)	**(93)**	**(30)**
Profit/(loss) after tax from continuing operations		**344**	**282**
Profit from discontinued operations after tax	K1	**–**	**–**
Profit/(loss) after tax attributable to equity holders of the parent		**344**	**282**

1 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.
2 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.
3 Included within total revenue prior to consolidation adjustments are the following amounts derived from trading with other segments: Emerging Markets: £75 million (December 2015: £80 million); Nedbank: £9 million (December 2015: £3 million); Old Mutual Wealth: £2 million (December 2015: £3 million); Institutional Asset Management: £6 million (December 2015: £6 million); and non-core operations: £2 million (December 2015: £4 million).
4 Non-core operations for the year ended 31 December 2016 comprises Old Mutual Bermuda. Old Mutual Bermuda's loss for the year ended 31 December 2016 was £5 million.
5 Discontinued operations comprise the operating result of Institutional Asset Management (IAM) of £104 million that has been included in the determination of AOP. In the IFRS consolidated income statement, IAM has been classified as a discontinued operation. The discontinued operations column reflects the individual line items in the IFRS consolidated income statement that have been reclassified to discontinued operations. Refer to note B1 and K1 for further information.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Consolidation adjustments[2]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[4]	Discontinued Operations[5]	IFRS Income statement
142	–	–	–	3,868	–	–	–	3,868
(84)	–	–	–	(398)	–	–	–	(398)
58	–	–	–	3,470	–	–	–	3,470
5,827	–	54	712	8,407	(69)	(13)	–	8,325
–	–	–	–	3,906	–	–	–	3,906
–	–	–	–	255	–	–	–	255
1,168	500	–	(25)	3,153	(17)	–	(500)	2,636
11	1	–	4	104	–	–	–	104
7,064	501	54	691	19,295	(86)	(13)	(500)	18,696
(199)	–	–	–	(3,706)	–	24	–	(3,682)
169	–	–	–	391	–	–	–	391
(30)	–	–	–	(3,315)	–	24	–	(3,291)
(5,671)	–	–	–	(6,216)	–	–	–	(6,216)
–	–	–	–	(272)	–	–	–	(272)
–	(6)	(88)	–	(127)	(7)	–	6	(128)
–	–	–	–	(2,401)	–	–	–	(2,401)
(392)	(9)	–	(19)	(778)	24	–	9	(745)
–	–	–	(691)	(691)	–	–	–	(691)
(617)	(356)	(118)	19	(3,699)	(407)	(16)	381	(3,741)
(94)	–	–	–	(144)	144	–	–	–
(6,804)	(371)	(206)	(691)	(17,643)	(246)	8	396	(17,485)
–	11	–	–	15	–	–	(11)	4
–	–	–	–	–	19	–	(18)	1
260	141	(152)	–	1,667	(313)	(5)	(133)	1,216
(47)	(36)	49	–	(398)	(106)	–	29	(475)
–	(36)	–	–	(341)	66	–	–	(275)
213	69	(103)	–	928	(353)	(5)	(104)	466
(217)	3	(16)	–	(353)	353	–	–	–
(4)	72	(119)	–	575	–	(5)	(104)	466
–	–	–	–	–	–	–	104	104
(4)	72	(119)	–	575	–	(5)	–	570

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2015 (Restated)[1]

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	3,435	–
Outward reinsurance		(253)	–
Net earned premiums		3,182	–
Investment return (non-banking)	D2	2,445	–
Banking interest and similar income	D3	235	3,085
Banking trading, investment and similar income	D4	5	208
Fee and commission income, and income from service activities	D5	560	894
Other income		70	12
Total revenue		6,497	4,199
Expenses			
Claims and benefits (including change in insurance contract provisions)		(3,294)	–
Reinsurance recoveries		184	–
Net claims and benefits incurred		(3,110)	–
Change in investment contract liabilities		(1,142)	–
Credit impairment charges	G1(d)	(62)	(245)
Finance costs	D6	(15)	–
Banking interest payable and similar expenses	D7	(93)	(1,833)
Fee and commission expenses, and other acquisition costs	D8	(323)	(9)
Change in third-party interest in consolidated funds		–	–
Other operating and administrative expenses	D9	(1,121)	(1,403)
Income tax attributable to policyholder returns		(30)	–
Total expenses		(5,896)	(3,490)
Share of associated undertakings' and joint ventures' profits/(losses) after tax	I2	14	45
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–	–
Adjusted operating profit/(loss) before tax and non-controlling interests		615	754
Income tax expense	D1	(173)	(180)
Non-controlling interests		(24)	(272)
Adjusted operating profit/(loss) after tax and non-controlling interests		418	302
Adjusting items after tax and non-controlling interests	C1(a)	(56)	7
Profit/(loss) after tax from continuing operations		362	309
Profit from discontinued operations after tax	K1	–	–
Profit/(loss) after tax attributable to equity holders of the parent		362	309

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.
2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.
3 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.
4 Non-core operations for the year ended 31 December 2015 relates to Old Mutual Bermuda. Old Mutual Bermuda's loss after tax for the year ended 31 December 2015 was £31 million.
5 Discontinued operations include the operating result of Institutional Asset Management of £91 million that has been classified as discontinued in the IFRS income statement as well as £21 million relating to the disposal of US Life in 2011. Refer to note K1 for further information.

								£m
Old Mutual Wealth	Institutional Asset Management	plc Head Office[2]	Consolidation adjustments[3]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[4]	Discontinued operations[5]	IFRS Income statement
154	–	–	–	3,589	–	–	–	3,589
(82)	–	–	–	(335)	–	–	–	(335)
72	–	–	–	3,254	–	–	–	3,254
1,158	–	17	291	3,911	(73)	(35)	2	3,805
–	–	–	–	3,320	–	–	–	3,320
–	–	–	–	213	–	–	–	213
1,140	491	–	(39)	3,046	(19)	–	(491)	2,536
13	5	–	(20)	80	–	7	(8)	79
2,383	496	17	232	13,824	(92)	(28)	(497)	13,207
(169)	–	–	–	(3,463)	–	13	–	(3,450)
95	–	–	–	279	–	–	–	279
(74)	–	–	–	(3,184)	–	13	–	(3,171)
(1,061)	–	–	–	(2,203)	–	–	–	(2,203)
–	–	–	–	(307)	–	–	–	(307)
–	(2)	(83)	–	(100)	51	–	2	(47)
–	–	–	–	(1,926)	2	–	–	(1,924)
(416)	(6)	(4)	(42)	(800)	32	(3)	6	(765)
–	–	–	(226)	(226)	–	–	–	(226)
(524)	(347)	(92)	36	(3,451)	(301)	(13)	380	(3,385)
(1)	–	–	–	(31)	31	–	–	–
(2,076)	(355)	(179)	(232)	(12,228)	(185)	(3)	388	(12,028)
–	8	–	–	67	–	–	(8)	59
–	–	–	–	–	(36)	–	(1)	(37)
307	149	(162)	–	1,663	(313)	(31)	(118)	1,201
(43)	(30)	23	–	(403)	29	–	27	(347)
–	(33)	–	–	(329)	19	–	–	(310)
264	86	(139)	–	931	(265)	(31)	(91)	544
(222)	(20)	26	–	(265)	265	–	–	–
42	66	(113)	–	666	–	(31)	(91)	544
–	–	–	–	–	–	–	70	70
42	66	(113)	–	666	–	(31)	(21)	614

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

B: Segment information continued
B4: Statement of financial position – segment information at 31 December 2016

	Notes	Emerging Markets[1]	Nedbank
Assets			
Goodwill and other intangible assets	H1	**461**	**576**
Mandatory reserve deposits with central banks		**8**	**1,103**
Property, plant and equipment	H2(a)	**345**	**529**
Investment property	H2(b)	**1,696**	**1**
Deferred tax assets	H7	**57**	**29**
Investments in associated undertakings and joint ventures	I2	**143**	**388**
Deferred acquisition costs	H3	**166**	**–**
Reinsurers' share of policyholder liabilities	G6	**246**	**6**
Loans and advances	G1	**1,210**	**41,703**
Investments and securities	G2	**33,699**	**8,844**
Current tax receivable		**20**	**33**
Trade, other receivables and other assets	H4	**843**	**966**
Derivative financial instruments	G4	**228**	**1,040**
Cash and cash equivalents		**1,820**	**1,556**
Assets held for sale	K2	**116**	**17**
Inter-segment funding – assets		**–**	**–**
Total assets		**41,058**	**56,791**
Liabilities			
Long-term business insurance policyholder liabilities	G6	**9,310**	**172**
Investment contract liabilities	G6	**23,614**	**905**
Property & casualty liabilities	G6	**482**	**–**
Third-party interests in consolidated funds		**–**	**–**
Borrowed funds	G7	**694**	**3,072**
Provisions and accruals	H5	**118**	**–**
Deferred revenue	H6	**68**	**1**
Deferred tax liabilities	H7	**203**	**39**
Current tax payable		**100**	**13**
Trade, other payables and other liabilities	H8	**2,860**	**2,081**
Amounts owed to bank depositors	G8	**643**	**44,915**
Derivative financial instruments	G4	**295**	**784**
Liabilities held for sale	K2	**1**	**–**
Inter-segment funding – liabilities		**–**	**–**
Total liabilities		**38,388**	**51,982**
Net assets[1]		**2,670**	**4,809**
Equity			
Equity attributable to equity holders of the parent		**2,455**	**2,476**
Non-controlling interests		**215**	**2,333**
Ordinary shares	H10(b)(i)	**215**	**1,992**
Preferred securities	H10(b)(ii)	**–**	**341**
Total equity		**2,670**	**4,809**

1 The net assets of Emerging Markets exclude £235 million (December 2015: £167 million) of investments held by policyholder funds in Group equity and debt instruments. These investments are in the Company's ordinary shares and in the subordinated liabilities and preferred securities issued by Nedbank.
2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.
3 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment balances.

					£m
Old Mutual Wealth	Institutional Asset Management	plc Head Office[2]	Non-core operation	Consolidation adjustments[3]	Total
1,434	–	–	–	–	2,471
–	–	–	–	–	1,111
18	–	–	–	–	892
–	–	–	–	–	1,697
8	–	–	2	–	96
1	–	10	–	–	542
590	–	–	–	–	756
2,863	–	–	–	–	3,115
220	–	–	–	(25)	43,108
50,784	–	309	53	6,844	100,533
21	–	–	–	–	74
590	–	157	3	(143)	2,416
–	–	31	27	14	1,340
769	–	611	22	69	4,847
6,478	1,959	–	–	–	8,570
–	–	874	58	(932)	–
63,776	**1,959**	**1,992**	**165**	**5,827**	**171,568**
416	–	–	84	–	9,982
53,080	–	–	–	–	77,599
–	–	–	–	–	482
–	–	–	–	7,981	7,981
–	–	1,017	–	(89)	4,694
29	–	6	7	–	160
221	–	–	–	–	290
193	–	5	–	–	440
21	–	10	–	–	144
865	–	226	6	(926)	5,112
–	–	–	–	(249)	45,309
1	–	39	–	42	1,161
6,264	781	–	–	–	7,046
789	85	58	–	(932)	–
61,879	**866**	**1,361**	**97**	**5,827**	**160,400**
1,897	**1,093**	**631**	**68**	**–**	**11,168**
1,897	527	631	68	–	8,054
–	566	–	–	–	3,114
–	566	–	–	–	2,773
–	–	–	–	–	341
1,897	**1,093**	**631**	**68**	**–**	**11,168**

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

B: Segment information continued
B4: Statement of financial position – segment information at 31 December 2015 (Restated)[1]

	Notes	Emerging Markets	Nedbank
Assets			
Goodwill and other intangible assets	H1	415	378
Mandatory reserve deposits with central banks		5	711
Property, plant and equipment	H2(a)	275	385
Investment property	H2(b)	1,232	1
Deferred tax assets	H7	47	10
Investments in associated undertakings and joint ventures	I2	60	420
Deferred acquisition costs	H3	87	–
Reinsurers' share of policyholder liabilities	G6	150	4
Loans and advances	G1	912	29,873
Investments and securities	G2	24,983	5,777
Current tax receivable		14	46
Trade, other receivables and other assets	H4	759	495
Derivative financial instruments	G4	386	1,335
Cash and cash equivalents		1,088	1,001
Assets held for sale	K2	84	–
Inter-segment funding – assets		–	–
Total assets		30,497	40,436
Liabilities			
Long-term business insurance policyholder liabilities	G6	7,262	159
Investment contract liabilities	G6	16,943	482
Property & casualty liabilities	G6	341	–
Third-party interests in consolidated funds		–	–
Borrowed funds	G7	449	1,971
Provisions and accruals	H5	143	–
Deferred revenue	H6	20	–
Deferred tax liabilities	H7	183	45
Current tax payable		73	18
Trade, other payables and other liabilities	H8	2,006	1,036
Amounts owed to bank depositors	G8	518	31,810
Derivative financial instruments	G4	558	1,474
Liabilities held for sale	K2	–	–
Inter-segment funding – liabilities		–	–
Total liabilities		28,496	36,995
Net assets		2,001	3,441
Equity			
Equity attributable to equity holders of the parent		1,805	1,710
Non-controlling interests		196	1,731
Ordinary shares	H10(b)(i)	196	1,459
Preferred securities	H10(b)(ii)	–	272
Total equity		2,001	3,441

1 The comparative information for 2015 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.
2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

					£m
Old Mutual Wealth	Institutional Asset Management	plc Head Office[2]	Non-core operations	Consolidation adjustments	Total
1,620	863	–	–	–	3,276
–	–	–	–	–	716
19	21	–	–	–	700
–	–	–	–	–	1,233
8	218	–	1	–	284
1	23	10	–	–	514
673	24	–	–	–	784
2,507	–	–	–	–	2,661
180	–	–	–	–	30,965
48,157	80	467	–	4,555	84,019
28	–	–	–	–	88
618	119	102	16	(162)	1,947
–	–	55	17	1,283	3,076
792	92	527	26	885	4,411
4	35	–	–	–	123
–	–	860	80	(940)	–
54,607	1,475	2,021	140	5,621	134,797
293	–	–	–	–	7,714
50,344	–	–	85	–	67,854
–	–	–	–	–	341
–	–	–	–	5,948	5,948
–	61	1,098	–	(55)	3,524
34	3	19	–	–	199
254	–	–	–	–	274
172	–	17	–	–	417
13	59	23	–	–	186
799	297	212	6	(607)	3,749
–	–	–	–	–	32,328
–	6	4	–	1,275	3,317
–	12	–	–	–	12
748	99	93	–	(940)	–
52,657	537	1,466	91	5,621	125,863
1,950	938	555	49	–	8,934
1,950	611	555	49	–	6,680
–	327	–	–	–	2,254
–	327	–	–	–	1,982
–	–	–	–	–	272
1,950	938	555	49	–	8,934

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

C: Other key performance information
C1: Operating profit adjusting items
(a) Summary of adjusting items for determination of adjusted operating profit (AOP)
In determining the AOP of the Group for core operations, certain adjustments are made to profit before tax to reflect the Directors' view of the underlying long-term performance of the Group. The following table shows an analysis of those adjustments from AOP to profit before and after tax.

			£m
	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
(Expense)/income			
Goodwill impairment and impact of acquisition accounting	C1(b)	**(278)**	(167)
Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**19**	(36)
Short-term fluctuations in investment return	C1(d)	**(26)**	(42)
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	**(43)**	(31)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**17**	31
Institutional Asset Management equity plans	C1(g)	**(20)**	(9)
Credit-related fair value (losses)/gains on Group debt instruments	C1(h)	**(24)**	7
Old Mutual Wealth business transformation costs	C1(i)	**(102)**	(97)
Total adjusting items		**(457)**	(344)
Tax on adjusting items	D1(d)	**38**	60
Non-controlling interest on adjusting items		**66**	19
Total adjusting items after tax and non-controlling interests		**(353)**	(265)

(b) Goodwill impairment and impact of acquisition accounting
The application of acquisition accounting results in deferred acquisition costs and deferred revenue existing at the point of acquisition that are not recognised under IFRS. These are reversed on acquisition in the statement of financial position and replaced by goodwill and other intangible assets, including the value of the acquired present value of in-force business (acquired PVIF). In determining AOP, the Group recognises deferred revenue, acquisition costs and deferred revenue in relation to policies sold by acquired businesses prior to the acquisition date. The Group excludes the impairment of goodwill, the impairment of investments in associated undertakings, the amortisation and impairment of acquired other intangible assets, acquired PVIF and the movements in certain acquisition date provisions from the determination of AOP. Costs incurred on completed acquisitions are also excluded from AOP.

Certain deferred consideration recognised as compensation expenses under accounting rules is excluded from the determination of AOP where these payments meet the criteria that suggest they are capital in nature.

The net effect of these adjustments to determine AOP are summarised below:

Year ended 31 December 2016						£m
	Emerging Markets	**Old Mutual Wealth**	**Nedbank**	**Institutional Asset Management**	**plc Head Office**	**Total**
Impairment of goodwill and other intangible assets	**(64)**	**(46)**	**–**	**–**	**–**	**(110)**
Impairment of investment in associated undertakings	**–**	**–**	**(50)**	**–**	**–**	**(50)**
Amortisation of acquired PVIF	**(4)**	**(45)**	**–**	**–**	**–**	**(49)**
Amortisation of acquired deferred costs and revenue	**–**	**8**	**–**	**–**	**–**	**8**
Amortisation of other acquired intangible assets	**(14)**	**(38)**	**–**	**(2)**	**–**	**(54)**
Acquisition costs	**–**	**(17)**	**–**	**(5)**	**–**	**(22)**
Deferred consideration and other acquisition date provisions	**6**	**–**	**–**	**–**	**(7)**	**(1)**
	(76)	**(138)**	**(50)**	**(7)**	**(7)**	**(278)**

Year ended 31 December 2015						£m
	Emerging Markets	Old Mutual Wealth	Nedbank	Institutional Asset Management	plc Head Office	Total
Impairment of goodwill and other intangible assets	–	–	–	(23)	–	(23)
Amortisation of acquired PVIF	(7)	(51)	–	–	–	(58)
Amortisation of acquired deferred costs and revenue	–	13	–	–	–	13
Amortisation of other acquired intangible assets	(13)	(56)	–	–	–	(69)
Acquisition costs	(4)	(10)	–	–	–	(14)
Deferred consideration and other acquisition date provisions	–	(16)	–	–	–	(16)
	(24)	(120)	–	(23)	–	(167)

The impairment of goodwill and other intangible assets and impairment of investment in associated undertakings relate to:

Emerging Markets

The goodwill impairment loss of £64 million relates to the Old Mutual Southern and East Africa (OMSEA) cash generating unit. Refer to note H1 for further information.

Old Mutual Wealth

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy. A goodwill impairment loss of £46 million has been recognised in profit or loss as the net asset value of the business disposed of exceeds the expected net proceeds. Refer to note A2 for further information.

Nedbank

A £50 million impairment loss has been recognised in relation to Nedbank's investment in Ecobank Transnational Incorporated, an associated undertaking. Refer to note I2(b) for further information.

(c) Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments

The net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

			£m
	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
Emerging Markets		**3**	15
Nedbank		**(12)**	–
Old Mutual Wealth		**–**	(52)
Old Mutual plc		**10**	–
Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments – continuing operations		**1**	(37)
Net profit on disposal of subsidiaries, associated undertakings and strategic investments – discontinued operations	K1(a)	**18**	1
Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments		**19**	(36)

Emerging Markets

Current period transaction

During the year, Emerging Markets reduced or disposed of its holdings in a number of associated undertakings resulting in a net profit on disposal of £3 million.

Prior period transaction

On 10 December 2015, Old Mutual Investment Group, a subsidiary of the Group, acquired an additional 50% stake in African Infrastructure Investment Managers (Pty) Limited (AIIM). The accounting related to the step up in ownership from 50% to 100% effectively involved a simultaneous sale of 50% of the business, followed by an acquisition of the fair value of 100% of the business. The profit of £15 million realised in the financial year ended 31 December 2015 represents the difference between the fair value of the initial 50% and the carrying amount of the investment in AIIM at 10 December 2015.

Nedbank

Current period transactions

On 3 October 2016, Nedbank acquired an additional 10.9% stake in Banco Unico, SA. The accounting related to the step up in ownership from 38.3% to 50% plus one share is such that it effectively requires a simultaneous sale of 38.3% followed by an acquisition of the fair value of 50% plus one share of the business. Consequently a loss of £11 million, comprising of a loss on step up acquisition of the associate and a release of foreign currency translation reserves, was realised on the transaction. In addition, a loss of £1 million was recognised on conversion of preference shares to ordinary shares by ETI. Consistent with usual Group practice, these losses were recognised in profit or loss but excluded from the determination of AOP.

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For the year ended 31 December 2016

C: Other key performance information continued
C1: Operating profit adjusting items continued
(c) Net profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments continued
Old Mutual Wealth
Prior period transactions

On 2 February 2015, the Group completed the sale of Skandia Luxembourg and Skandia France. For the year ended 31 December 2015, the Group recognised a loss on disposal of £1 million, which comprised a loss on disposing the net assets of the sold business of £31 million and a gain of £30 million relating to amounts recycled from foreign currency translation reserve.

On 30 September 2015, the Group completed the sale of its Switzerland business, Skandia Leben AG. For the year ended 31 December 2015, the Group recognised a loss on disposal of £51 million which comprised a loss on disposing the net assets of the sold business of £91 million and a gain of £40 million relating to amounts recycled from foreign currency translation reserve.

Institutional Asset Management
Current period transaction

On 31 May 2016, the Group completed the sale of its interest in Rogge Global Partners Limited (Rogge), a fixed income asset manager, to Allianz Global Investors GmbH. The sales proceeds received are subject to adjustment as amounts could either be clawed back or future amounts become payable based on Rogge's future performance. A profit on disposal of £10 million has been recognised in the current period reflecting the Directors' current assessment of the likely final amount recoverable.

Current and prior period transactions

During the year ended 31 December 2016, the Group received additional income of £8 million (year ended 31 December 2015: £1 million) from earn-outs on affiliates disposed in prior periods.

Old Mutual plc
Current period transactions

During the period, Old Mutual plc received £10 million from Skandia Liv in respect of various matters relating to the completion of the separation of the Skandia Nordic business from the Group.

(d) Short-term fluctuations in investment return
Profit before tax, as disclosed in the consolidated IFRS income statement, includes actual investment returns earned on the shareholder assets of the Group's life assurance and property & casualty businesses. AOP is stated after recalculating shareholder asset investment returns based on a long-term investment return rate. The difference between the actual and the long-term investment returns is referred to as the short-term fluctuation in investment return.

Long-term rates of investment return are based on achieved rates of return appropriate to the underlying asset base, adjusted for current inflation expectations, default assumptions, costs of investment management and consensus economic investment forecasts. The underlying rates are principally derived with reference to 10-year government bond rates, cash and money market rates and an explicit equity risk premium for South African businesses. The rates set out below reflect the apportionment of underlying investments in cash deposits, money market instruments and equity assets. Long-term rates of return are reviewed annually by the Board. The Board's review of the long-term rates of return seeks to ensure that the returns credited to AOP are consistent with the actual returns expected to be earned over the long term.

For Emerging Markets, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For Old Mutual Wealth, the return is applied to average investible assets.

Long-term investment rates		%
	Year ended 31 December 2016	Year ended 31 December 2015
Emerging Markets		
Mutual & Federal[1] – (Cash: 90%; Equities: 10%) (2015: Cash: 90%; Equities: 10%)	**7.4**	7.4
Old Mutual South Africa – (Cash: 75%; Equities: 25%) (2015: Cash: 75%; Equities: 25%)	**8.0**	8.0
Rest of Africa – (Cash: 57%; Equities: 43%) (2015: Cash: 57%; Equities: 43%)	**8.5**	8.5
Old Mutual Wealth – (Cash: 80%; Equities: 20%) (2015: Cash: 75%; Equities: 25%)	**1.0**	1.0

1 The long-term investment rate for Mutual & Federal relates solely to its South African business.

Analysis of short-term fluctuations in investment return

Year ended 31 December 2016	Emerging Markets	Old Mutual Wealth	plc Head Office	Total £m
Actual shareholder investment return	**111**	**7**	**9**	**127**
Less: Long-term investment return	**127**	**6**	**20**	**153**
Short-term fluctuations in investment return	**(16)**	**1**	**(11)**	**(26)**

Year ended 31 December 2015	Emerging Markets	Old Mutual Wealth	plc Head Office	Total £m
Actual shareholder investment return	88	8	12	108
Less: Long-term investment return	124	5	21	150
Short-term fluctuations in investment return	(36)	3	(9)	(42)

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

AOP includes investment returns on policyholder investments in Group equity and debt instruments held by the Group's life funds. These include investments in the Company's ordinary shares and the subordinated liabilities and ordinary shares issued by the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are included in AOP. This ensures consistency of treatment with the measures in the related policyholder liability. During the year ended 31 December 2016, the investment return adjustment increased AOP by £43 million (year ended 31 December 2015: £31 million).

(f) Dividends declared to holders of perpetual preferred callable securities

Dividends declared to the holders of the Group's perpetual preferred callable securities on an AOP basis were £17 million for the year ended 31 December 2016 (year ended 31 December 2015: £31 million). For the purpose of determining AOP, these are recognised in finance costs on an accrual basis. In accordance with IFRS, the total cash distribution is recognised directly in equity.

(g) Institutional Asset Management equity plans

Institutional Asset Management has a number of long-term incentive arrangements with senior employees in its asset management affiliates.

As part of the incentive schemes in the Institutional Asset Management business, the Group has granted put options over the equity of certain affiliates to senior affiliate employees. The impact of revaluing these instruments in accordance with IFRS is excluded from AOP. At 31 December 2016, the impact of revaluing these instruments and the exclusion of acquisition related compensation expense with Landmark employees was a loss of £20 million (year ended 31 December 2015: loss of £9 million).

(h) Credit-related fair value losses on Group debt instruments

The widening of the credit spread on the Group's debt instruments can cause the market value of these instruments to decrease, resulting in gains being recognised in profit or loss. Conversely, if the credit spread narrows the market value of debt instruments will increase causing losses to be recognised in the consolidated income statement. In the Directors' view, such movements are not reflective of the underlying performance of the Group and will reverse over time until the date of maturity. Therefore they have been excluded from AOP. For the year ended 31 December 2016, due to the narrowing of credit spreads, a net loss of £24 million was recognised (year ended 31 December 2015: net gain of £7 million).

(i) Old Mutual Wealth business transformation costs

In 2013, Old Mutual Wealth UK business embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This will involve replacing many aspects of the existing UK platform, and on completion certain elements of service provision will be migrated to International Financial Data Services (IFDS) under a long-term outsourcing agreement. Management has determined that the cost of developing the new technology cannot be capitalised, hence these costs and the costs of decommissioning existing technology and migrating of services to IFDS are excluded from AOP. Only costs that are directly attributable to the programme are excluded from AOP as management is of the view that this long-term investment in operational capability is a non-operating item. For the year ended 31 December 2016, these costs totalled £102 million (year ended 31 December 2015: £97 million).

GROUP FINANCIAL STATEMENTS
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For the year ended 31 December 2016

C: Other key performance information continued
C2: Earnings and earnings per share

	Source of guidance	Notes	Pence **Year ended 31 December 2016**	Year ended 31 December 2015
Basic earnings per share	IFRS	C2(a)	**11.9**	12.7
Diluted basic earnings per share	IFRS	C2(b)	**11.6**	12.2
Adjusted operating earnings per share	Group policy	C2(c)	**19.4**	19.3
Headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	**14.8**	13.9
Headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	**14.9**	13.9
Diluted headline earnings per share (Gross of tax)	JSE Listing Requirements	C2(d)	**14.5**	13.3
Diluted headline earnings per share (Net of tax)	JSE Listing Requirements	C2(d)	**14.5**	13.3

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

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

	Note	£m **Year ended 31 December 2016**	Year ended 31 December 2015 (Restated)[1]
Profit for the financial year attributable to equity holders of the parent from continuing operations		**498**	569
Profit for the financial year attributable to equity holders of the parent from discontinued operations	K1	**72**	45
Profit for the financial year attributable to equity holders of the parent		**570**	614
Dividends paid to holders of perpetual preferred callable securities, net of tax credits		**(14)**	(24)
Profit attributable to ordinary equity holders		**556**	590

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

Total dividends paid to holders of perpetual preferred callable securities of £14 million for the year ended 31 December 2016 (year ended 31 December 2015: £24 million) are stated net of tax credits of £3 million (year ended 31 December 2015: £6 million).

(a) Basic earnings per share continued

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

		Millions
	Year ended 31 December 2016	Year ended 31 December 2015
Weighted average number of ordinary shares in issue	**4,929**	4,924
Shares held in charitable foundations and trusts	**(21)**	(13)
Shares held in ESOP and similar trusts	**(135)**	(98)
Adjusted weighted average number of ordinary shares	**4,773**	4,813
Shares held in life funds	**(80)**	(81)
Shares held in Black Economic Empowerment trusts	**(7)**	(91)
Weighted average number of ordinary shares used to calculate basic earnings per share	**4,686**	4,641
Basic earnings per ordinary share (pence)	**11.9**	12.7

(b) Diluted basic earnings per share

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

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

	Note	**Year ended 31 December 2016**	Year ended 31 December 2015
Profit attributable to ordinary equity holders (£m)		**556**	590
Dilution effect on profit relating to share options issued by subsidiaries (£m)		**(7)**	(7)
Diluted profit attributable to ordinary equity holders (£m)		**549**	583
Weighted average number of ordinary shares (millions)	C2(a)	**4,686**	4,641
Adjustments for share options held by ESOP and similar trusts (millions)		**59**	47
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**7**	91
Weighted average number of ordinary shares used to calculate diluted basic earnings per share (millions)		**4,752**	4,779
Diluted basic earnings per ordinary share (pence)		**11.6**	12.2

(c) Adjusted operating earnings per share

The following table presents a reconciliation of profit for the financial year to adjusted operating profit after tax attributable to ordinary equity holders and summarises the calculation of adjusted operating earnings per share:

	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015
Profit for the financial year attributable to equity holders of the parent		**570**	614
Adjusting items	C1(a)	**457**	344
Tax on adjusting items	C1(a)	**(38)**	(60)
Non-core operations	B3	**5**	31
Loss from discontinued operations	K1(a)	**–**	21
Non-controlling interest on adjusting items		**(66)**	(19)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)		**928**	931
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)	C2(a)	**4,773**	4,813
Adjusted operating earnings per share (pence)		**19.4**	19.3

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

C: Other key performance information continued
C2: Earnings and earnings per share continued
(d) Headline earnings per share
The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		Year ended 31 December 2016		Year ended 31 December 2015	
	Notes	**Gross**	**Net**	Gross	Net
Profit for the financial year attributable to equity holders of the parent		**570**	**570**	614	614
Dividends paid to holders of perpetual preferred callable securities		**(14)**	**(14)**	(24)	(24)
Profit attributable to ordinary equity holders		**556**	**556**	590	590
Adjustments:					
Impairments of goodwill and other intangible assets		**113**	**113**	23	23
Impairment of investment in associated undertakings		**50**	**50**	–	–
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments		**(19)**	**(16)**	36	35
Realised gains (net of impairments) on available-for-sale financial assets		**(5)**	**(5)**	(5)	(5)
Headline earnings		**695**	**698**	644	643
Dilution effect on earnings relating to share options issued by subsidiaries		**(7)**	**(7)**	(7)	(7)
Diluted headline earnings (£m)		**688**	**691**	637	636
Weighted average number of ordinary shares (millions)	C2(a)	**4,686**	**4,686**	4,641	4,641
Diluted weighted average number of ordinary shares (millions)	C2(b)	**4,752**	**4,752**	4,779	4,779
Headline earnings per share (pence)		**14.8**	**14.9**	13.9	13.9
Diluted headline earnings per share (pence)		**14.5**	**14.5**	13.3	13.3

C3: Dividends

			£m
	Ordinary dividend payment date	**Year ended 31 December 2016**	Year ended 31 December 2015
2014 Final dividend paid – 6.25p per 11 3/7p share	29 May 2015	**–**	296
2015 Interim dividend paid – 2.65p per 11 3/7p share	30 October 2015	**–**	126
2015 Second interim dividend paid – 6.25p per 11 3/7p share	26 April 2016	**299**	–
2016 Interim dividend paid – 2.67p per 11 3/7p share	28 October 2016	**127**	–
Dividends to ordinary equity holders		**426**	422
Dividends paid to holders of perpetual preferred callable securities		**17**	30
Dividend payments for the year		**443**	452

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.

A second interim dividend of 3.39 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the Directors. The second interim dividend will be paid on 28 April 2017 to shareholders on the register at the close of business on 31 March 2017. The dividend will absorb an estimated £162 million of shareholders' funds.

In March 2016, £17 million was declared and paid to holders of perpetual preferred callable securities (March 2015: £17 million and November 2015: £13 million).

D: Other income statement notes

D1: Income tax expense

This note analyses the income tax expense recognised in profit or loss for the year and the various factors that have contributed to the composition of the charge.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred tax

Deferred taxation is provided using the temporary difference method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date in the specific jurisdiction. Deferred taxation is charged to profit and loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note H7 includes further detail of circumstances in which the Group does not recognise temporary differences.

Critical accounting estimates and judgements – Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income and the statement of changes in equity respectively.

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Taxation provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

(a) Analysis of total income tax expense

The total income tax expense for the year comprises:

		£m
	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)[1]
Current tax		
United Kingdom	**56**	31
Overseas tax		
– South Africa	**401**	272
– Rest of Africa	**28**	19
– Europe	**15**	17
– Rest of the world	**10**	9
Withholding taxes	**9**	11
Adjustments to current tax in respect of prior years	**(20)**	(1)
Total current tax	**499**	358
Deferred tax		
Origination and reversal of temporary differences	**(43)**	–
Effect on deferred tax of changes in tax rates	**21**	(8)
Adjustments to deferred tax in respect of prior years	**(2)**	(3)
Total deferred tax	**(24)**	(11)
Total income tax expense	**475**	347

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

D: Other income statement notes continued
D1: Income tax expense continued
(b) Reconciliation of total income tax expense
The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

		£m
	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)[1]
Profit before tax	**1,216**	1,201
Tax at UK standard rate of 20% (2015: 20.25%)	**243**	243
Different tax rate or basis on overseas operations	**105**	107
Untaxed and low taxed income	**(121)**	(76)
Disallowable expenses	**103**	42
Adjustments to current tax in respect of prior years	**(20)**	(1)
Net movement on deferred tax assets not recognised	**30**	8
Effect on deferred tax of changes in tax rates	**21**	(8)
Adjustments to deferred tax in respect of prior years	**(2)**	(3)
Withholding taxes	**2**	5
Income tax attributable to policyholder returns	**115**	25
Other	**(1)**	5
Total income tax expense	**475**	347

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

(c) Income tax relating to components of other comprehensive income
The total income tax expense relating to items recognised in other comprehensive income for the year comprises of the following:

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Measurement gains on defined benefit plans	**(8)**	1
Property revaluation	**–**	3
Income tax on items that will not be reclassified subsequently to profit or loss	**(8)**	4
Available-for-sale reserves	**(2)**	–
Share-based payments	**(6)**	–
Income tax on items that may be reclassified subsequently to profit or loss	**(8)**	–
Income tax expense relating to components of other comprehensive income	**(16)**	4

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Income tax expense – continuing operations	**475**	347
Income tax expense – discontinued operation	**29**	27
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	**19**	20
Profit on disposal of subsidiaries, associates and strategic investments	**(3)**	1
Short-term fluctuations in investment return	**–**	22
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**(3)**	(6)
Institutional Asset Management equity plans	**6**	5
Old Mutual Wealth business transformation costs	**19**	18
Total tax on adjusting items	**38**	60
Income tax attributable to policyholders returns	**(144)**	(31)
Income tax on adjusted operating profit	**398**	403

D2: Investment return (non-banking)

This note analyses the investment return from the Group's non-banking activities.

		£m
	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)[1]
Interest and similar income		
Investments and securities	**1,023**	934
Cash and cash equivalents	**82**	66
Total interest and similar income	**1,105**	1,000
Dividend income – investments and securities	**443**	275
Fair value gains and losses recognised in income	**6,543**	2,364
Rental income from investment properties	**125**	121
Fair value gains and losses on the revaluation of investment property	**92**	54
Foreign currency gains/(losses)	**17**	(9)
Total amounts recognised in profit or loss	**8,325**	3,805
Total interest income for assets not at fair value through profit or loss	**13**	13
The fair value gains and (losses) shown above are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	**(12)**	(6)
Designated at fair value through profit or loss	**6,555**	2,370
	6,543	2,364

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

D: Other income statement notes continued

D3: Banking interest and similar income

This note analyses the interest earned on loans and advances from the Group's banking activities.

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Loans and advances	**3,478**	2,947
Mortgage loans	**1,432**	1,241
Finance lease and instalment debtors	**574**	512
Credit cards	**106**	100
Overdrafts	**98**	83
Term loans and other[1]	**1,268**	1,011
Investments and securities	**428**	373
Government and government-guaranteed securities	**183**	176
Other debt securities, preference shares and debentures	**245**	197
Total interest and similar income	**3,906**	3,320
Total interest income for assets not at fair value through profit or loss	**2,992**	2,653
Total interest income on impaired financial assets	**69**	50

1 Term loans and other includes commercial mortgages, deposits placed under repurchase agreements, preference shares and debentures and other term loans.

D4: Banking trading, investment and similar income

This note analyses the investment return from the Group's banking activities.

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Dividend income – investments and securities	**1**	2
Rental income from investment property	**3**	3
Net exchange and other non-interest income	**50**	39
Net trading income[1]	**201**	169
Total banking trading, investment and similar income	**255**	213
The realised fair value gains included in total banking, investment and similar income are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	**(68)**	84
Designated at fair value through profit or loss	**68**	(90)
Realised fair value gains included above	**–**	(6)

1 Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held-for-trading, together with the related interest, expense, costs and dividends of the Group's banking operations.

D5: Fee and commission income, and income from service activities

This note analyses the fees and commission earned by the Group from negotiating, or participating in the negotiation of a transaction for third-parties, transaction and performance fees earned and movements in deferred origination fees.

Year ended 31 December 2016					**£m**
	Life and savings	**Asset management**	**Banking**	**Property & casualty**	**Total**
Fee and commission income	**763**	**968**	**844**	**34**	**2,609**
Transaction and performance fees	**1**	**6**	**18**	**–**	**25**
Change in deferred revenue	**(12)**	**11**	**–**	**3**	**2**
	752	**985**	**862**	**37**	**2,636**

Year ended 31 December 2015 (Restated)[1]					£m
	Life and savings	Asset management	Banking	Property & casualty	Total
Fee and commission income	764	905	811	32	2,512
Transaction and performance fees	1	8	16	–	25
Change in deferred revenue	(20)	19	–	–	(1)
	745	932	827	32	2,536

Income from fiduciary activities is included within asset management fee income.

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

Fee and commission income, and income from service activities include £950 million (2015: £832 million) related to trust and fiduciary fees.

D6: Finance costs

Finance costs relate to the Group's borrowed funds, excluding those relating to banking activities. These finance costs include interest payable, and gains and losses on revaluation of these funds and on those derivative instruments which are used to hedge these funds.

			£m
	Note	**Year ended 31 December 2016**	Year ended 31 December 2015 (Restated)[1]
Interest payable on borrowed funds		**102**	65
Senior debt and term loans		**7**	8
Subordinated debt		**108**	72
Interest rate swaps		**(13)**	(15)
Fair value gains and losses on borrowed funds		**26**	(18)
Borrowed funds		**34**	(29)
Derivative instruments used as economic hedges		**(8)**	11
Total finance costs excluding banking activities		**128**	47
Finance costs from banking activities	D7	**256**	216
Total Group finance costs on debt instruments		**384**	263
The fair value gains and losses shown above are analysed according to their IAS 39 categorisations as follows:			
Designated at fair value through profit or loss		**26**	(18)

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

D7: Banking interest payable and similar expense

This note analyses the interest and similar expenses from the Group's banking activities.

			£m
	Note	**Year ended 31 December 2016**	Year ended 31 December 2015
Amounts owed to bank depositors		**2,017**	1,672
Deposits and loan accounts		**1,331**	1,091
Current and savings accounts		**22**	24
Negotiable certificates of deposit		**408**	341
Long-term debt instruments	D6	**256**	216
Other liabilities		**384**	252
Total interest payable and similar expenses		**2,401**	1,924
Total interest expense included above for liabilities not at fair value through profit or loss		**1,927**	1,736

For the year ended 31 December 2016

D: Other income statement notes continued

D8: Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

Year ended 31 December 2016				**£m**
	Life and savings	**Asset management**	**Property & casualty**	**Total**
Fee and commission expenses	**388**	**142**	**127**	**657**
Change in deferred acquisition costs	**21**	**13**	**3**	**37**
Other acquisition costs	**56**	**(5)**	**–**	**51**
	465	**150**	**130**	**745**

Year ended 31 December 2015 (Restated)[1]				£m
	Life and savings	Asset management	Property & casualty	Total
Fee and commission expenses	417	134	123	674
Change in deferred acquisition costs	3	18	–	21
Other acquisition costs	70	–	–	70
	490	152	123	765

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

Fee and commission expenses, and other acquisition costs include £203 million (2015: £214 million) related to trust and fiduciary fees.

D9: Other operating and administrative expenses

This note gives further detail on the items included within administrative expenses as well as an analysis of the operating segment our employees work in.

(a) Other operating and administrative expenses include:

			£m
	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015 (Restated)[1]
Staff costs	D9(b)	**1,782**	1,634
Amortisation of PVIF and other intangible assets	H1(f)	**153**	177
Impairment of goodwill and other intangible assets	C1(b)/H1(f)	**113**	–
Operating lease rentals – banking		**71**	64
Operating lease rentals – non-banking		**16**	12
Depreciation	H2(a)	**95**	82
Computer, software and processing costs		**94**	142
Marketing and communications and travel costs		**75**	64
Other operating and administrative expenses		**1,342**	1,210
		3,741	3,385

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

Operating lease payments principally represent rentals payable by the Group for the rental of buildings and equipment.

(b) Staff costs

	Notes	Year ended 31 December 2016 (£m)	Year ended 31 December 2015 (Restated)[1] (£m)
Wages and salaries		**1,130**	1,014
Social security costs		**47**	41
Retirement obligations			
Defined contribution plans		**84**	87
Defined benefit plans	J1(b)	**(7)**	(4)
Other retirement benefits	J1(b)	**6**	7
Bonus and incentive remuneration		**333**	329
Share-based payments			
Cash settled	J2(e)	**–**	4
Equity settled	J2(e)	**49**	31
Other		**140**	125
		1,782	1,634

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and K1 for more information.

	Year ended 31 December 2016 (Number)	Year ended 31 December 2015 (Number)
The average number of persons employed by the Group was:		
Emerging Markets	**28,565**	27,391
Old Mutual Wealth	**3,649**	3,451
Nedbank	**34,875**	31,646
Institutional Asset Management	**1,157**	1,174
plc Head Office	**263**	363
Non-core operations (Old Mutual Bermuda)	**18**	18
	68,527	64,043

(c) Fees to Group's auditors

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	Year ended 31 December 2016 (£m)	Year ended 31 December 2015 (£m)
Fees for audit services		
Group	**1.6**	1.3
Subsidiaries	**13.3**	12.2
Pension schemes	**0.2**	0.3
Total audit fees	**15.1**	13.8
Fees for non-audit services		
Audit-related assurance	**0.9**	0.9
Tax compliance	**1.3**	1.5
Corporate finance transactions	**–**	0.1
Other non-audit services	**1.5**	1.0
Total non-audit services	**3.7**	3.5
Total Group auditors' remuneration	**18.8**	17.3

In addition to the above, fees of £3.3 million (2015: £3.1 million) were payable to other auditors in respect of joint audit arrangements of Nedbank, the Group's banking subsidiary in South Africa.

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E: Financial assets and liabilities
E1: Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the year, with the exception of unrealised gains or losses on financial assets classified as available-for-sale, which are recognised in other comprehensive income.

At 31 December 2016								£m
		Fair value (note E3)			Amortised cost (note E5)			
Measurement basis	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	**1,111**	**–**	**–**	**–**	**–**	**1,111**	**–**	**–**
Investments in associated undertakings and joint ventures[1]	**542**	**–**	**139**	**–**	**–**	**–**	**–**	**403**
Reinsurers' share of policyholder liabilities	**3,115**	**–**	**2,560**	**–**	**–**	**7**	**–**	**548**
Loans and advances	**43,108**	**2,065**	**3,789**	**2**	**–**	**37,241**	**–**	**11**
Investments and securities	**100,533**	**3,229**	**93,069**	**957**	**3,278**	**–**	**–**	**–**
Trade, other receivables and other assets	**2,416**	**268**	**–**	**–**	**–**	**1,429**	**–**	**719**
Derivative financial instruments	**1,340**	**1,340**	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**4,847**	**–**	**–**	**–**	**–**	**4,847**	**–**	**–**
Total assets that include financial instruments	**157,012**	**6,902**	**99,557**	**959**	**3,278**	**44,635**	**–**	**1,681**
Total other non-financial assets	**14,556**	**–**	**–**	**–**	**–**	**–**	**–**	**14,556**
Total assets	**171,568**	**6,902**	**99,557**	**959**	**3,278**	**44,635**	**–**	**16,237**
Liabilities								
Long-term business insurance policyholder liabilities	**9,982**	**–**	**–**	**–**	**–**	**–**	**–**	**9,982**
Investment contract liabilities	**77,599**	**–**	**67,515**	**–**	**–**	**–**	**–**	**10,084**
Third-party interest in consolidation of funds	**7,981**	**–**	**7,981**	**–**	**–**	**–**	**–**	**–**
Borrowed funds	**4,694**	**–**	**935**	**–**	**–**	**–**	**3,759**	**–**
Trade, other payables and other liabilities	**5,112**	**1,293**	**620**	**–**	**–**	**–**	**2,049**	**1,150**
Amounts owed to bank depositors	**45,309**	**446**	**3,790**	**–**	**–**	**–**	**41,073**	**–**
Derivative financial instruments	**1,161**	**1,161**	**–**	**–**	**–**	**–**	**–**	**–**
Total liabilities that include financial instruments	**151,838**	**2,900**	**80,841**	**–**	**–**	**–**	**46,881**	**21,216**
Total other non-financial liabilities	**8,562**	**–**	**–**	**–**	**–**	**–**	**–**	**8,562**
Total liabilities	**160,400**	**2,900**	**80,841**	**–**	**–**	**–**	**46,881**	**29,778**

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

At 31 December 2015 (Restated)[1]								£m
		Fair value (note E3)			Amortised cost (note E5)			
Measurement basis	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	716	–	–	–	–	716	–	–
Investments in associated undertakings and joint ventures[2]	514	–	51	–	–	–	–	463
Reinsurers' share of policyholder liabilities	2,661	–	2,328	–	–	4	–	329
Loans and advances	30,965	1,491	3,035	2	–	26,437	–	–
Investments and securities	84,019	883	80,141	731	2,264	–	–	–
Trade, other receivables and other assets	1,947	182	–	–	–	1,119	–	646
Derivative financial instruments	3,076	3,076	–	–	–	–	–	–
Cash and cash equivalents	4,411	–	–	–	–	4,411	–	–
Total assets that include financial instruments	128,309	5,632	85,555	733	2,264	32,687	–	1,438
Total other non-financial assets	6,488	–	–	–	–	–	–	6,488
Total assets	134,797	5,632	85,555	733	2,264	32,687	–	7,926
Liabilities								
Long-term business policyholder liabilities	7,714	–	–	–	–	–	–	7,714
Investment contract liabilities	67,854	–	60,769	–	–	–	–	7,085
Third-party interest in consolidation of funds	5,948	–	5,948	–	–	–	–	–
Borrowed funds	3,524	–	804	–	–	–	2,720	–
Trade, other payables and other liabilities	3,749	547	383	–	–	–	1,509	1,310
Amounts owed to bank depositors	32,328	4,580	2,885	–	–	–	24,863	–
Derivative financial instruments	3,317	3,317	–	–	–	–	–	–
Total liabilities that include financial instruments	124,434	8,444	70,789	–	–	–	29,092	16,109
Total other non-financial liabilities	1,429	–	–	–	–	–	–	1,429
Total liabilities	125,863	8,444	70,789	–	–	–	29,092	17,538

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

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

GROUP FINANCIAL STATEMENTS
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For the year ended 31 December 2016

E: Financial assets and liabilities continued
E2: Fair values of financial assets and liabilities
(a) Determination of fair value
The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other financial assets and liabilities
The fair values of other financial assets and liabilities (which comprise cash and cash equivalents, cash with central banks, other assets and liabilities) are reasonably approximated by the carrying amounts reflected in the statement of financial position as they are short term in nature or re-price to current market rates frequently.

(b) Fair value hierarchy
Fair values are determined according to the following hierarchy.

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

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

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

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

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

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E: Financial assets and liabilities continued
E3: Disclosure of financial assets and liabilities measured at fair value
(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy
The tables below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in the accounting policies note L1 and in terms of the fair value hierarchy described in note E2. The majority of the Group's financial assets are measured utilising market observable inputs (Level 1) and there has been no significant change compared to the prior year.

Summary

	At 31 December 2016		At 31 December 2015 (Restated)[1]	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	**73,738**	**68.7%**	63,018	68.5%
Level 2	**32,059**	**29.8%**	27,552	30.0%
Level 3	**1,621**	**1.5%**	1,350	1.5%
Total	**107,418**	**100.0%**	91,920	100.0%
Financial liabilities measured at fair value				
Level 1	**54,235**	**64.8%**	48,887	61.7%
Level 2	**28,890**	**34.5%**	29,748	37.5%
Level 3	**616**	**0.7%**	598	0.8%
Total	**83,741**	**100.0%**	79,233	100.0%

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

Detail analysis

At 31 December 2016	Total	Level 1	Level 2	Level 3 £m
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	**6,902**	**1,523**	**5,350**	**29**
Loans and advances	**2,065**	**346**	**1,719**	**–**
Investments and securities	**3,229**	**906**	**2,323**	**–**
Other financial assets	**268**	**268**	**–**	**–**
Derivative financial instruments – assets	**1,340**	**3**	**1,308**	**29**
Designated (fair value through profit or loss)	**99,557**	**72,160**	**25,829**	**1,568**
Investments in associated undertakings and joint ventures	**139**	**–**	**–**	**139**
Reinsurers' share of policyholder liabilities	**2,560**	**2,560**	**–**	**–**
Loans and advances	**3,789**	**206**	**3,578**	**5**
Investments and securities	**93,069**	**69,394**	**22,251**	**1,424**
Available-for-sale financial assets (fair value through equity)	**959**	**55**	**880**	**24**
Loans and advances	**2**	**2**	**–**	**–**
Investments and securities	**957**	**53**	**880**	**24**
Total assets measured at fair value	**107,418**	**73,738**	**32,059**	**1,621**
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	**2,900**	**1,256**	**1,618**	**26**
Other liabilities	**1,293**	**1,250**	**24**	**19**
Amounts owed to bank depositors	**446**	**–**	**446**	**–**
Derivative financial instruments – liabilities	**1,161**	**6**	**1,148**	**7**
Designated (fair value through profit or loss)	**80,841**	**52,979**	**27,272**	**590**
Investment contract liabilities[1]	**67,515**	**52,011**	**14,914**	**590**
Third-party interests in consolidated funds	**7,981**	**–**	**7,981**	**–**
Borrowed funds	**935**	**918**	**17**	**–**
Other liabilities	**620**	**50**	**570**	**–**
Amounts owed to bank depositors	**3,790**	**–**	**3,790**	**–**
Total liabilities measured at fair value	**83,741**	**54,235**	**28,890**	**616**

1 Investment contract liabilities amount excludes £10,084 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

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E: Financial assets and liabilities continued
E3: Disclosure of financial assets and liabilities measured at fair value continued
(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy continued

At 31 December 2015 (Restated)[1]	Total	Level 1	Level 2	Level 3 £m
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	5,632	524	5,090	18
Loans and advances	1,491	–	1,491	–
Investments and securities	883	337	546	–
Other financial assets	182	182	–	–
Derivative financial instruments – assets	3,076	5	3,053	18
Designated (fair value through profit or loss)	85,555	62,491	21,732	1,332
Investments in associated undertakings and joint ventures	51	–	–	51
Reinsurers' share of policyholder liabilities	2,328	2,328	–	–
Loans and advances	3,035	181	2,853	1
Investments and securities	80,141	59,982	18,879	1,280
Available-for-sale financial assets (fair value through equity)	733	3	730	–
Loans and advances	2	2	–	–
Investments and securities	731	1	730	–
Total assets measured at fair value	91,920	63,018	27,552	1,350
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	8,444	545	7,895	4
Other liabilities	547	539	8	–
Amounts owed to bank depositors	4,580	–	4,580	–
Derivative financial instruments – liabilities	3,317	6	3,307	4
Designated (fair value through profit or loss)	70,789	48,342	21,853	594
Investment contract liabilities[2]	60,769	47,508	12,667	594
Third-party interests in consolidated funds	5,948	–	5,948	–
Borrowed funds	804	794	10	–
Other liabilities	383	40	343	–
Amounts owed to bank depositors	2,885	–	2,885	–
Total liabilities measured at fair value	79,233	48,887	29,748	598

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

2 Investment contract liabilities amount excludes £7,085 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year:

Year ended 31 December 2016						£m
	Held-for-trading	Designated fair value through profit or loss			Available-for-sale	Total
	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Level 3 financial assets						
At beginning of the year (Restated)[1]	**18**	**51**	**1**	**1,280**	**–**	**1,350**
Total net fair value gains recognised in:						
profit or loss	**(4)**	**14**	**–**	**64**	**–**	**74**
Purchases and issues	**25**	**57**	**–**	**134**	**–**	**216**
Sales and settlements	**(15)**	**(10)**	**–**	**(234)**	**21**	**(238)**
Transfers in	**–**	**–**	**2**	**246**	**–**	**248**
Transfers out	**–**	**–**	**–**	**(59)**	**–**	**(59)**
Transferred to held-for-sale	**–**	**–**	**–**	**(67)**	**–**	**(67)**
Foreign exchange and other	**5**	**27**	**2**	**60**	**3**	**97**
Total level 3 financial assets	**29**	**139**	**5**	**1,424**	**24**	**1,621**
Unrealised fair value gains relating to assets held at 31 December 2016 recognised in:						
profit or loss	**(4)**	**14**	**–**	**63**	**–**	**73**

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

The carrying amount of significant Level 3 assets at the reporting date principally comprises:

Derivative assets – held for trading:
— £27 million (2015: £18 million) held by the Bermuda business in connection with hedging of investment guarantees.

Investments in associated undertakings and joint ventures – designated at fair value through the income statement:
— £139 million (2015: £51 million) of investments held by Nedbank.

Investments and securities – designated a fair value through the income statement:
— £22 million (2015: £162 million) of suspended funds; £370 million (2015: £301 million) of private company shares and unlisted pooled investments, £189 million (2015: £36 million) of funds not being actively priced and £9 million (2015: £10 million) of structured notes held by Old Mutual Wealth. These assets are held by linked funds and are matched exactly by Level 3 investment contract liabilities
— £794 million (2015: £685 million) of private company shares and unlisted pooled investments held by Emerging Markets. Of these amounts, £693 million (2015: £624 million) are held by policyholder funds for which the bulk of the investment risk is borne by policyholders
— £40 million (2015: £31 million) of investments held by Nedbank
— £nil (2015: £55 million) relating to timber and real estate assets held by funds of OM Asset Management plc (OMAM). Because OMAM is shown as held for sale at 31 December 2016, their level 3 assets are included within assets held for sale in the statement of consolidated financial position. The carrying value of these assets at 31 December 2016 was £67 million.

Investments and securities – available-for-sale
— £24 million (2015: £nil) of investments held by Nedbank. This investment was previously shown as level 2.

Amounts shown as purchases and issues arise principally from the purchase of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets.

Amounts shown as sales and settlements arise principally from the sale of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from distributions received in respect of Old Mutual Wealth's holdings in property funds.

Transfers into Level 3 assets comprises £188 million of private company shares held by Old Mutual Wealth that were previously shown within Level 2 and for which are no longer being actively priced and £58 million of investments held by Emerging Markers previously shown in Level 2, for which Level 3 is now considered more appropriate.

Transfers out of Level 3 assets comprise £31 million of private company shares held by Old Mutual Wealth that were not being repriced and that have been transferred into Level 2 as they are now actively priced and £28 million in Emerging Markets relating to unlisted company shares and private equity funds for which Level 2 is now considered more appropriate.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

E: Financial assets and liabilities continued
E3: Disclosure of financial assets and liabilities measured at fair value continued
(b) Level 3 fair value hierarchy disclosure continued

Year ended 31 December 2016				£m
		Held-for-trading	Designated fair value through profit or loss	
	Other liabilities	Derivatives	Investment contract liabilities	Total
Level 3 financial liabilities				
At beginning of the year	**–**	**4**	**594**	**598**
Total net fair value losses recognised in profit or loss for the year	**2**	**7**	**13**	**22**
Purchases and issues	**15**	**–**	**21**	**36**
Sales and settlements	**–**	**(4)**	**(115)**	**(119)**
Transfers in	**–**	**–**	**188**	**188**
Transfers out	**–**	**–**	**(31)**	**(31)**
Foreign exchange and other	**2**	**–**	**(80)**	**(78)**
Total Level 3 financial liabilities	**19**	**7**	**590**	**616**
Unrealised fair value losses relating to liabilities held at 31 December 2016 recognised in profit or loss	**2**	**7**	**13**	**22**

The carrying amount of Level 3 investment contract liabilities at 31 December 2016 comprises:

— £590 million (2015: £509 million) held within Old Mutual Wealth in linked funds and which exactly match against Level 3 assets disclosed above within Investments and securities – designated fair value through profit or loss; and
— £26 million (2015: £nil) relating to the potential acquisitions of further stakes in businesses.

Year ended 31 December 2015 (Restated)[1]						£m
	Held-for-trading	Designated at fair value through profit or loss			Available-for-sale	
	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	Total
Level 3 financial assets						
At beginning of the year	8	50	2	1,491	1	1,552
Total net fair value (losses)/gains recognised in the profit or loss for the year	(5)	5	–	40	–	40
Total gains recognised in other comprehensive income	–	–	–	(1)	–	(1)
Purchases and issues	14	16	–	288	–	318
Sales and settlements	–	(7)	–	(332)	(1)	(340)
Transfers in	–	–	–	80	–	80
Transfers out	–	–	–	(69)	–	(69)
Foreign exchange and other	1	(13)	(1)	(217)	–	(230)
Total Level 3 financial assets	18	51	1	1,280	–	1,350
Unrealised fair value (losses)/gains relating to assets held at 31 December 2015 recognised in profit or loss	(5)	5	–	(25)	–	(25)

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

Year ended 31 December 2015			£m
	Held-for-trading – Derivatives	Designated fair value through profit or loss – Investment contract liabilities	Total
Level 3 financial liabilities			
At beginning of the year	–	754	754
Total net losses/(gains) recognised in profit or loss for the year	3	(69)	(66)
Purchases and issues	1	96	97
Sales and settlements	–	(188)	(188)
Transfers in	–	52	52
Transfers out	–	(55)	(55)
Foreign exchange and other	–	4	4
Total level 3 financial liabilities	4	594	598
Unrealised fair value gains relating to liabilities held at 31 December 2015 recognised in profit or loss	3	(63)	(60)

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

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

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

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

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

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note E2: Fair values of financial assets and liabilities.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

E: Financial assets and liabilities continued
E3: Disclosure of financial assets and liabilities measured at fair value continued
(c)(i) Effect of changes in significant unobservable assumptions to reasonable possible alternatives continued

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

Types of financial instruments	Fair values		Significant unobservable input	Fair value measurement sensitivity to unobservable inputs	
	At 31 December 2016 £m	At 31 December 2015 (Restated)[1] £m		**At 31 December 2016 £m**	At 31 December 2015 £m
Assets					
Investments in associated undertakings and joint ventures	**139**	51	Valuation multiples	**Favourable: 13** **Unfavourable: 16**	Favourable: 4 Unfavourable: 5
Investments and securities	**1,448**	1,280	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return, Cost of capital Inflation rates Market adjusted price (Price of infrequently traded shares)	**Favourable: 213** **Unfavourable: 223**	Favourable: 149 Unfavourable: 141
Loans and advances	**5**	1	Correlations Volatilities Credit spreads	**Favourable: £nil** **Unfavourable: 1**	Favourable: £nil Unfavourable: £nil
Derivatives	**29**	18	Interest rates Volatilities	**Favourable: 10** **Unfavourable: 9**	Favourable: 7 Unfavourable: 7
Liabilities					
Investment contract liabilities	**590**	594	Interest rates Volatilities	**Favourable: 59** **Unfavourable: 59**	Favourable: 54 Unfavourable: 58
Other liabilities	**19**	–	Valuation multiples	**Favourable: 1** **Unfavourable: 1**	n/a
Derivatives	**7**	4	Volatilities	**Favourable: 7** **Unfavourable: 16**	Favourable: 2 Unfavourable: 1

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

All the business segments have performed analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instruments. As all the changes in the 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.

(c)(ii) Analysis of investments and securities classified as Level 3 hierarchy

The table below summarises the categories of investments and securities classified as Level 3 hierarchy:

		£m
	At 31 December 2016	At 31 December 2015 (Restated)[1]
Pooled investments	**427**	451
Unlisted and stale price pooled investments	**405**	289
Suspended funds	**22**	162
Unlisted equity	**643**	433
Private equity investments	**344**	331
Other	**34**	65
	1,448	1,280

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

The table below summarises the significant unobservable inputs of investments and securities categorised as Level 3 hierarchy:

Pooled investments	**Equity instruments**	**Other investments**
Underlying net asset value	Dividend growth rate	Commodity prices
Published fund price	Volatilities	Interest rates
Credit spreads	Internal rate of return	Inflation rates
Market adjusted prices	Market adjusted prices	

(d) Alternative assumptions

Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities.

Alternative assumptions are assessed in terms of possible favourable and unfavourable changes in the key market inputs for the major types of Level 3 financial assets and liabilities. Changes in business risk inputs such as lapses and non-performance risk were also considered.

Management believes that in aggregate, 25% (2015: 25%) of the amounts determined in the sensitivity tables represents a reasonable possible alternative judgement in the context of the current macroeconomic environment in which the various businesses of the Group operates. It is therefore considered that the impact of alternative assumptions will be in the range of £59 million (2015: £38 million) favourable to £62 million (2015: £37 million) unfavourable on profit or loss and assets. The impact on liabilities will be in the range of £17 million (2015: £14 million) favourable and £19 million (2015: £15 million) unfavourable.

E4: Financial instruments designated as fair value through profit or loss

Certain items in the Group's statement of financial position that would otherwise be categorised as loans and receivables under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

Change in fair value due to change in credit risk						£m
	At 31 December 2016			At 31 December 2015		
	Maximum exposure to credit risk	**Current financial year**	**Cumulative**	Maximum exposure to credit risk	Current financial year	Cumulative
Loans and advances	**3,609**	**(1)**	**–**	2,854	–	–
Investments and securities	**8,064**	**(7)**	**(12)**	6,305	–	(3)
	11,673	**(8)**	**(12)**	9,159	–	(3)

The change in fair value due to a change in credit risk shown above is determined as the amount of the change in fair value of the instrument that is not attributable to changes in market conditions that give rise to market risk.

For loans and receivables that have been designated as at fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value of the financial instrument. Loans and advances are reviewed for observable changes in credit risk, and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated at fair value through profit or loss.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

E: Financial assets and liabilities continued
E4: Financial instruments designated as fair value through profit or loss continued
Certain items in the Group's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

Change in fair value due to change in credit risk								£m
	At 31 December 2016				At 31 December 2015			
	Fair value	Current financial year	Cumulative	Contractual maturity amount	Fair value	Current financial year	Cumulative	Contractual maturity amount
Borrowed funds	935	24	98	871	804	20	74	781
Amounts owed to bank depositors	3,790	4	9	3,787	2,885	4	7	2,894
	4,725	28	107	4,658	3,689	24	81	3,675

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.

E5: Fair value hierarchy for assets and liabilities not measured at fair value
Financial instruments
Certain financial instruments of the Group are not carried at fair value, principally investments and securities categorised as held-to-maturity, loans and receivables, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates 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 what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale.

Investments and securities
Investments and securities with a carrying value of £3,278 million (2015: £2,264 million) are shown within note E1 as held-to-maturity investments and loans and receivables and are therefore not carried at fair value. The fair value of these securities is estimated to be £3,261 million (2015: £2,196 million), which is based either on available market prices (Level 1), £1,278 million (2015: £763 million), or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2), £1,983 million (2015: £1,433 million).

Loans and advances
Loans and advances with a carrying value of £37,241 million (2015: £26,437 million), shown within note E1 as loans and receivables in terms of IAS 39 and therefore not carried at fair value, principally comprise variable-rate financial assets. The interest rates on these variable rate financial assets are adjusted when the applicable benchmark interest rate changes. The fair value of these financial instruments at the reporting date are estimated to be £36,740 million (2015: £26,271 million) are classified as Level 3.

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.

For specifically impaired loans and advances, the carrying value as determined after consideration of the Group's IAS 39 credit impairments, is considered the best estimate of fair value.

The Group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

Other financial assets

The carrying values of cash and cash equivalents, mandatory deposits with central banks and provisions and trade, other receivables and other assets are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Trade, other receivables and other assets would be classified into Level 3 of the fair value hierarchy.

Amounts owed to depositors

Amounts owed to depositors principally comprises variable-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature. Amounts owed to depositors would be classified into Level 2 of the fair value hierarchy.

Borrowed funds

Borrowed funds with a carrying value of £3,759 million (2015: £2,720 million) are shown within note E1 as financial liabilities at amortised cost and therefore not carried at fair value. The fair value of these instruments is estimated to be £3,640 million (2015: £2,656 million), which is based either on available market prices (Level 1), £1,704 million (2015: £1,636 million), or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2), £1,936 million (2015: £1,020 million).

Other financial liabilities

The carrying values of trade, other payables, and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Trade, other payables and other liabilities would be classified into Level 3 of the fair value hierarchy.

E6: Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments. The majority of these transactions are governed by the principles of ISDA or similar type of agreements. These agreements aim to protect the parties in the event of default.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

At 31 December 2016						£m
				Related amounts available for future set off		
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Master netting agreement	Collateral received/ pledged[1]	Position not available to be offset
Financial assets						
Loans and advances	**44,788**	**(1,680)**	**43,108**	**–**	**–**	**43,108**
Derivative financial instruments – assets	**1,689**	**(349)**	**1,340**	**(976)**	**–**	**364**
Cash and cash equivalents	**4,974**	**(127)**	**4,847**	**–**	**–**	**4,847**
Financial liabilities						
Trade, other payables and other liabilities	**5,239**	**(127)**	**5,112**	**–**	**(620)**	**4,492**
Amounts owed to bank depositors	**46,989**	**(1,680)**	**45,309**	**–**	**–**	**45,309**
Derivative financial instruments – liabilities	**1,510**	**(349)**	**1,161**	**(613)**	**(61)**	**487**

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

E: Financial assets and liabilities continued
E6: Master netting or similar agreements continued

At 31 December 2015						£m
				Related amounts available for future set off		
	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Master netting agreement	Collateral received/ pledged[1]	Position not available to be offset
Financial assets						
Loans and advances	32,624	(1,659)	30,965	–	–	30,965
Derivative financial instruments – assets	3,626	(550)	3,076	(1,541)	–	1,535
Cash and cash equivalents	4,524	(113)	4,411	–	–	4,411
Financial liabilities						
Trade, other payables and other liabilities	3,862	(113)	3,749	–	(332)	3,417
Amounts owed to bank depositors	33,987	(1,659)	32,328	–	–	32,328
Derivative financial instruments – liabilities	3,867	(550)	3,317	(1,586)	(151)	1,580

1 This represents the amounts that could be offset in the event of default. These arrangements are typically governed by master netting and collateral arrangements.

F: Capital and financial risk management
F1: Capital management

The managed separation of the Group will free the constituent parts into four strong, independent businesses, each having a capital structure and dividend policy suitable for its own strategy. The Group position must be compliant with regulatory requirements at all times. The Group has no appetite for regulatory intervention during managed separation, whether perceived or real. As such, we hold a buffer above minimum requirements in order to remain solvent.

The primary sources of capital used by the Group are equity shareholders' funds, subordinated debt and borrowings. Alternative resources are utilised where appropriate. Targets are established in relation to regulatory solvency, credit ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with our risk appetite and the requirements of our various stakeholders.

From 1 January 2016, the Group measures its Group Solvency in accordance with the EU Solvency II Directive. At 31 December 2016, the unaudited Group Solvency II surplus was estimated to be £1.3 billion. Further information on the Group's capital management policy is disclosed in the Finance Review section on pages 65 to 66.

F2: Insurance risk (risk arising within insurance contracts)

For the purposes of these financial statements, insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk. Contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk in the case of life assurance or risk of loss (from fire, accident, or other source) in the case of property & casualty.

Insurance risk arises through exposure to variable claims experience on life assurance, critical illness and other protection business and exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality and morbidity claim rates, relative to the actuarial assumptions made in the pricing process, may prevent the Group from achieving its profit objectives.

The Group has developed a risk policy which sets out the practices which are used to monitor and manage insurance risk as well as management information and stress testing requirements. The policy is cascaded to all relevant entities across the Group who each have their own risk policy suite aligned to the Group. As well as management of persistency, expense and claims experience, the risk policy sets requirements and standards on matters such as underwriting and claims management practices, and the use of reinsurance to mitigate insurance risk.

The insurance risk profile and experience is closely monitored to ensure that the exposure remains acceptable.

The financial impact of insurance risk events is examined by the business through stress tests carried out within the IFRS sensitivities, regulatory capital sensitivities and Economic Capital assessments where applicable.

Mortality and morbidity
Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Possible causes are new and unexpected epidemics and widespread changes in lifestyle such as eating, smoking and exercise habits. Higher than expected claims levels will reduce expected emerging profits. For contracts where the insured risk is survival, the most significant factor that is likely to adversely impact the claims experience is continued improvement in medical science and social conditions that increase longevity.

For unit-linked contracts, a risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of significant changes in the expectation for future claims experience, subject to 'Treating Customers Fairly' principles.

The operations manage mortality and morbidity risks through its underwriting policy and external reinsurance arrangements where the policy is to retain certain types of insurance risks within specified maximum single event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

Persistency
Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to expected.

In order to limit this risk to an acceptable level, products (including charging and commission structures) are designed to limit the financial loss on surrender, subject to 'Treating Customers Fairly' principles.

Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if statistics show significant adverse movement or emerging trends in experience.

Expenses
Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some products' structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to 'Treating Customers Fairly' principles.

Tax
Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.

Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation as paid by either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens. The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.

F3: Financial risk management

The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

(a) Credit risk

(i) Overall exposure to credit risk
Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation to repay cash or deliver another financial asset.

Credit risk in the Group arises from a number of activities of the Group, namely banking lending, trading, investing and other activities. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. Credit risk is managed through research and analysis at the time of investment or granting of the loan and then continuously monitored.

The Group is exposed to banking credit risk from lending and other financing activities, through its exposure to Nedbank and the banking operations within Emerging Markets business. Nedbank's lending portfolio forms a substantial part of the Group's loans and advances, as analysed in note G1. Credit risk represents the most significant risk type facing Nedbank, accounting for the majority of its economic capital requirements. Nedbank's credit risk profile is managed in terms of the credit risk management framework, which encompasses comprehensive credit risk policy, mandate (limits) and governance structures, and is approved by the Nedbank Board.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

F: Capital and Financial risk management continued
F3: Financial risk management continued
(a) Credit risk continued
The Group is exposed to the risk of credit defaults and movements in credit spreads from our insurance businesses. This includes counterparty default risk, which also arises mainly from reinsurance and hedging arrangements.

The Group also has limited other credit risk exposures in respect of amounts due from policyholders and intermediaries. Loans to policyholders are secured on the surrender value of the relevant policies.

(ii) Maximum exposure to credit risk
The table below represents the Group's maximum exposure to credit risk, without taking into account the value of any collateral obtained. The maximum exposure to credit risk with regards to derivative financial instruments represents the current fair value of these instruments and does not take into account the impact of any positive or adverse changes in the value of the derivative financial instruments. The total credit exposure also includes potential exposure arising from financial guarantees given by the Group and undrawn loan commitments, which are not yet reflected in the Group's statement of financial position.

		£m
	At 31 December 2016	At 31 December 2015
Mandatory reserve deposits with central banks	**1,111**	716
Reinsurers' share of policyholder liabilities	**3,115**	2,661
Loans and advances	**43,108**	30,965
Investments and securities	**25,841**	19,007
Government and government-guaranteed securities	**7,931**	7,241
Other debt securities, preference shares and debentures	**13,463**	9,023
Short-term funds and securities treated as investments	**4,133**	2,335
Other	**314**	408
Other assets	**1,782**	1,665
Derivative financial instruments – assets	**1,340**	3,076
Cash and cash equivalents	**4,847**	4,520
Financial guarantees and other credit-related contingent liabilities	**1,976**	1,793
Loan commitments and other credit-related commitments	**5,273**	4,136
Non-current assets held for sale	**8,570**	123
	96,963	68,662

(b) Market risk
(i) Overview
Market risk is the risk of a financial impact arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to businesses across the Group. Each of the Group's business has their own established set of policies, principles and governance processes to monitor and manage market risk within their individual businesses and in accordance with their local regulatory requirements.

The sensitivity of the Group's earnings, capital position and embedded value to market risk is monitored through the Group's embedded value and risk appetite reporting processes.

(ii) Insurance operations

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and to earnings are quantified in accordance with the businesses risk appetite framework. Additional detail is provided in the Principal Risks and Uncertainties section.

In South Africa the stock selection and investment analysis process is supported by a well-developed research function. For fixed annuities, market risks are managed where possible by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risk on policies that include guarantees where shareholders carry the investment risk, principally reside in the South African guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilts. Other non-profit policies are also suitably matched based upon comprehensive investment guidelines. Market risk on with-profit policies with guarantees is managed through appropriate asset-liability matching, which includes hedging, as per the PPFM (Principles and Practices of Financial Management).

In Old Mutual Wealth's unit-linked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of Old Mutual Wealth's shareholders' funds, market risk is addressed in Old Mutual Wealth's investment policy, which provides for very limited opportunity for entities to invest their shareholder capital in equities and other volatile assets.

For Old Mutual Bermuda, the market risk to shareholders post the sale of the business to Beechwood Bermuda Limited arises from the retention of the Guaranteed Minimum Accumulation Benefits (GMABs), which is reinsured by Old Mutual (Bermuda) Re Limited until the last guarantee has expired in August 2018. These GMABs are US dollar denominated guarantees. The equity market risk and currency risk is managed through a put option hedging strategy that substantially reduces exposure to increases in GMAB funding costs.

(iii) Banking operations

The principal market risks arising in the Group's banking operations arise from:

- Trading risk in Nedbank Capital and
- Banking book interest rate risk from repricing and/or maturity mismatches between on- and off-balance sheet components in all banking businesses.

A comprehensive market risk framework is used to ensure that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk.

Banking operations – Trading risk

Market risk exposures from trading activities at Nedbank Capital are measured using Value-at-Risk (VaR), supplemented by sensitivity analysis, and stress and scenario analysis. Limit structures are set accordingly.

The VaR risk measure for Nedbank estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank represents the overnight loss that has less than 1% chance of occurring under normal market conditions. By its nature, VaR is only a single measure and cannot be relied upon on its own as a means of measuring and managing risk.

At 31 December								£m
	Average		Minimum		Maximum		Year-end	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Historical VaR (one-day, 99%) by risk type								
Foreign exchange	**0.5**	0.1	**0.1**	–	**1.5**	0.8	**0.2**	0.8
Interest rate	**1.0**	0.3	**0.5**	0.2	**2.0**	1.0	**0.7**	1.0
Equity product	**0.2**	0.1	**0.1**	–	**0.5**	0.5	**0.1**	0.3
Other	**0.4**	0.4	**0.3**	0.1	**0.8**	0.6	**0.5**	0.5
Diversification	**(0.7)**	(0.3)	**–**	–	**–**	–	**(0.5)**	(0.7)
Total VaR exposure	**1.5**	0.6	**0.6**	0.3	**3.0**	2.0	**1.0**	1.9

Banking book interest rate risk

Banking book interest rate risk at Nedbank arises because:

- The bank writes a large amount of prime-linked assets and raises fewer prime-linked deposits
- Funding is prudently raised across the curve at fixed-term deposit rates that re-price only on maturity
- Short-term demand-funding products re-price to different short-end base rates
- Certain ambiguous maturity accounts are non-rate-sensitive, and
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not re-price for interest rate changes.

Nedbank uses standard analytical techniques to measure interest rate sensitivity within its banking book. This includes static re-price gap analysis and a point-in-time interest income stress testing for parallel interest rate moves over a forward-looking 12-month period. At 31 December 2016 the sensitivity of the banking book to a 1% instantaneous reduction in interest rates would have led to a reduction in net interest income over the next 12 months of £69 million (2015: £62 million).

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F: Capital and Financial risk management continued
F3: Financial risk management continued
(b) Market risk continued

The table below shows the re-pricing profile of Nedbank's banking book, which highlights the fact that assets re-price quicker than liabilities following derivative hedging activities:

At 31 December 2016	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Trading and non-rate	Total £m
Interest rate re-pricing gap							
Total assets	**38,262**	**1,597**	**1,394**	**2,846**	**1,509**	**11,368**	**56,976**
Total liabilities and shareholders' funds	**(32,464)**	**(2,472)**	**(2,319)**	**(1,564)**	**(860)**	**(17,297)**	**(56,976)**
Interest rate hedging activities	**(628)**	**1,496**	**910**	**(1,207)**	**(571)**	**–**	**–**
Repricing profile	**5,170**	**621**	**(15)**	**75**	**78**	**(5,929)**	**–**
Cumulative repricing profile	**5,170**	**5,791**	**5,776**	**5,851**	**5,929**	**–**	**–**
Expressed as a % of total assets	**9.1%**	**10.2%**	**10.1%**	**10.3%**	**10.4%**	**–**	**–**

At 31 December 2015	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Trading and non-rate	Total £m
Interest rate re-pricing gap							
Total assets	26,195	1,486	1,013	1,957	1,035	8,883	40,569
Total liabilities and shareholders' funds	(23,346)	(1,136)	(1,446)	(889)	(558)	(13,194)	(40,569)
Interest rate hedging activities	589	308	484	(1,072)	(309)	–	–
Repricing profile	3,438	658	51	(4)	168	(4,311)	–
Cumulative repricing profile	3,438	4,096	4,147	4,143	4,311	–	–
Expressed as a % of total assets	8.5%	10.1%	10.2%	10.2%	10.6%	–	–

The analysis indicates that the maturity profile of financial assets is broadly matched to the financial liabilities due to derivative hedging activities. This means that in the event of increasing interest rates, net interest income will remain stable in the short term.

F4: Currency translation risk

The Group is exposed to movements in exchange rates from changes in the sterling value of surplus assets and earnings denominated in foreign currencies. From a capital perspective, our capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. The functional currencies of the Group's principal overseas operations are South African rand, US dollar and euro.

Certain of the Groups' business operations may undertake activities that are not in their functional currencies. These activities, such as Nedbank, who has a functional currency of South African rand, lending in US dollar, are economically hedged by numerous activities such as the use of currency swaps, currency borrowings and forward foreign exchange contracts.

These foreign currency translation tables below have been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value as opposed to their notional amounts. The tables are therefore a reflection of the foreign currency exposures in their respective currencies.

At 31 December 2016						£m
	ZAR	**GBP**	**USD**	**EUR**	**Other**	**Total**
Assets						
Mandatory reserve deposits with central banks	**1,078**	**–**	**–**	**–**	**33**	**1,111**
Reinsurers' share of policyholder liabilities	**195**	**2,864**	**2**	**–**	**54**	**3,115**
Loans and advances	**38,701**	**495**	**2,414**	**191**	**1,307**	**43,108**
Investments and securities	**37,641**	**46,250**	**11,983**	**1,244**	**3,415**	**100,533**
Trade, other receivables and other assets	**1,493**	**732**	**116**	**–**	**75**	**2,416**
Derivative financial instruments – assets	**1,222**	**77**	**29**	**9**	**3**	**1,340**
Cash and cash equivalents	**2,216**	**1,854**	**400**	**68**	**309**	**4,847**
Total financial assets	**82,546**	**52,272**	**14,944**	**1,512**	**5,196**	**156,470**
Total non-financial assets	**3,524**	**2,182**	**2,932**	**5,870**	**590**	**15,098**
Total assets	**86,070**	**54,454**	**17,876**	**7,382**	**5,786**	**171,568**
Liabilities						
Life assurance policyholder liabilities	**31,576**	**44,924**	**6,916**	**1,028**	**3,137**	**87,581**
Third-party interest in consolidation of funds	**4,094**	**3,887**	**–**	**–**	**–**	**7,981**
Borrowed funds	**3,561**	**1,017**	**36**	**–**	**80**	**4,694**
Trade, other payables and other liabilities	**3,708**	**1,097**	**73**	**11**	**223**	**5,112**
Amounts owed to bank depositors	**40,116**	**871**	**2,647**	**267**	**1,408**	**45,309**
Derivative financial instruments – liabilities	**1,037**	**92**	**20**	**10**	**2**	**1,161**
Total financial liabilities	**84,092**	**51,888**	**9,692**	**1,316**	**4,850**	**151,838**
Total non-financial liabilities	**772**	**512**	**1,392**	**5,665**	**221**	**8,562**
Total liabilities	**84,864**	**52,400**	**11,084**	**6,981**	**5,071**	**160,400**

At 31 December 2015						£m
	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	696	–	–	–	20	716
Reinsurers' share of policyholder liabilities	111	2,507	1	–	42	2,661
Loans and advances	27,441	423	2,126	131	844	30,965
Investments and securities	24,502	39,347	10,352	5,719	2,681	82,601
Trade, other receivables and other assets	1,127	424	205	104	147	2,007
Derivative financial instruments – assets	1,579	1,466	20	7	4	3,076
Cash and cash equivalents	1,731	1,629	433	457	270	4,520
Total financial assets	57,187	45,796	13,137	6,418	4,008	126,546
Total non-financial assets	2,502	2,327	1,503	83	587	7,002
Total assets	59,689	48,123	14,640	6,501	4,595	133,548
Liabilities						
Life assurance policyholder liabilities	22,558	39,204	5,905	5,396	2,505	75,568
Third-party interest in consolidation of funds	1,456	3,184	14	–	7	4,661
Borrowed funds	2,270	1,098	87	–	69	3,524
Trade, other payables and other liabilities	2,046	989	363	80	309	3,787
Amounts owed to bank depositors	28,183	635	2,338	247	925	32,328
Derivative financial instruments – liabilities	1,853	1,416	40	3	5	3,317
Total financial liabilities	58,366	46,526	8,747	5,726	3,820	123,185
Total non-financial liabilities	621	501	116	43	148	1,429
Total liabilities	58,987	47,027	8,863	5,769	3,968	124,614

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F: Capital and Financial risk management continued

F5: Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by Old Mutual plc. Under the Group's managed separation strategy, a revised liquidity risk management policy was introduced that is designed to allow for flexibility in managing liquidity. We hold a buffer at Group level to support this, sufficient to withstand a liquidity survival horizon of at least 12 months. We also have a multi-year liquidity view over the managed separation horizon. The Group should be able to meet short-term plausible but extreme losses. As the businesses transition into separate entities, management will assess their day 1 liquidity requirements and, where appropriate, we will transition liquidity buffers currently held and funded at Old Mutual plc into the businesses.

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available cash resources and, if necessary, available credit facilities. The Group's liquid resources are held in large portfolios of highly marketable securities, for example listed bonds, actively traded pooled investments, equities and cash and cash equivalents. Whilst most of the Group's banking deposit liabilities and investment contract liabilities are generally repayable on demand, the Group's expectation is that banking depositors and policyholders will only require funds over the long term rather than immediately. However, cash resources and other liquid assets are maintained in the event of a need for additional liquidity. Information on the nature of the investments and securities held is given in note G2.

The Group has access to a £800 million (2015: £800 million) multi-currency revolving credit facility. £73 million facility matures in August 2019, a further £73 million of facility matures in August 2020 and the remaining £654 million of the facility matures in August 2021. At 31 December 2016 none of this facility was drawn. Details, together with information on the Group's borrowed funds, are given in note G7. During January 2017, the Group established a new internal £200 million revolving credit facility for the Old Mutual Wealth business.

The key information reviewed by the Group's Executive Directors and Executive Committee is a detailed management report on the Group's and holding company's current and planned capital and liquidity position, together with summary information on the current and planned liquidity positions of the Group's operating segments. Forecasts are updated regularly based on new information received and also as part of the Group's annual business planning cycle. The Group and holding company's liquidity and capital position and forecast are presented to the Old Mutual plc Board of Directors on a regular basis. Additionally the Group conducts regular stress testing around liquidity requirements, as referenced in the Risk Section (refer page 79)

Group operating segments are required, both in terms of their local requirements and in accordance with direction from the holding company, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

Further information on liquidity and the holding company cash flows is contained in the financial performance section of the Business Review section.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

The contractual maturities of the Group's financial liabilities are set out in notes G4, G6, G7 and G8.

G: Analysis of financial assets and liabilities

G1: Loans and advances

The Group extends advances to individuals and to the corporate, commercial and public sectors. The majority of loans and advances are in respect of Nedbank, which represents 97% (£41,703 million); (2015: 96% (£29,873 million)) of the carrying value of the Group's loans and advances. Nedbank assesses its loan portfolios for impairment at each financial reporting date and manages its exposure to loans and advances through a documented credit approval processes.

Emerging Markets has lending exposure, net of credit impairment provisions, of £1,210 million (2015: £912 million) through its non-wholly owned subsidiaries in South Africa, Namibia, Kenya and Zimbabwe. Credit loss ratios are monitored at each individual business unit level.

Interest earned on loans and advances is analysed in note D3: Banking interest and similar income and credit impairment charges are included in note G1(d) Provision for impairment.

Critical accounting estimates and judgements – Provisions for impairment of loans and advances

The impairment for performing loans is calculated on a portfolio basis, based on historical loss experience, adjusted for national and sector specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears, such as changes in macro-economic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. For portfolios of loans and advances which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. There are a number of models in use, each tailored to a product, line of business or client category. Judgement and knowledge are needed in selecting the statistical methods to use when the models are developed or revised. Additional impairment provisions may be raised for issues which the Group believes is not specifically covered by statistical models. For wholesale (larger) exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account. The level of impairment allowance is the difference between the value of the discounted expected future cash flows and its carrying amount. Subjective judgements are made in the calculations of future cash flows and change with time as new information becomes available or as strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken.

(a) Categories of loans and advances

The following table provides an analysis of the categories of loans and advances that are provided by the Group. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment losses.

	Notes	At 31 December 2016	At 31 December 2015 £m
Home loans		**8,772**	6,409
Commercial mortgages		**9,085**	6,098
Unsecured retail lending	G1(b)(i)	**2,215**	1,558
Other term loans		**6,068**	3,961
Other loans to clients		**7,099**	5,663
Net finance leases and instalment debtors	G1(e)	**6,221**	4,377
Deposits placed under reverse purchase agreements		**923**	884
Overdrafts		**1,182**	751
Preference shares and debentures		**1,184**	907
Credit cards		**877**	616
Factoring accounts		**296**	234
Policyholder loans		**278**	241
Properties in possession		**15**	16
Remittances in transit		**22**	9
Gross loans and advances		**44,237**	31,724
Provisions for impairment		**(1,129)**	(759)
Specific provisions	G1(d)(ii)	**(820)**	(529)
Portfolio provisions	G1(d)(ii)	**(309)**	(230)
Total net loans and advances		**43,108**	30,965

(a)(i) Loans and advances by sector

	At 31 December 2016	At 31 December 2015 £m
Individuals	**17,178**	11,804
Financial services, insurance and real estate	**11,378**	8,090
Banks	**1,756**	1,303
Manufacturing	**2,230**	1,929
Building and property development	**553**	409
Transport, storage and communication	**2,535**	1,363
Retailers, catering and accommodation	**537**	942
Wholesale and trade	**1,963**	1,347
Mining and quarrying	**1,645**	1,506
Agriculture, forestry and fishing	**1,538**	279
Government and public sector	**205**	775
Other services	**2,719**	1,977
Total gross loans and advances	**44,237**	31,724

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G: Analysis of financial assets and liabilities continued
G1: Loans and advances continued
(a)(ii) Loans and advances geographical analysis

		£m
	At 31 December 2016	At 31 December 2015
South Africa	**38,727**	27,813
Rest of Africa	**2,891**	2,106
Europe	**1,995**	1,378
Asia	**361**	310
United States	**31**	41
Other	**232**	76
Total gross loans and advances	**44,237**	31,724

(b) Analysis of loans and advances
Non-performing loans included above had a book value less impairment provisions of £755 million (2015: £602 million). Loans and advances are generally classified as non-performing, at a minimum, when the client is three complete months in arrears.

Of the loans and advances shown above, £14,707 million (2015: £10,715 million) is receivable within one year of the reporting date and is regarded as current. £28,401 million (2015: £20,250 million) is regarded as non-current based on the maturity profile of the assets.

Of the gross loans and advances shown above, £43,978 million (2015: £31,348 million) relates to balances held by the Group's banking operations. No impairments have been raised against policyholder loans as they are fully backed by amounts owing to policyholder liabilities.

(b)(i) Analysis of unsecured retail lending loans and advances
The following table provides an analysis of the Group's unsecured retail lending loans and advances:

		£m
	At 31 December 2016	At 31 December 2015
Nedbank	**1,135**	782
Emerging Markets	**1,080**	776
Old Mutual Finance	**897**	602
Central Africa Building Society (CABS)	**97**	98
Faulu Microfinance Bank (Faulu)	**86**	76
Gross amount of unsecured retail lending	**2,215**	1,558
Provisions for impairment	**(532)**	(350)
Total net unsecured retail lending	**1,683**	1,208

(b)(ii) Performance of unsecured retail lending loans and advances

The performance of the Group's unsecured retail lending loans and advances is summarised below, by reference to performing, defaulted and long outstanding balances. Old Mutual Finance provides for 90% of long outstanding loans. Nedbank, CABS and Faulu provide for 100% of such loans and derecognise the related receivable.

At 31 December 2016	Nedbank	Old Mutual Finance	Central Africa Building Society	Faulu Microfinance Bank	Total £m
Performing	**989**	**433**	**90**	**82**	**1,594**
Non-performing	**146**	**464**	**7**	**4**	**621**
Defaulted loans	**146**	**174**	**7**	**4**	**331**
Long outstanding loans	**–**	**290**	**–**	**–**	**290**
Gross amount of unsecured retail lending	**1,135**	**897**	**97**	**86**	**2,215**

At 31 December 2015	Nedbank	Old Mutual Finance	Central Africa Building Society	Faulu Microfinance Bank	Total £m
Performing	679	317	93	74	1,163
Non-performing	103	285	5	2	395
Defaulted loans	103	124	5	2	234
Long outstanding loans	–	161	–	–	161
Gross amount of unsecured retail lending	782	602	98	76	1,558

Loans are considered to be defaulted after three missed payments. Long outstanding loans relate to loans that have been in default for a period of five months or more.

(b)(iii) Statement of financial position credit impairment provisions of unsecured retail lending loans and advances

Provisions for credit impairments in relation to the Group's unsecured retail lending loans and advances are analysed below:

At 31 December 2016	Nedbank	Old Mutual Finance	Central Africa Building Society	Faulu Microfinance Bank	Total £m
Performing	**46**	**24**	**1**	**–**	**71**
Non-performing	**88**	**368**	**2**	**3**	**461**
Defaulted loans	**88**	**108**	**2**	**3**	**201**
Long outstanding loans	**–**	**260**	**–**	**–**	**260**
Provisions for impairment	**134**	**392**	**3**	**3**	**532**

At 31 December 2015	Nedbank	Old Mutual Finance	Central Africa Building Society	Faulu Microfinance Bank	Total £m
Performing	35	18	1	–	54
Non-performing	68	223	4	1	296
Defaulted loans	68	78	4	1	151
Long outstanding loans	–	145	–	–	145
Provisions for impairment	103	241	5	1	350

GROUP FINANCIAL STATEMENTS
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For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G1: Loans and advances continued
(c) Credit quality of loans and advances
(c)(i) Age analysis of loans and advances
The table below gives an age analysis of loans and advances representing primarily the exposures of the Group's banking operations:

	£m	
	At 31 December 2016	At 31 December 2015
Neither past due nor impaired	**41,219**	29,445
Past due but not impaired	**1,334**	1,266
Past due but less than 1 month	**814**	783
Past due, greater than 1 month but less than 3 months	**505**	395
Past due, greater than 3 months but less than 6 months	**1**	69
Past due, greater than 6 months but less than 1 year	**5**	11
Past due more than 1 year	**9**	8
Impaired loans and advances individually impaired	**1,684**	1,013
Gross loans and advances	**44,237**	31,724
Provisions for impairment	**(1,129)**	(759)
Total net loans and advances	**43,108**	30,965

(c)(ii) Credit rating analysis of loans neither past due nor impaired
The credit quality of those advances neither past due nor impaired loans and advances can be further analysed by credit rating as follows:

								£m
	At 31 December 2016				At 31 December 2015			
	Investment grade	**Sub-investment grade**	**Internally rated**	**Total**	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	**2,016**	**5,339**	**500**	**7,855**	898	4,544	225	5,667
Commercial mortgages	**4,533**	**4,120**	**163**	**8,816**	2,670	3,204	42	5,916
Credit cards	**108**	**622**	**2**	**732**	50	468	1	519
Overdrafts	**331**	**628**	**121**	**1,080**	167	439	36	642
Policyholder loans	**–**	**–**	**249**	**249**	–	–	224	224
Other loans to clients	**4,358**	**2,291**	**804**	**7,453**	3,646	1,740	165	5,551
Preference shares and debentures	**857**	**157**	**170**	**1,184**	661	129	117	907
Net finance leases and instalment debtors	**201**	**5,334**	**152**	**5,687**	187	3,733	105	4,025
Factoring accounts	**36**	**245**	**–**	**281**	45	179	–	224
Trade, other bills and bankers' acceptances	**1**	**–**	**–**	**1**	–	–	–	–
Term loans	**4,931**	**1,914**	**91**	**6,936**	3,139	1,422	316	4,877
Remittances in transit	**2**	**–**	**20**	**22**	–	–	9	9
Deposits placed under reverse purchase agreements	**617**	**306**	**–**	**923**	813	71	–	884
Gross loans and advances	**17,991**	**20,956**	**2,272**	**41,219**	12,276	15,929	1,240	29,445

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

(c)(iii) Collateral

Collateral is held as security against certain loans and advances detailed above, with this principally consisting of cash, properties and letters of credit.

At 31 December 2016, the Group recognised collateral of £15 million (2015: £16 million) in the statement of financial position. These amounts are being included in the loans and advances above as properties in possession.

Financial collateral
The Group takes financial collateral to support exposures in its banking and securities and lending activities. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents. These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

Non-financial collateral
The Group takes other non-monetary collateral to recover outstanding lending exposures in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgage over property (both residential and commercial), and liens over business assets (including, but not limited to plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower. Where the Group is exposed to syndicated lending, the collateral offered by the borrower is secured by security special purpose vehicles.

Should a counterparty be unable to settle its obligations, the Group takes possession of collateral as full or part settlement of such amounts. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

(d) Provision for impairments

This section analyses the provisions raised against loans and advances and the movements during the year.

Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

(d)(i) Provision for impairments – analysis of movements
The tables below reconcile the movement in provision for impairments for the year ended 31 December 2016 and year ended 31 December 2015.

Year ended 31 December 2016							**£m**
	Nedbank			**Emerging Markets**			**Group**
	Specific impairment	**Portfolio impairment**	**Total impairment**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Total impairment**
Balance at beginning of the period	**292**	**208**	**500**	**237**	**22**	**259**	**759**
Acquisitions through business combinations	**1**	**4**	**5**	**–**	**–**	**–**	**5**
Credit impairment charge	**229**	**–**	**229**	**48**	**(5)**	**43**	**272**
Profit or loss charge	**287**	**–**	**287**	**51**	**(5)**	**46**	**333**
Recoveries of amounts previously written off	**(58)**	**–**	**(58)**	**(3)**	**–**	**(3)**	**(61)**
Amounts written off against the provision	**(249)**	**(3)**	**(252)**	**–**	**–**	**–**	**(252)**
Foreign exchange and other movements	**159**	**76**	**235**	**103**	**7**	**110**	**345**
Balance at end of the period	**432**	**285**	**717**	**388**	**24**	**412**	**1,129**

Year ended 31 December 2015							£m
	Nedbank			Emerging Markets			Group
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	Total impairment
Balance at beginning of the year	379	237	616	217	24	241	857
Credit impairment charge	223	22	245	59	3	62	307
Profit or loss charge	281	22	303	59	3	62	365
Recoveries of amounts previously written off	(58)	–	(58)	–	–	–	(58)
Amounts written off against the provision	(231)	1	(230)	–	–	–	(230)
Foreign exchange and other movements	(79)	(52)	(131)	(39)	(5)	(44)	(175)
Balance at end of the year	292	208	500	237	22	259	759

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G1: Loans and advances continued
(d) Provision for impairments continued
(d)(ii) Impairment of loans and advances – by classification

£m

	At 31 December 2016			At 31 December 2015		
	Specific impairment	**Portfolio impairment**	**Total impairment**	Specific impairment	Portfolio impairment	Total impairment
Home loans	**89**	**37**	**126**	74	34	108
Commercial mortgages	**34**	**31**	**65**	24	22	46
Properties in possession	**2**	**–**	**2**	1	–	1
Credit cards	**69**	**8**	**77**	45	6	51
Overdrafts	**30**	**7**	**37**	18	8	26
Other loans to clients[1]	**529**	**151**	**680**	317	110	427
Net finance lease and instalment debtors	**67**	**75**	**142**	50	50	100
Total provision for impairments	**820**	**309**	**1,129**	529	230	759

1 Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

(e) Finance lease and instalment debtors
The maturity of finance lease and instalment debtors are analysed as follows:

£m

Amounts receivable under finance leases – At 31 December	**Minimum lease payments receivable**		**Present value of minimum lease payments receivable**	
	2016	2015	**2016**	2015
Within one year	**2,016**	1,287	**1,586**	1,024
In the second to fifth years inclusive	**5,264**	3,773	**4,100**	2,987
After five years	**688**	462	**535**	366
	7,968	5,522	**6,221**	4,377
Less: unearned finance income	**(1,747)**	(1,145)	**–**	–
Present value of minimum lease payments receivable	**6,221**	4,377	**6,221**	4,377

G2: Investments and securities

The table below analyses the investments and securities that the Group invests in, either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments).

	Notes	At 31 December 2016 £m	At 31 December 2015 (Restated)[1] £m
Government and government-guaranteed securities		**7,931**	6,431
Other debt securities, preference shares and debentures		**13,464**	9,062
Listed		**8,929**	6,216
Unlisted		**4,535**	2,846
Equity securities		**21,090**	16,377
Listed		**19,922**	15,239
Unlisted		**1,168**	1,138
Pooled investments		**53,601**	49,502
Listed		**10,342**	8,549
Unlisted		**43,259**	40,953
Short-term funds and securities treated as investments		**4,133**	2,240
Other		**314**	407
Total investments and securities		**100,533**	84,019

1 The comparative information for 2015 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

Investments and securities are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, which is the amount expected to be recoverable, £66,517million (2015: £59,007 million) is regarded as current and £34,016 million (2015: £25,012 million) is regarded as non-current.

(a) Debt instruments and similar securities

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below.

These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade:

At 31 December 2016	**Investment grade (AAA to BBB)**	**Sub-Investment grade (BB and lower)**	**Internally rated**	**Included through consolidation of funds**	**Total £m**
Government and government-guaranteed securities	**6,293**	**42**	**124**	**1,472**	**7,931**
Other debt securities, preference shares and debentures	**8,647**	**685**	**2,129**	**2,003**	**13,464**
Short-term funds and securities	**2,500**	**3**	**763**	**867**	**4,133**
Other	**272**	**–**	**29**	**12**	**313**
	17,712	**730**	**3,045**	**4,354**	**25,841**

At 31 December 2015 (Restated)[1]	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total £m
Government and government-guaranteed securities	4,598	33	40	1,760	6,431
Other debt securities, preference shares and debentures	5,130	279	2,246	1,407	9,062
Short-term funds and securities	1,971	15	219	35	2,240
Other	105	–	26	57	188
	11,804	327	2,531	3,259	17,921

1 The comparative information for 2015 has been restated to reflect the adjustments for the consolidation of investment funds. Refer to note A2 for more information.

(b) Equity securities

Equity securities are used for a combination of activities. The majority of the listed securities are traded on well-established exchanges such as the New York Stock Exchange, London Stock Exchange and JSE Securities Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investment and unlisted investment vehicles.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G3: Securities lending
Securities lent
The Group participates in securities lending programmes where securities holdings are lent to third parties. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the relevant investment classification. Collateral is held in respect of the loaned securities.

The table below represents the amounts lent and the related collateral received:

		£m
	At 31 December 2016	At 31 December 2015
Assets lent under securities lending		
Equity	**416**	147
Debt securities	**60**	25
	476	172
Amounts received as collateral for securities lending		
Cash	**474**	107
Debt securities	**34**	79
	508	186

Cash collateral has been recognised in the statement of financial position with a corresponding liability to return the collateral included in other liabilities. Of the collateral included in the table above, £34 million (2015: £79 million) can be sold or repledged and £ nil (2015: £ nil) has been sold or repledged.

At 31 December 2016, the Group has received £620 million (2015: £332 million) in cash collateral under securities lending arrangements.

At 31 December 2016 and 31 December 2015, the Group has not provided any cash collateral for security lending arrangements.

G4: Derivative financial instruments – assets and liabilities
The Group utilises derivative instruments for both economic hedging and trading purposes. Economic hedging occurs when a derivative financial instrument is taken out for the management of financial risk but does not achieve hedge accounting. Only where the accounting treatment results in an economic mismatch will the Group undertake hedge accounting. The derivative instruments become in-the-money or out-of-the-money as a result of fluctuations in market interest rates, foreign exchange rates or asset prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are in-the-money or out-of-the-money and, therefore, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The Group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with which it deals and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Group.

The following table provides a detailed breakdown of the Group's derivative financial instruments outstanding at year-end. These instruments allow the Group and its customers to transfer, modify or reduce their credit, equity market, foreign exchange and interest rate risks.

At 31 December				£m
	Derivative financial instruments			
	Assets		Liabilities	
	2016	2015	**2016**	2015
Equity derivatives	**36**	37	**28**	23
Options written	**–**	–	**8**	14
Options purchased	**30**	22	**–**	–
Futures	**6**	15	**20**	9
Exchange rate contracts	**545**	833	**440**	850
Forwards	**337**	503	**245**	501
Swaps	**186**	321	**167**	343
Options purchased	**14**	8	**–**	–
Futures	**8**	1	**8**	–
Options written	**–**	–	**20**	6
Interest rate contracts	**689**	811	**609**	1,077
Swaps	**663**	794	**576**	1,055
Forward rate agreements	**12**	14	**6**	15
Options written	**–**	–	**7**	–
Futures	**14**	3	**20**	6
Caps	**–**	–	**–**	1
Credit Derivatives	**9**	45	**4**	20
Credit default swaps	**9**	45	**4**	20
Other derivatives	**9**	5	**–**	8
Derivatives included through consolidation of funds	**52**	1,345	**80**	1,339
Total	**1,340**	3,076	**1,161**	3,317

The undiscounted contractual maturities of the cash flows of the derivative liabilities held are as follows:

Derivative financial liabilities						£m
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 December 2016	**1,161**	**134**	**277**	**290**	**681**	**1,382**
At 31 December 2015	3,317	1,328	579	579	1,623	4,109

G5: Hedge accounting

(a) Net investment hedges

The Group uses a combination of currency swaps, forward foreign exchange contracts and debt raised in the currency of the exposure to mitigate the translation effect of holding overseas companies. The following table summarises the Group's open positions with respect to financial instruments utilised for net investment hedging purposes. There was no ineffectiveness in respect of the net investment hedges during the year ended 31 December 2016 and the year ended 31 December 2015.

The table below sets out the notional amounts of derivative contracts used as hedging instruments:

						£m
	At 31 December 2016			At 31 December 2015		
	USD	**ZAR**	**EUR**	USD	ZAR	EUR
Open positions						
Forward contracts	**109**	**136**	**199**	79	73	–
Currency swaps	**148**	**–**	**–**	126	–	–
	257	**136**	**199**	205	73	–

		£m
	At 31 December 2016	At 31 December 2015
Fair value of financial instruments designated as net investment hedges		
ZAR forward foreign exchange contracts	**(8)**	5
EUR forward foreign exchange contracts	**(5)**	–
USD forward foreign exchange contracts	**(16)**	(1)
USD cross currency swap	**(33)**	(2)
	(62)	2

The ZAR, USD and EUR forward exchange contracts are designated as hedges against foreign currency risk in respect of the Group's investments in its South African, US and European operations.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G5: Hedge accounting continued
(b) Other hedges
The Company has designated £500 million fixed-rate debt as fair value through profit and loss in order to reduce an accounting mismatch. The mismatch that this reduces is the fair value movements on the £375 million of interest rate swaps and a £125 million cross currency interest rate swaps. The changes in the value of the swaps, which are recognised as derivative instruments, are recognised in profit and loss. These derivative instruments change the interest profile of the fixed-rate debt into a variable coupon, with changes through profit and loss.

G6: Insurance and investment contracts
Life assurance
Classification of contracts
Life assurance contracts are categorised into insurance contracts, contracts with a discretionary participation feature or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. Unit-linked assurance contracts are savings contracts with a small or insignificant component of insurance risk. Other kinds of contracts are considered and categorised as a whole.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risks are the risks of a possible future change in one or more of an interest rate, security price, security index, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participating features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount and timing of which is at the Group's discretion, represent a significant portion of the total contractual payments. These are contractually based on (1) the performance of a specified pool of contracts or a specified type of contract, (2) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (3) the profit or loss of the Group. Investment contracts with discretionary participating features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant (or there is no transfer of insurance risk) and where there is no discretionary participation are classified as investment contracts. Such contracts include unit-linked savings and/or investment contracts sold without life assurance protection and are classified as financial instruments.

Premiums on life assurance
Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of other insurance contracts and investment contracts with a discretionary participating feature are recognised when due for payment.

Outward reinsurance premiums are recognised when due for payment.

Amounts received under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as deposits and credited directly to investment contract liabilities.

Claims paid on life assurance
Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for in profit and loss when notified.

Reinsurance recoveries in profit and loss are recognised in profit and loss in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as reductions of the investment contract liabilities.

Amounts received under investment contracts, other than those with a discretionary participating feature and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to investment contract liabilities.

Insurance contract liabilities

Insurance contract liabilities for African businesses have been computed using a gross premium valuation method. Provisions in respect of African business have been made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104 (2012). Under this guideline, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities as discretionary margins.

Reserves on immediate annuities and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

For other territories, the valuation bases adopted are in accordance with local actuarial practices and methodologies.

Derivative instruments embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made by increasing the liability held. The provision assumptions and estimation techniques are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the Directors consider that the gross 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.

In respect of the South Africa life assurance, shadow accounting is applied to insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to insurance contract liabilities is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing insurance contract liabilities are also recognised directly in other comprehensive income.

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

Investment contract liabilities

Investment contract liabilities in respect of the Group’s business other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group’s unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a ‘deposit floor’ such that the liability established cannot be less than the amount repayable on demand.

Acquisition costs

Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

As the gross premium valuation method used in African territories to determine insurance contract liabilities makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised in the statement of financial position for the contracts issued in these areas.

Deferral of costs on insurance business in other territories is limited to the extent that they are deemed recoverable from available future margins.

Costs incurred in acquiring investment management service contracts

Incremental costs that are directly attributable to securing an investment management service contract are recognised as an asset if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised. Costs attributable to investment management service contracts in the asset management businesses are also recognised on this basis.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued
Revenue on investment management service contracts
Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which services will be provided. Fees charged for investment management service contracts by asset management businesses are also recognised on this basis.

Property & casualty
Contracts under which the Group accepts significant insurance risk from another party and which are not classified as life insurance are classified as property & casualty. All classes of property & casualty business are accounted for on an annual basis.

Premiums on property & casualty
Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums as a liability, so that earned premiums relate to risks carried during the accounting period.

Claims on property & casualty
Claims incurred, which are recognised in profit and loss, comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the accounting period, whether reported or not.

Outstanding claims do not include any provision for possible future claims where the claims arise under contracts not in existence at the reporting date.

The Group performs liability adequacy testing at a business unit level on its claim liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and the unearned premium reserve) is sufficient in view of estimated future undiscounted cash flows.

Whilst the Directors consider that the gross provisions for claims 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. Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

Acquisition costs on property & casualty
Acquisition costs, which represent commission and other related expenses, are deferred and amortised over the period in which the related property & casualty premiums are earned.

Reinsurance
The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For property & casualty business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The reinsurers' share of policyholder liabilities in Old Mutual Wealth relates to investment contracts where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

Critical accounting estimates and judgements – Policyholder liabilities

Emerging Markets Financial Soundness Valuation discount rate

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 requires discount rates to be set according to the South African professional guidance note (SAP 104). In line with these principles, the reference rate is selected as the Bond Exchange of South Africa (BESA) par bond 10-year yield.

The reference rate was relatively volatile over 2016, ranging from 8.6% to 10.0% (2015: 7.1% to 10.6%). At 31 December 2016, the reference discount rate was 9.1% (2015: 9.9%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life assurance businesses during 2016, given the continuance of the hedging programme and discretionary margins put in place to mitigate these impacts.

The Group estimates that a 1% reduction in the reference discount rate would result in a decrease in net profit as at 31 December 2016 of £3 million (2015: £nil)), allowing for the mitigating impacts of the hedging programme and discretionary margins in place. This is due to further management actions to reduce the impact of volatile interest rates on profit in 2016.

Emerging Markets discretionary reserves

Technical provisions 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 the Long Term Insurance Act, 1998 and South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of technical provisions held, and
- Discretionary margins, permitted by the Long Term Insurance Act, 1998 and 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 are held as either implicit or explicit margins. Explicit discretionary margins are derived as conscious changes to assumptions used to project future experience to increase technical provisions. Implicit discretionary margins arise where the method used to calculate overall technical provisions results in liabilities that are greater than the sum of best estimate liabilities and compulsory margins.

Explicit discretionary margins of R7,823 million (£461 million) (1.5% of total technical provisions) were held at 31 December 2016 (2015: R8,602 million (£377 million), 1.7% of total technical provisions). This consisted largely of:

- Margins held for Mass 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 Retail Affluent and Mass 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.

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For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued

Old Mutual Bermuda guarantees

Since the sale of Old Mutual (Bermuda) Ltd (OMB) to Beechwood Bermuda Limited (renamed Beechwood OMNIA in June 2016) on 31 December 2015, OMB no longer owns underlying policies or manages policyholder funds. The Guaranteed Minimum Accumulation Benefits (GMAB) risk on the remaining active variable annuity contracts is to be retained until the last GMAB policy with a Universal Guarantee Option (UGO) rider passes its 10-year anniversary, which will be no later than August 2018.

Almost all of the current risk relates to GMAB policies sold with Universal Guarantee Options (UGOs). Products sold with a Capital Guarantee Option (CGO) GMAB, a product predecessor to the UGO, hold less onerous guarantees and do not give rise to significant risk.

The GMAB UGOs guarantee policyholders a return of 120% of invested premiums and, subject to policyholder election, also a Highest Anniversary Value (HAV) guarantee. These guarantees are effective on the 10-year anniversary of policies, which will be reached in 2017 and 2018. The risk attached to the guarantee of 120% of invested premium, and relating to equity and foreign exchange downside risks, is managed by put options purchased on 31 August 2016 in order to cover circa 90% of the anticipated reinsured equity and foreign exchange UGO GMAB exposures. This replaced existing hedging strategies for non-HAV risks, with the effect of insulating the business against equity and foreign exchange market declines until the GMAB maturity dates. No further significant changes to the hedging programme are expected.

GMAB reserves have decreased from $125 million at 31 December 2015 to $104 million at 31 December 2016, a decrease of $21 million, mainly due to the shortened time to maturity and a decrease in the value of the remaining guarantees, given the higher equity markets and foreign exchange gains at the end of 2016 compared to 2015.

If the Group were to stress the underlying assets and liabilities, by adding 10% to the current level of volatility, it would increase the underlying assets by £9 million and increase the value of the liability by £4 million, which would result in a net profit for the Group of £5 million.

(a) Policyholder liabilities

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

						£m
	At 31 December 2016			At 31 December 2015		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Long-term business insurance policyholder liabilities	**9,982**	**(358)**	**9,624**	7,714	(214)	7,500
Life assurance policyholder liabilities	**9,844**	**(345)**	**9,499**	7,617	(206)	7,411
Outstanding claims	**138**	**(13)**	**125**	97	(8)	89
Investment contract liabilities	**77,599**	**(2,560)**	**75,039**	67,854	(2,328)	65,526
Unit-linked investment contracts and similar contracts	**66,543**	**(2,560)**	**63,983**	60,169	(2,328)	57,841
Other investment contracts	**972**	**–**	**972**	600	–	600
Discretionary participating investment contracts	**10,084**	**–**	**10,084**	7,085	–	7,085
Total life assurance policyholder liabilities	**87,581**	**(2,918)**	**84,663**	75,568	(2,542)	73,026
Property & casualty liabilities						
Claims incurred but not reported	**73**	**(14)**	**59**	38	(10)	28
Unearned premiums	**163**	**(76)**	**87**	120	(58)	62
Outstanding claims	**246**	**(107)**	**139**	183	(51)	132
Total property & casualty liabilities	**482**	**(197)**	**285**	341	(119)	222
Total policyholder liabilities	**88,063**	**(3,115)**	**84,948**	75,909	(2,661)	73,248

Of the £3,115 million (2015: £2,661 million) included in reinsurer's share of life assurance policyholder and property & casualty liabilities is an amount of £2,919 million (2015: £2,540 million) which is classified as current, the remainder being non-current.

The reinsurers' share of policyholder liabilities of £2,560 million (2015: £2,328 million) relate to investment contracts in in Old Mutual Wealth where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

(b) Insurance contracts

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

						£m
	At 31 December 2016			At 31 December 2015		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balance at beginning of the year	**7,617**	**(206)**	**7,411**	10,369	(154)	10,215
Income						
Premium income	**1,634**	**(88)**	**1,546**	1,713	(63)	1,650
Investment income	**678**	**–**	**678**	545	–	545
Other income	**3**	**–**	**3**	1	–	1
Expenses						
Claims and policy benefits	**(1,673)**	**57**	**(1,616)**	(1,514)	62	(1,452)
Operating expenses	**(468)**	**–**	**(468)**	(455)	–	(455)
Disposal of interests in subsidiaries	**–**	**–**	**–**	(604)	–	(604)
Currency translation loss/(gain)	**2,414**	**(13)**	**2,401**	(1,911)	7	(1,904)
Other charges and transfers	**10**	**(115)**	**(105)**	(174)	(56)	(230)
Taxation	**(10)**	**–**	**(10)**	8	–	8
Transfer to operating profit	**(352)**	**20**	**(332)**	(361)	(2)	(363)
Transfer to liabilities held for sale[1]	**(9)**	**–**	**(9)**	–	–	–
Balance at end of the year	**9,844**	**(345)**	**9,499**	7,617	(206)	7,411

1 Amounts transferred to liabilities held for sale relate to the disposal of Old Mutual Italy. Refer to note K2 for more information.

(c) Unit-linked investment contracts and similar contracts, and other investment contracts

		£m
	At 31 December 2016	At 31 December 2015
Balance at beginning of the year	**60,769**	60,904
Contributions received	**10,100**	10,455
Maturities	**(244)**	(307)
Withdrawals and surrenders	**(7,381)**	(8,076)
Disposal of interests in subsidiaries	**–**	(791)
Fair value movements	**6,296**	2,021
Foreign exchange and other movements	**3,855**	(3,437)
Transfer to liabilities held for sale[1]	**(5,880)**	–
Balance at end of the year	**67,515**	60,769

1 Amounts transferred to liabilities held for sale relate to the disposal of Old Mutual Italy. Refer to note K2 for more information.

(d) Discretionary participating investment contracts

		£m
	At 31 December 2016	At 31 December 2015
Balance at beginning of the year	**7,085**	7,937
Income		
Premium income	**1,525**	1,221
Investment and other income	**366**	666
Expenses		
Claims and policy benefits	**(1,170)**	(973)
Operating expenses	**(56)**	(58)
Other charges and transfers	**(6)**	57
Taxation	**(2)**	(9)
Currency translation loss/(gain)	**2,438**	(1,673)
Transfer to operating profit	**(96)**	(83)
Balance at end of the year	**10,084**	7,085

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued
(e) Contractual maturity analysis
The following table is a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months and more than three months less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amount vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

The Group acknowledges that for property & casualty the unearned premium provision, which will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision. The Group has estimated the potential claim outflows that may be associated with this unearned premium.

At 31 December 2016						£m
		Undiscounted cash flows				
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Life assurance policyholder liabilities						
Insurance contracts	**9,982**	**752**	**1,289**	**6,243**	**21,445**	**29,729**
Life assurance policyholder liabilities	9,844	614	1,289	6,243	21,445	29,591
Outstanding claims	138	138	–	–	–	138
Investment contracts	**77,599**	**76,062**	**41**	**191**	**1,901**	**78,195**
Unit-linked investment contracts and similar contracts	66,543	64,832	18	124	1,739	66,713
Other investment contracts	972	978	16	49	3	1,046
Discretionary participating investment contracts	10,084	10,252	7	18	159	10,436
Total life assurance policyholder liabilities	**87,581**	**76,815**	**1,330**	**6,434**	**23,346**	**107,925**
Property & casualty liabilities						
Claims incurred but not reported	73	33	17	15	8	73
Unearned premiums	163	34	65	47	18	164
Outstanding claims	246	122	64	52	8	246
Total property & casualty liabilities	**482**	**189**	**146**	**114**	**34**	**483**
Total policyholder liabilities	**88,063**	**77,004**	**1,476**	**6,548**	**23,380**	**108,408**

At 31 December 2015						£m
		Undiscounted cash flows				
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Life assurance policyholder liabilities						
Insurance contracts	7,714	462	827	4,285	16,076	21,650
Life assurance policyholder liabilities	7,617	365	827	4,285	16,076	21,553
Outstanding claims	97	97	–	–	–	97
Investment contracts	67,854	67,406	526	66	46	68,044
Unit-linked investment contracts and similar contracts	60,169	59,840	515	–	–	60,355
Other investment contracts	600	520	11	66	46	643
Discretionary participating investment contracts	7,085	7,046	–	–	–	7,046
Total life assurance policyholder liabilities	75,568	67,868	1,353	4,351	16,122	89,694
Property & casualty liabilities						
Claims incurred but not reported	38	19	16	6	–	41
Unearned premiums	120	19	42	86	–	147
Outstanding claims	183	74	44	76	–	194
Total property & casualty liabilities	341	112	102	168	–	382
Total policyholder liabilities	75,909	67,980	1,455	4,519	16,122	90,076

(g) Sensitivity analysis – life assurance

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

The tables below demonstrate the effect of a change in a key assumption to policyholder liabilities while other assumptions remain unchanged:

At 31 December 2016	**%**	**£m**	**£m**	**£m**
	Change	**Emerging Markets**	**Old Mutual Wealth**	**Bermuda**
Assumption				
Mortality and morbidity rates – assurance	**10**	**316**	**2**	**–**
Mortality rates – annuities	**(10)**	**56**	**–**	**–**
Discontinuance rates	**10**	**6**	**(2)**	**–**
Expenses (maintenance)	**10**	**65**	**2**	**–**

At 31 December 2015	%	£m	£m	£m
	Change	Emerging Markets	Old Mutual Wealth	Bermuda
Assumption				
Mortality and morbidity rates – assurance	10	212	2	–
Mortality rates – annuities	(10)	38	–	–
Discontinuance rates	10	(1)	(1)	(1)
Expenses (maintenance)	10	47	3	–

Emerging Markets

The changes in insurance contract liabilities shown are calculated using the specified increase or decrease to the rates, with no change in charges paid by policyholders.

The insurance contract liabilities recorded for the Emerging Market business are also impacted by the valuation discount rate assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate assumption) would result in a small increase for insurance contract liabilities and a small reduction in net profit (2016: £3 million). This impact is calculated with no change in charges paid by policyholders. The impact in 2016 remains small due to management actions taken to reduce the impact of changing interest rates on operating profit.

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

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued

G6: Insurance and investment contracts continued

(g) Sensitivity analysis – life assurance continued

Old Mutual Wealth

The changes in insurance contract liabilities shown are calculated independently using the specified increase or decrease to the rates, with no change in premiums paid by policyholders. The assumption changes have no impact on the linked UK business.

Whole of Life is the main product group affected by the lapse assumption change. This is because the policies have the longest duration and represent 104% of the total reserve. The main product groups impacted by the expense, mortality and morbidity sensitivities are Whole of Life and Accelerated Critical Illness.

In the Old Mutual Wealth business, non-linked liabilities are matched by gilts so that the net impact of a valuation interest rate change, taking asset and liability movement into account, is small.

Old Mutual Bermuda

Post the sale of Old Mutual (Bermuda) Limited (now known as Beechwood OMNIA) on 31 December 2015, the Group does not own any underlying policies or manage policyholder funds. However, the Group continues to provide reinsurance coverage to Beechwood OMNIA in connection with the Guaranteed Minimum Accumulation Benefit (GMAB) guarantees embedded within certain Beechwood OMNIA policies. Lapses and partial withdrawals of the underlying reinsured policies have the largest impact where increased activity reduces the guarantee since less living benefit exposure is expected in the future. Mortality plays a much smaller part in Bermuda since the reinsured business is a minimum guaranteed accumulation benefit. Increased deaths likewise reduce future guarantees; however the effect is negligible due to the short term nature of the benefit.

This reinsurance will extend through to the final GMAB maturity in August 2018.

(h) Sensitivity analysis – property & casualty

An increase of 10% in the average cost of claims would require the recognition of an additional loss after tax of £34 million (2015: £24 million) net of reinsurance. Similarly, an increase of 10% in the ultimate number of claims would result in an additional loss of £34 million (2015: £24 million) net of reinsurance.

The majority of the Group's property & casualty contracts are classified as 'short-tailed', meaning that any claim is settled within a year after the loss date. This contrasts with the 'long-tailed' classes where the claims cost take longer to materialise and settle. The Group's property & casualty long-tailed business is generally limited to accident, third-party motor, liability and some engineering classes. In total the long-tail business comprises less than five per cent of an average year's claim costs.

(i) Reinsurance assets – credit risk

None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the statement of financial position all are considered investment grade with the exception of £189 million of unrated exposures (2015: £179 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances.

G7: Borrowed funds

The Group raises funding in the normal course of business. The borrowed funds raised for the banking business support the lending and banking operations of the Group. Other borrowed funds raised support the general funding needs of the Group and the expense has been recognised as finance costs.

The table below presents an analysis of the Group's borrowed funds net of any holdings that are principally held by the policyholder funds:

Summary of Borrowed Funds £m

Type of securities	Notes	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management[3]	At 31 December 2016
Senior debt securities and term loans		**–**	**287**	**2,088**	**–**	**2,375**
Floating rate notes	G7(a)(i)	**–**	**–**	**1,046**	**–**	**1,046**
Fixed rate notes	G7(a)(ii)	**–**	**–**	**1,042**	**–**	**1,042**
Term loans	G7(a)(iii)	**–**	**287**	**–**	**–**	**287**
Revolving credit facilities	G7(b)	**–**	**34**	**–**	**–**	**34**
Mortgage-backed securities	G7(c)	**–**	**–**	**153**	**–**	**153**
Subordinated debt securities	G7(d)	**1,017**	**348**	**767**	**–**	**2,132**
Total Borrowed funds		**1,017**	**669**	**3,008**	**–**	**4,694**
Other instruments treated as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%[1]	H9	**273**	**–**	**–**	**–**	**273**
Total book value of Group debt[2]		**1,290**	**669**	**3,008**	**–**	**4,967**

1 Perpetual preferred callable securities of £273 million; (December 2015: £273 million) are classified as non-banking.
2 The nominal value of non-banking related "Group debt" is £1,685 million (December 2015: £1,710 million).
3 No borrowed funds are reflected in Institutional Asset Management at 31 December 2016 as it has been classified as held for sale. Refer to note K2 for more information.

Type of securities £m

	Notes	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
Senior debt securities and term loans		112	198	1,331	–	1,641
Floating rate notes	G7(a)(i)	–	–	571	–	571
Fixed rate notes	G7(a)(ii)	112	–	760	–	872
Term loans	G7(a)(iii)	–	198	–	–	198
Revolving credit facilities	G7(b)	–	–	–	61	61
Mortgage-backed securities	G7(c)	–	–	97	–	97
Subordinated debt securities	G7(d)	986	251	488	–	1,725
Total Borrowed funds		1,098	449	1,916	61	3,524
Other instruments treated as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%	H9	273	–	–	–	273
Total book value of Group debt		1,371	449	1,916	61	3,797

Total borrowed funds can be further analysed between non-banking and banking as follows:

Type of security £m

	At 31 December 2016			At 31 December 2015		
	Non-banking	**Banking[1]**	**Total**	Non-banking	Banking[1]	Total
Senior debt securities and term loans	**96**	**2,279**	**2,375**	160	1,481	1,641
Revolving credit facilities	**16**	**18**	**34**	61	–	61
Mortgage-backed securities	**–**	**153**	**153**	–	97	97
Subordinated debt securities	**1,365**	**767**	**2,132**	1,237	488	1,725
Total Borrowed funds	**1,477**	**3,217**	**4,694**	1,458	2,066	3,524

1 Borrowed funds identified as Banking are those which are directly related to the lending and banking businesses in Nedbank and Emerging Markets.

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G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
Maturity analysis
The table below is a maturity analysis of the liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year-end exchange rates.

					£m
	Old Mutual plc	**Emerging Markets**	**Nedbank**	**Institutional Asset Management**	**At 31 December 2016**
Less than 1 year	**75**	**59**	**–**	**–**	**134**
Greater than 1 year and less than 5 years	**782**	**235**	**–**	**–**	**1,017**
Greater than 5 years	**592**	**614**	**–**	**–**	**1,206**
Total non-banking	**1,449**	**908**	**–**	**–**	**2,357**
Less than 1 year	**–**	**115**	**370**	**–**	**485**
Greater than 1 year and less than 5 years	**–**	**118**	**1,587**	**–**	**1,705**
Greater than 5 years	**–**	**5**	**1,115**	**–**	**1,120**
Total banking	**–**	**238**	**3,072**	**–**	**3,310**
Total	**1,449**	**1,146**	**3,072**	**–**	**5,667**

					£m
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
Less than 1 year	196	50	–	2	248
Greater than 1 year and less than 5 years	302	135	–	66	503
Greater than 5 years	1,147	493	–	–	1,640
Total non-banking	1,645	678	–	68	2,391
Less than 1 year	–	15	614	–	629
Greater than 1 year and less than 5 years	–	166	1,236	–	1,402
Greater than 5 years	–	17	973	–	990
Total banking	–	198	2,823	–	3,021
Total	1,645	876	2,823	68	5,412

Interest rate profile
The interest rate profiles of the Group's borrowed funds are analysed as follows:

					£m
	Old Mutual plc[1]	**Emerging Markets**	**Nedbank**	**Institutional Asset Management**	**At 31 December 2016**
Fixed rate	**1,017**	**278**	**1,042**	**–**	**2,337**
Floating rate	**–**	**391**	**1,966**	**–**	**2,357**
Total	**1,017**	**669**	**3,008**	**–**	**4,694**

					£m
	Old Mutual plc[1]	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
Fixed rate	1,098	218	760	–	2,076
Floating rate	–	231	1,156	61	1,448
Total	1,098	449	1,916	61	3,524

1 Old Mutual plc has cross currency interest rate swaps related to £500 million Tier 2 debt. Old Mutual plc receives fixed interest and pays floating interest.

Currency exposure

The currency exposures of the Group's borrowed funds are analysed as follows:

	Old Mutual plc	**Emerging Markets**	**Nedbank**	**Institutional Asset Management**	**£m At 31 December 2016**
ZAR	**–**	**524**	**3,008**	**–**	**3,532**
GBP	**1,017**	**–**	**–**	**–**	**1,017**
USD	**–**	**101**	**–**	**–**	**101**
Other	**–**	**44**	**–**	**–**	**44**
Total	**1,017**	**669**	**3,008**	**–**	**4,694**

	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	£m At 31 December 2015
ZAR	–	356	1,847	–	2,203
GBP	1,098	–	–	–	1,098
USD	–	55	69	61	185
Other	–	38	–	–	38
Total	1,098	449	1,916	61	3,524

Analysis of security types

(a) Senior debt securities and term loans

(i) Floating rate notes (net of Group holdings)

	Maturity date	**£m At 31 December 2016**	At 31 December 2015
Banking – Nedbank Floating rate unsecured senior debt			
R677 million at JIBAR + 1.25%	Repaid	**–**	30
R3,056 million at JIBAR + 0.80%	Repaid	**–**	135
R694 million at JIBAR + 0.75%	Repaid	**–**	31
R405 million at JIBAR + 1.30%	February 2017	**22**	18
R1,035 million at JIBAR + 0.85%	March 2017	**61**	45
R806 million at JIBAR + 0.90%	June 2017	**48**	35
R786 million at JIBAR + 1.30%	August 2017	**27**	31
R241 million at JIBAR + 1.12%	November 2017	**14**	11
R472 million at JIBAR + 1.25%	February 2018	**28**	21
R1,427 million at JIBAR + 1.30%	June 2018	**85**	63
R1,427 million at JIBAR + 1.45%	February 2019	**85**	–
R1,472 million at JIBAR + 1.45%	May 2019	**149**	–
R612 million at JIBAR + 1.40%	August 2019	**37**	–
R90 million at JIBAR + 1.45%	February 2020	**5**	4
R80 million at JIBAR + 2.15%	April 2020	**5**	4
R476 million at JIBAR + 1.55%	November 2020	**28**	21
R830 million at JIBAR + 1.80%	February 2021	**49**	–
R1,054 million at JIBAR + 1.80%	May 2021	**88**	–
R650 million at JIBAR + 1.30%	June 2021	**38**	29
R287 million at JIBAR +1.75%	August 2021	**17**	–
R12 million at JIBAR + 1.55%	February 2022	**1**	1
R270 million at JIBAR + 2.00%	February 2023	**16**	–
R528 million at JIBAR + 2.00%	May 2023	**32**	–
R1,980 million at JIBAR + 2.00%	February 2025	**118**	88
R500 million at JIBAR + 2.10%	April 2026	**30**	22
R750 million at JIBAR + 2.25%	May 2026	**45**	–
R302 million at JIBAR + 2.20%	July 2026	**18**	–
		1,046	589
Less: floating rate notes held by other Group companies		**–**	(18)
Total floating rate notes		**1,046**	571

All floating rate unsecured senior debt are non-qualifying for the purposes of regulatory tiers of capital.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
(a) Senior debt securities and term loans continued
(ii) Fixed rate notes (net of Group holdings)

			£m
	Maturity date	**At 31 December 2016**	At 31 December 2015
Non-banking – Old Mutual plc			
£112 million at 7.13%	Repaid	**–**	112
Total non-banking fixed rate unsecured senior debt		**–**	112
Banking – Nedbank Fixed rate unsecured senior debt			
R1,137 million at 9.36%	Repaid	**–**	51
R151 million at 6.91%	Repaid	**–**	7
R1,273 million at 11.39%	September 2019	**80**	60
R380 million at 9.26%	June 2020	**23**	17
R1,888 million at 8.92%	November 2020	**112**	83
R855 million at 9.38%	March 2021	**52**	38
R417 million at 10.68%	May 2021	**25**	–
R500 million at 9.29%	June 2021	**30**	22
R215 million at 8.79%	February 2022	**13**	10
R280 million at 9.64%	June 2022	**17**	12
R250 million at 10.66%	February 2023	**15**	–
R334 million at 10.01%	August 2023	**21**	–
R952 million at 10.07%	November 2023	**57**	42
R391 million at 9.73%	March 2024	**24**	18
R660 million at zero coupon	October 2024	**18**	11
R2,607 million at 9.44%	February 2025	**159**	118
R884 million at 10.69%	November 2025	**53**	39
R800 million at 9.95%	April 2026	**48**	36
R360 million at 11.15%	May 2026	**22**	–
R1,739 million at 10.36%	June 2026	**103**	77
R423 million at 10.50%	July 2026	**26**	–
R2,000 million at 10.63%	July 2027	**124**	92
R666 million at 10.94%	November 2027	**40**	30
		1,062	763
Less: Fixed rate notes held by other Group companies		**(20)**	(3)
Total banking fixed rate unsecured senior debt (net of Group holdings)		**1,042**	760
Total fixed rate notes		**1,042**	872

All fixed rate notes are non-qualifying for the purpose of regulatory tiers of capital.

(iii) Term loans

	Maturity date	At 31 December 2016 £m	At 31 December 2015 £m
Emerging Markets Floating rate loans			
$7 million at 3month LIBOR + 7.50%[2]	Repaid	**–**	5
$5 million at 3month LIBOR + 7.50%[2]	Repaid	**–**	3
$5 million at 3month LIBOR + 7.50%[2]	Repaid	**–**	3
KES451 million at KBRR + 3.87%[1]	Repaid	**–**	3
KES450 million at GOK 182 days TB + 2.50%	May 2017	**3**	–
R1,500 million at JIBAR + 2.95%[1]	June 2017	**94**	70
R800 million at JIBAR + 2.75%[1]	July 2018	**47**	35
KES75 million at KBRR + 3.78%[1]	November 2019	**1**	–
$65 million at 3 month JIBAR + 2.80%[2]	December 2020	**55**	–
KES954 million at KBRR + 3.78%[1]	August 2021	**7**	–
$31 million at 3 month LIBOR plus 3.50%[2]	September 2021	**25**	–
Emerging Markets Fixed rate loans			
KES1,000 million at 12.50%[2]	Repaid	**–**	7
KES225 million at 11.70%[1]	Repaid	**–**	1
KES150 million at 5.00%[1]	Repaid	**–**	1
KES2,000m at 13.00%[2]	July 2017	**17**	13
$2 million at 8.24%[1]	August 2017	**2**	3
$6 million at 8.72%[1]	September 2017	**5**	9
$3 million at 5.00%[1]	December 2017	**2**	–
KES101 million at 13.00%[1]	June 2018	**1**	–
KES102 million at 13.50%[1]	June 2018	**1**	–
KES607 million at 12.50%[1]	December 2018	**5**	–
KES411 million at 11.50%[1]	April 2020	**3**	3
KES474 million at 9.20%[1]	August 2020	**4**	8
$6 million at 8.31%[1]	May 2020	**5**	5
KES200 million at 5.00%[1]	July 2022	**2**	2
$15million at 8.75%[2]	August 2022	**12**	11
$3 million at 12.00%[1]	September 2022	**3**	3
$4 million at 6.50%[2]	June 2023	**3**	3
$4 million at 6.50%[2]	June 2023	**3**	3
$6 million at 6.50%[2]	June 2023	**5**	–
$8 million at 10.00%[1]	December 2023	**7**	7
		312	198
Less: Term loans held by other Group companies[2]		**(25)**	–
Total term loans and other loans		**287**	198
Analysed as:			
[1] Banking		**192**	150
[2] Non-banking		**120**	48
Total term loans and other loans		**312**	198

(b) Revolving credit facilities

	Maturity date	At 31December 2016 £m	At 31 December 2015 £m
Non-banking			
Institutional Asset Management			
Fully undrawn $350 million facility at USD LIBOR + 1.25% (31 December 2015 : $90 million)	October 2019	**–**	61
Emerging Markets			
R3,125 million facility at 3 month JIBAR + 1.60%	January 2019	**16**	–
Banking – Emerging Markets			
R1,200 million facility at 3 month JIBAR + 2.95%	July 2018	**18**	–
Total revolving credit facilities		**34**	61

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For the year ended 31 December 2016

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
(b) Revolving credit facilities continued
The Group has access to a £800 million (2015: £800 million) multi-currency revolving credit facility available to the Holding Company. £73 million facility matures in August 2019, a further £73 million of facility matures in August 2020 and the remaining £654 million of the facility matures in August 2021. At 31 December 2016 none of this facility was drawn.

In July 2015, Emerging Markets obtained access to a R1,200 million revolving credit facility which matures in July 2018. At 31 December 2016 R300 million (£18 million) of this facility was drawn (2015: Fully undrawn).

In December 2015, Emerging Markets obtained access to a R3,125 million revolving credit facility which matures in January 2019 with an option to renew for a further year. At 31 December 2016 R260 million (£16 million) of this facility was drawn (2015: Fully undrawn).

(c) Mortgage-backed securities (net of Group holdings)

				£m
	Tier	Maturity date	**At 31 December 2016**	At 31 December 2015
Banking – Nedbank				
R161 million (class A2) at JIBAR + 1.25%	Tier 2	Repaid	**–**	7
R900 million (class A3) at JIBAR + 1.54%	Tier 2	October 2039	**50**	40
R110 million (class B) at JIBAR + 1.90%	Tier 2	October 2039	**7**	5
R600 million JIBAR + 1.34%	Tier 2	January 2028	**30**	–
R300 million JIBAR + 1.54%	Tier 2	January 2028	**16**	–
R558 million at JIBAR + 1.20%	Tier 2	February 2042	**19**	24
R100 million at JIBAR + 1.45%	Tier 2	February 2042	**6**	4
R680 million at JIBAR + 1.55%	Tier 2	February 2042	**40**	30
R80 million at JIBAR + 2.20%	Tier 2	February 2042	**5**	4
R65 million at JIBAR + 3.00%	Tier 2	February 2042	**4**	3
			177	117
Less: Mortgage-backed securities held by other Group companies			**(24)**	(20)
Total mortgage-backed securities			**153**	97

(d) Subordinated debt securities (net of Group holdings)

				£m
	Tier	Maturity date	**At 31 December 2016**	At 31 December 2015
Banking – Nedbank				
$100 million at 3 month USD LIBOR	Tier 2 (secondary)	March 2022	**81**	69
R2,000 million at JIBAR + 0.47%	Tier 2	July 2022	**120**	89
R1,800 million at JIBAR + 2.75%	Tier 2	July 2023	**108**	80
R1,200 million at JIBAR + 2.55%	Tier 2	November 2023	**71**	53
R450 million at JIBAR + 10.49%	Tier 2	April 2024	**27**	20
R1,737 million at 3 month JIBAR + 2.55%	Tier 2	April 2024	**105**	78
R300 million at JIBAR + 2.75%	Tier 2	October 2024	**18**	13
R225 million at JIBAR +2.75%	Tier 2	January 2025	**14**	10
R1,624 million at JIBAR + 3.5%	Tier 2	July 2025	**98**	73
R407 million at 11.29%	Tier 2	July 2025	**25**	19
R2,000 million at JIBAR + 4.00%	Tier 2	September 2026	**118**	–
			785	504
Less: Banking subordinated debt securities held by other Group companies			**(18)**	(16)
Banking subordinated securities			**767**	488

	Tier	Maturity date	At 31 December 2016 £m	At 31 December 2015 £m
Non-banking – Old Mutual plc				
£500 million at 8.00%	Tier 2	June 2021	**569**	536
£450 million at 7.88%	Tier 2	November 2025	**448**	450
			1,017	986
Non-banking – Emerging Markets[1]				
R300 million at 9.26%	Tier 2	November 2024	**17**	12
R700 million at 3 month JIBAR + 2.20%	Tier 2	November 2024	**41**	31
R537 million at 3 month JIBAR + 2.30%	Tier 2	March 2025	**32**	24
R425 million at 9.76%	Tier 2	March 2025	**25**	17
R1,288 million at 3 month JIBAR + 2.25%	Tier 2	September 2025	**76**	57
R409 million at 10.32%	Tier 2	March 2027	**23**	16
R568 million at 10.90%	Tier 2	September 2027	**33**	23
R1,150 million at 10.96%	Tier 2	March 2030	**65**	46
R623 million at 11.35%	Tier 2	September 2030	**36**	25
			348	251
Total subordinated debt securities			**2,132**	1,725

1 All callable subordinated debt securities have a first call date five years before the maturity date.

G8: Amounts owed to bank depositors

In the Group's banking business the Group receives cash from bank depositors. The depositors receive interest on the amounts owed depending on the value of the amount borrowed and the terms of the deposit. The table below provides an analysis of the categories and maturity profiles of amounts owed to depositors:

At 31 December 2016 £m

	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	**4,681**	**4,636**	**38**	**–**	**–**	**4,674**
Savings deposits	**1,774**	**1,770**	**–**	**3**	**8**	**1,781**
Other deposits and loan accounts	**31,896**	**24,370**	**5,235**	**2,714**	**534**	**32,853**
Negotiable certificates of deposit	**5,814**	**1,632**	**3,386**	**1,490**	**77**	**6,585**
Deposits received under repurchase agreements	**1,144**	**1,145**	**–**	**–**	**–**	**1,145**
Amounts owed to bank depositors	**45,309**	**33,553**	**8,659**	**4,207**	**619**	**47,038**

At 31 December 2015 £m

	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	3,196	3,196	–	–	–	3,196
Savings deposits	1,349	1,339	2	5	2	1,348
Other deposits and loan accounts	23,090	17,337	3,363	2,304	488	23,492
Negotiable certificates of deposit	4,012	1,059	2,159	1,147	3	4,368
Deposits received under repurchase agreements	681	681	–	–	–	681
Amounts owed to bank depositors	32,328	23,612	5,524	3,456	493	33,085

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For the year ended 31 December 2016

H: Non-financial assets and liabilities

H1: Goodwill and other intangible assets

Goodwill arises on the acquisition of a business and represents the premium of the amount paid over the fair value of identifiable asset and liabilities. Goodwill is not amortised but is subject to annual impairment reviews. Other intangible assets include those assets which were initially recognised on a business combination and software development costs relate to amounts recognised for in-house systems development.

(a) Goodwill and goodwill impairment

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the fair value of the consideration paid over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least once annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

(b) Present value of acquired in-force for insurance and investment contract business

The present value of acquired in-force for insurance and investment contract business is capitalised in the consolidated statement of financial position as an intangible asset.

The capitalised value is the present value of cash flows anticipated in the future from the relevant book of insurance and investment contract policies acquired at the date of the acquisition. This is calculated by performing a cash flow projection of the associated life assurance fund and book of in-force policies in order to estimate future after tax profits attributable to shareholders. The valuation is based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, together with future costs and investment returns on the assets supporting the fund. These profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. The key assumptions impacting the valuation are discount rate, future investment returns and the rate at which policies discontinue.

The asset is amortised over the expected profit recognition period on a systematic basis over the anticipated lives of the related contracts.

The amortisation charge is stated net of any unwind in the discount rate used to calculate the asset.

The recoverable amount of the asset is re-calculated at each reporting date and any impairment losses recognised accordingly.

(c) Other intangible assets acquired as part of a business combination

Contractual banking and asset management customer relationships, relationships with distribution channels and similar intangible assets, acquired as a part of a business combination, are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition.

Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition such acquired intangible assets, if not categorised as infinite life, are amortised on a straight-line basis over their estimated useful lives as set out below:

— Distribution channels	10 years
— Customer relationships	10 years
— Brand	15 – 20 years

The estimated useful life is re-evaluated on a regular basis.

Other intangible assets acquired in a business combination would be immediately impaired if the carrying value is greater than the net recoverable amount.

(d) Internally developed software

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed whereas costs incurred in the development phase are capitalised subject to meeting specific criteria, set out in the relevant accounting guidance. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and ten years, depending on the nature and use of the software.

(e) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Analysis of goodwill and other intangible assets

The table below shows the movements in cost, amortisation and impairment of goodwill and other intangible assets for the year ended 31 December 2016 and year ended 31 December 2015.

										£m
	Goodwill		**Present value of acquired in-force business development costs**		**Software development costs**		**Other intangible assets**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Cost										
Balance at beginning of the year	**3,129**	2,756	**982**	1,107	**598**	669	**710**	402	**5,419**	4,934
Acquisitions through business combinations[1]	**124**	467	**–**	–	**1**	–	**76**	308	**201**	775
Purchase price adjustments[2]	**(12)**	22	**–**	–	**–**	–	**17**	–	**5**	22
Additions	**–**	–	**–**	–	**132**	72	**9**	9	**141**	81
Disposal of interests in subsidiaries	**–**	(41)	**–**	(125)	**–**	(1)	**–**	(4)	**–**	(171)
Disposals or retirements	**–**	–	**–**	–	**(12)**	(8)	**–**	(1)	**(12)**	(9)
Transfer to assets held for sale[3]	**(1,561)**	(29)	**(80)**	–	**–**	–	**(72)**	–	**(1,713)**	(29)
Foreign exchange and other movements	**409**	(46)	**12**	–	**194**	(134)	**32**	(4)	**647**	(184)
Cost at end of the year	**2,089**	3,129	**914**	982	**913**	598	**772**	710	**4,688**	5,419
Amortisation and impairment losses										
Balance at beginning of the year	**(617)**	(624)	**(751)**	(792)	**(403)**	(449)	**(372)**	(306)	**(2,143)**	(2,171)
Amortisation charge for the year	**–**	–	**(49)**	(58)	**(51)**	(49)	**(55)**	(70)	**(155)**	(177)
Impairment losses[4]	**(110)**	(23)	**–**	–	**(3)**	–	**–**	–	**(113)**	(23)
Disposal of interests in subsidiaries	**–**	–	**–**	102	**–**	1	**–**	–	**–**	103
Disposals or retirements	**–**	–	**–**	–	**10**	7	**–**	1	**10**	8
Transfer to assets held for sale[3]	**337**	29	**77**	–	**–**	–	**3**	–	**417**	29
Foreign exchange and other movements	**(81)**	1	**(9)**	(3)	**(121)**	87	**(22)**	3	**(233)**	88
Accumulated amortisation and impairment losses at end of the year	**(471)**	(617)	**(732)**	(751)	**(568)**	(403)	**(446)**	(372)	**(2,217)**	(2,143)
Carrying amount										
Balance at beginning of the year	**2,512**	2,132	**231**	315	**195**	220	**338**	96	**3,276**	2,763
Balance at end of the year	**1,618**	2,512	**182**	231	**345**	195	**326**	338	**2,471**	3,276

1 Goodwill acquired through business combinations for the year ended 31 December 2016 of £124 million relates to the acquisition of Landmark Partners (£111 million), AAM Advisory (£4 million), various acquisitions by the Old Mutual Private Client Advisors business (£8 million) and the acquisition of Banco Unico, SA (£1 million). Refer to note A2 for more information.

2 The purchase price adjustment for the year ended 31 December 2016 of £12 million relates to adjustments in connection with the acquisition of African Infrastructure Investment Managers (Pty) Limited that were identified by the Group in the 12 month period after acquisition and which comprises £17 million of other intangible assets identified subsequent to the initial calculation of goodwill less £5 million relating to an increase in the value of liabilities identified.

3 Amounts transferred to assets held for sale principally relate to the Institutional Asset Management (IAM) segment. Refer to note K2 for more details.

4 Of the impairment losses for the year ended 31 December 2016, £46 million relates to the disposal of Old Mutual Italy (note A2), which completed on 9 January 2017, and £64 million relates to the OMSEA Cash Generating Units within Emerging Markets, which is described in more detail in section (h) of this note.

For the year ended 31 December 2016

H: Non-financial assets and liabilities continued

H1: Goodwill and other intangible assets continued

The net carrying amount of present value of acquired in-force business at 31 December 2016 principally comprises £179 million (31 December 2015: £227 million) relating to the Skandia business acquired during 2006, which is due to be amortised over a further five to ten years.

The net carrying amount of other intangible assets at 31 December 2016 principally comprises:

Old Mutual Wealth:
— £223 million (2015: £249 million) relating to distribution channels that will be amortised over a further eight years;
— £30 million (2015: £35 million) relating to mutual fund and asset management relationship assets that will be amortised over a further six years; and
— £10 million (2015: £13 million) relating to brands that will be amortised over a further three years.

Emerging Markets:
— £21 million (2015: £17 million) relating to the UAP brand, which is not being amortised; and
— £4 million (2015: £nil) relating to the AIIM brand, which is not being amortised.

(g) Allocation of goodwill to cash generating units

The carrying amount of goodwill relates to the cash generating units (CGUs) of Emerging Markets, Old Mutual Wealth, Nedbank and Institutional Asset Management.

		£m
	At 31 December 2016	At 31 December 2015
Emerging Markets	**348**	344
Old Mutual Wealth	**973**	1,082
Nedbank	**297**	224
Institutional Asset Management[1]	**–**	862
Goodwill, net of impairment losses	**1,618**	2,512

1 Goodwill for the Institutional Asset Management segment was transferred to assets held for sale in the consolidated statement of financial position. Refer to note K2 for more information.

Critical accounting estimates and judgements – Goodwill and intangible assets

(h) Annual impairment testing of goodwill

In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value in use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

The cash flows attributable to the value of new business are determined with reference to latest approved three-year business plans. The three-year business plan takes into account the management strategy for the underlying businesses, the capital available for deployment, the underlying macro-economic factors which impact the business and the region in which it operates as well as socio-economic factors. Projections beyond the plan period are extrapolated using an inflation based growth assumption.

The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future profits arising from the in-force business (after allowing for the cost of capital needed to support the business) and the expected profits from future new business. In determining the expected future profits, the same set of best estimate assumptions for persistency, expense, mortality and morbidity are used as per the Solvency II calculation. The market share and market growth information are also used to inform the expected volumes of future new business.

The cash flows that have been used to determine the value in use of the cash generating units are based on the three year business plans. These cash flows grow at different rates because of the different strategies of the cash generating units. In cases where the cash generating units have made significant acquisitions in the recent past, the profits are forecasted to grow faster than the more mature businesses. Post the five year growth forecast, the growth rate used to determine the terminal value of the cash generating units approximated the long-term growth rate of the countries.

Emerging Markets

Emerging Market's CGUs generate revenues through their life assurance, asset management, property & casualty and banking businesses in several regions, but principally Africa and Latin America.

Emerging Markets carries goodwill in three distinct CGUs: Old Mutual South Africa (OMSA), Latin America (LatAm) and Old Mutual Southern and Eastern Africa (OMSEA). The basis of performing the impairment tests remained consistent in the current year and is consistent with the strategy for Emerging Markets, which is based on regional focus on the performance of the underlying businesses as a group.

Goodwill attributable to the business units, net of impairment losses were:

	£m	
	At 31 December 2016	At 31 December 2015
OMSA	**164**	132
OMSEA	**114**	154
LatAm	**70**	58
	348	344

Except for the impairment of goodwill in OMSEA CGU, the Directors are satisfied that any reasonable change in the assumptions would not cause the recoverable amounts of the goodwill to fall below the carrying amounts.

The main assumptions used in the impairment test were:

— Cash flows – Initial cash flows were determined in accordance with the three-year business plan, adjusted for economic uncertainties in the areas in which the businesses operate. Subsequent cash flows growth rates were as follows:
  - for years four and five respectively:
    - OMSA: 7.5% and 5.0% (2015: 7.0% for years four to seven);
    - LatAm: 17.0% and 11.0% (2015: 18.0% for years four to seven); and
    - OMSEA: 18.0% (2015: 18.0% for years four to seven)
  - after year five (terminal growth rates):
    - OMSA: 2.4% (2015: 2.0% from year eight);
    - LatAm: 1.5% (2015: 1.7% from year eight); and
    - OMSEA: 4.5% (2015: 6.0% from year eight).

— Discount rate – The rate applied for each of the CGUs used was the relevant 10-year government bond rate adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references. The current year discount rates used were:
  - OMSA: 14.3% (2015: 13.5%);
  - LatAm: 14.9% (2015: 13.5%); and
  - OMSEA: 22.3% (2015: 17.0%).

The Group has recognised an impairment of £64 million in profit and loss relating to OMSEA CGU based on the value in use method to determine the recoverable amount. The value in use of the OMSEA CGU was calculated based on the latest business planning numbers using a discount rate that included a 5% premium for the uncertainties that exist in the region. The impairment is the result of the current difficult economic conditions in the Southern and East African region. Our strategic review confirms that we will prioritise our high-return and cash generative businesses in sub-Saharan Africa and seek to improve returns from our recent investments in East and West Africa.

The following shows what the impairment to goodwill for the OMSEA CGU would have been if the following changes were made to the assumptions used (with the other assumptions remaining unchanged):

— increase the discount rate by 1%: £122 million
— decrease the discount rate by 1%: £11 million
— decrease the growth rates in years four and five by 1%: £80 million

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For the year ended 31 December 2016

H: Non-financial assets and liabilities continued
H1: Goodwill and other intangible assets continued

Critical accounting estimates and judgements – Goodwill and intangible assets continued

Old Mutual Wealth

The Old Mutual Wealth CGU generates revenues through its integrated business of life assurance and asset management.

Old Mutual Wealth is regarded by the Directors as a single cash generating unit due to the integrated nature of its operations. On disposals of a business, goodwill is allocated to it based on the relative value of the business. The basis of performing the impairment tests remained consistent in the current year. The Directors are satisfied that any reasonable change in the assumptions would not cause the recoverable amounts of Old Mutual Wealth to fall below its carrying amount.

- Growth rate – the rate used was 14.0% (2015: 5.0%) for the three-year business plan period and the expected inflation rate for the period beyond this.
- Discount rate – the rate applied was 8.7% (2015: 9.0%) and used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references.

Nedbank

The impairment test in respect of Nedbank has been performed by comparing the CGU's net carrying amount to its estimated value in use. The value-in-use has been determined using a discounted cash flow methodology. The key assumptions used in the value in use calculation are the discount rate and growth rate, which are based on the three-year business plan plus the terminal value. Growth rates between 1.2%, for international business and 6.6%, for South African business (2015: 0.0% to 4.8%) were applied to extrapolate cash flows for the period beyond the three-year business plan period. The discount rate applied varied between 9.2% and 29.8% (2015: 9.8% to 15.4%). The Directors are satisfied that a reasonable change in assumptions would not cause the recoverable amount of the goodwill to fall below the carrying amount.

(i) Segmental analysis of goodwill and other intangibles

The following table shows a segmental analysis of the carrying amounts of goodwill and other intangible assets, together with amortisation and impairment charges, by operating segment:

						£m
	Goodwill and intangible assets (carrying amount)		Amortisation		Impairment	
	2016	2015	**2016**	2015	**2016**	2015
Emerging Markets	**461**	415	**25**	28	**67**	–
Old Mutual Wealth	**1,434**	1,620	**87**	112	**46**	–
Nedbank	**576**	378	**41**	37	**–**	–
Institutional Asset Management[1]	**–**	863	**2**	–	**–**	23
	2,471	3,276	**155**	177	**113**	23

1 Goodwill for the Institutional Asset Management segment was transferred to assets held for sale in the consolidated statement of financial position. Refer to note K2 for more information.

H2: Fixed assets
H2(a): Property, plant and equipment
This following table analyses land, buildings and equipment.

At 31 December								£m
	Land		Buildings		Plant and equipment		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Gross carrying amount								
Balance at beginning of the year	**77**	126	**501**	451	**556**	621	**1,134**	1,198
Additions	**–**	1	**22**	32	**107**	118	**129**	151
Additions from business combinations	**–**	–	**–**	8	**10**	15	**10**	23
Net increase arising from revaluation	**2**	2	**9**	18	**–**	–	**11**	20
Transfers from/(to) investment properties	**2**	2	**(20)**	8	**–**	–	**(18)**	10
Reclassification within property, plant and equipment	**–**	–	**–**	86	**–**	(86)	**–**	–
Disposals	**–**	–	**(9)**	(9)	**(22)**	(16)	**(31)**	(25)
Foreign exchange and other movements	**35**	(54)	**141**	(93)	**152**	(93)	**328**	(240)
Transfer to assets held for sale	**(3)**	–	**(8)**	–	**(73)**	(3)	**(84)**	(3)
	113	77	**636**	501	**730**	556	**1,479**	1,134
Accumulated depreciation and impairment losses								
Balance at beginning of the year	**–**	–	**(81)**	(42)	**(353)**	(391)	**(434)**	(433)
Depreciation charge for the year	**–**	–	**(24)**	(20)	**(78)**	(67)	**(102)**	(87)
Disposals	**–**	–	**6**	7	**19**	11	**25**	18
Foreign exchange and other movements	**–**	–	**(18)**	(26)	**(102)**	92	**(120)**	66
Transfer to assets held for sale	**–**	–	**–**	–	**44**	2	**44**	2
Balance at end of the year	**–**	–	**(117)**	(81)	**(470)**	(353)	**(587)**	(434)
Carrying amount								
Balance at beginning of the year	**77**	126	**420**	409	**203**	230	**700**	765
Balance at end of the year	**113**	77	**519**	420	**260**	203	**892**	700

The carrying value of property, plant and equipment leased to third parties under operating leases included in the above is £19 million (2015: £18 million) and comprises land of £3 million (2015: £7 million) and buildings of £16 million (2015: £11 million).

The value of property, plant and equipment pledged as security is £23 million (2015: £22 million).

The revaluation of land and buildings relates to Emerging Markets and Nedbank. In 2016, Emerging Markets made revaluation gains of £2 million on land (2015: £1 million) and £6 million (2015: £7 million) on buildings. Nedbank made revaluation gains of £nil on land (2015: £1 million) and £4 million on buildings (2015: £11 million).

For Emerging Markets, land and buildings are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. For Nedbank, valuations are performed every three years by external professional valuers. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties. The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be £33 million (2015: £22 million) and £189 million (2015: £146 million) respectively for Emerging Markets, £16 million (2015: £12 million) and £116 million (2015: £89 million) for Nedbank.

These items are classified into Level 3 of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

H: Non-financial assets and liabilities continued
H2(b): Investment property

	Note	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Balance at beginning of the year		**1,233**	1,678
Additions		**83**	146
Additions from business combinations		**–**	104
Disposals		**(8)**	(422)
Net gain from fair value adjustments		**94**	54
Transferred from/(to) property, plant and equipment		**18**	(10)
Transfer to assets held for sale	K2	**(85)**	(98)
Foreign exchange and other movements		**362**	(219)
Balance at end of the year		**1,697**	1,233

Of the closing balance of £1,697 million (2015: £1,233 million), £1,696 million (2015: £1,232 million) is held by Emerging Markets, principally within its policyholder funds. All movements for the year ended 31 December 2016 related to Emerging Markets, also principally its policyholder funds. During year ended 31 December 2015, all movements also related to Emerging Markets, except for the disposal of property with a carrying value of £380 million by Old Mutual Wealth, which was held by a fund that ceased to be consolidated during 2015 following the disposal of the fund, and additions of £9 million and transfers to property, plant and equipment of £14 million by Nedbank.

The fair value of investment property leased to third parties under operating leases is as follows:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Freehold	**1,499**	1,087
Leasehold	**198**	146
	1,697	1,233
Rental income from investment property	**128**	124
Direct operating expense arising from investment property that generated rental income	**(33)**	(25)
	95	99

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer at least every three years, and annually by locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The Group's current lease arrangements, which are entered into on an arms length basis and which are comparable to those for similar properties in the same location, are taken into account.

All of the Group's investment properties are located in Africa.

H2(c): Fair value hierarchy of the Group's property

The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy. The table below reconciles the fair value measurements of the investment and owner-occupied property:

£m	**Year ended 31 December 2016**	Year ended 31 December 2015
Balance at beginning of the year	**1,653**	2,087
Additions and acquisitions	**105**	178
Additions from business combinations	**–**	112
Disposals	**(11)**	(424)
Net gain from fair value adjustments	**103**	72
Impairments and depreciation	**(24)**	(20)
Reclassification (to)/from other categories of property, plant and equipment	**(2)**	86
Foreign exchange and other movements	**485**	(340)
Transfer to assets held for sale	**(93)**	(98)
Balance at end of the year	**2,216**	1,653

These gains and losses have been included in other income.

The following table shows the valuation techniques used in the determination of the fair values for investment and owner-occupied properties, as well as the unobservable inputs used in the valuation models.

Type of property	**Valuation approach**	**Key unobservable inputs**	**Inter-relationship between unobservable inputs and key fair value measurement**
— Commercial, retail and industrial properties — Owner-occupied property	— Discounted cash flow (market related rentals achievable for the property, discounted at the appropriate discount rate)	— Rental income per square metre and capitalisation rates — Long-term net operating margin and capitalisation rates — Vacancies	— The estimated fair value would increase/(decrease) if: - net rental income increases/(decreases) or - capitalisation rates decrease/(increase) — the estimated fair value would increase/(decrease) if: - long term operating margin increase/(decrease); or - capitalisation rates decrease/(increase)
— Holiday accommodation — Residential property	— Average of market comparable valuations — Replacement cost — Land value	— Price per square metre	— The estimated fair value would increase/(decrease) if price per square metre increase/(decrease)
— Near vacant properties	— Land value less the estimated cost of demolition	— Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition	— Recent sales and local government valuation rolls provide an indication of what the property may be sold for

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

H: Non-financial assets and liabilities continued
H3: Deferred acquisition costs
Deferred acquisition costs relate to costs that the Group incurred to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

At 31 December	Insurance contracts		Investment contracts		Asset management		Total	£m
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Balance at beginning of the year	**39**	44	**681**	741	**64**	77	**784**	862
New business	**5**	1	**113**	131	**14**	(171)	**132**	(39)
Amortisation	**(5)**	–	**(129)**	(134)	**(24)**	(26)	**(158)**	(160)
Disposal of interests in subsidiaries	**–**	(5)	**–**	(37)	**–**	–	**–**	(42)
Foreign exchange and other movements	**4**	(1)	**27**	(20)	**56**	184	**87**	163
Transfer to assets held for sale[1]	**–**	–	**(60)**	–	**(29)**	–	**(89)**	–
Balance at end of the year	**43**	39	**632**	681	**81**	64	**756**	784

1 Transfer to assets held for sale relates to the disposal of Old Mutual Wealth Italy and the classification of OM Asset Management plc as held for sale. Refer to note A2 and K2 for more information.

H4: Trade, other receivables and other assets

	Note	**At 31 December 2016**	£m At 31 December 2015 (Restated)[1]
Debtors arising from direct insurance operations			
Amounts owed by policyholders		**97**	96
Amounts owed by intermediaries		**44**	41
Other		**25**	25
		166	162
Debtors arising from reinsurance operations		**54**	41
Outstanding settlements		**522**	333
Post-employment benefits	J1	**205**	155
Other receivables		**442**	542
Accrued interest and rent		**242**	180
Trading securities and spot positions		**268**	181
Prepayments and accrued income		**175**	111
Other assets		**342**	242
Total trade, other receivables and other assets		**2,416**	1,947

1 The comparative information for 2015 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.

Based on the maturity profile of the above assets, £1,649 million (2015: £1,597 million) is regarded as current and £767 million (2015: £350 million) as non-current. No significant balances are past due or impaired.

H5: Provisions and accruals

Year ended 31 December 2016	Compensation provisions	Surplus Property	Provision for donations	Other	Total £m
Balance at beginning of the year	**43**	**11**	**57**	**88**	**199**
Unused amounts reversed	**–**	**(3)**	**–**	**–**	**(3)**
Charge to profit or loss	**–**	**2**	**–**	**17**	**19**
Utilised during the year	**(13)**	**(2)**	**(11)**	**(40)**	**(66)**
Transfer to other liabilities	**–**	**(3)**	**–**	**(26)**	**(29)**
Transfer to non-current liabilities held for sale[1]	**(4)**	**–**	**–**	**(1)**	**(5)**
Foreign exchange and other movements	**10**	**–**	**18**	**17**	**45**
Balance at end of the year	**36**	**5**	**64**	**55**	**160**

1 Amounts transferred to assets held for sale relate to the Institutional Asset Management (IAM) segment. Refer to note K2 for more information.

Compensation provisions totalled £36 million (2015: £43 million), with £10 million (2015: £15 million) relating to regulatory uncertainty and multiple causal events. £13 million (2015: £13 million) relates to ongoing resolution of claims as a result of mis-selling guarantee contracts. In addition, £13 million (2015: £12 million) relates to the provision for claw-back of prescribed claims. This provision is held to allow for the possible future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Of the total client compensation provisions, £21 million (2015: £28 million) is estimated to be payable after more than one year.

2016 provisions in relation to surplus property amounted to £5 million (2015: £11 million). These relates to onerous costs of vacant properties leased by the Group of which £5 million (2015: £11 million) is estimated to be payable after more than one year.

The provision for donations is held by Emerging Markets in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. £64 million (2015: £57 million) is estimated to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally small in nature.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions recorded above, £121 million (2015: £136 million) is estimated to be payable after one year.

H6: Deferred revenue

Deferred revenue relates to initial fees received for the future provision of services that the Group will render on investment management contracts. These fees are capitalised in the statement of financial position and are amortised in profit or loss over the expected life of the contracts. The table below analyses the movements in deferred revenue.

Year ended 31 December	Life and Savings		Asset Management		Property & Casualty		Banking		Total	£m
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Balance at beginning of the year	**241**	278	**18**	36	**9**	11	**6**	5	**274**	330
Fees and commission income deferred	**18**	20	**–**	1	**–**	–	**–**	–	**18**	21
Amortisation	**(29)**	(40)	**(12)**	(18)	**–**	–	**–**	–	**(41)**	(58)
Acquisition of subsidiaries	**–**	2	**–**	–	**–**	41	**–**	–	**–**	43
Disposal of subsidiaries	**–**	(17)	**–**	–	**–**	–	**–**	–	**–**	(17)
Foreign exchange and other movements	**(6)**	(2)	**49**	(1)	**–**	(43)	**–**	1	**43**	(45)
Transfer to liabilities held for sale[1]	**(4)**	–	**–**	–	**–**	–	**–**	–	**(4)**	–
Balance at end of the year	**220**	241	**55**	18	**9**	9	**6**	6	**290**	274

1 Transfer to liabilities held for sale in life and savings relate to the disposal of Old Mutual Wealth Italy. Refer to note A2 for more information.

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For the year ended 31 December 2016

H: Non-financial assets and liabilities continued
H7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

(a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on the deferred tax assets account is as follows:

Year ended 31 December 2016						**£m**
	At beginning of the year	**Income statement (charge)/ credit**	**Recognised in the SOCI**	**Transfer to held for sale**	**Foreign exchange and other movements**	**At end of the year**
Tax losses carried forward	**27**	**(7)**	**–**	**(5)**	**10**	**25**
Accelerated capital allowances	**1**	**1**	**–**	**(1)**	**(1)**	**–**
Other temporary differences	**323**	**(1)**	**4**	**(243)**	**54**	**137**
Policyholders tax	**(15)**	**(1)**	**–**	**–**	**16**	**–**
Deferred fee income	**8**	**(3)**	**–**	**–**	**–**	**5**
Netted against liabilities	**(60)**	**5**	**–**	**(1)**	**(15)**	**(71)**
	284	**(6)**	**4**	**(250)**	**64**	**96**

Year ended 31 December 2015						£m
	At beginning of the year	Income statement (charge)/ credit	Recognised in the SOCI	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Tax losses carried forward	64	(33)	–	–	(4)	27
Accelerated capital allowances	2	(1)	–	–	–	1
Other temporary differences	321	52	–	5	(55)	323
Policyholders tax	57	(71)	–	–	(1)	(15)
Deferred fee income	16	(4)	–	(4)	–	8
Netted against liabilities	(177)	6	–	3	108	(60)
	283	(51)	–	4	48	284

The amounts for which no deferred tax asset has been recognised comprise:

				£m
	At 31 December 2016		At 31 December 2015	
	Gross amount	**Tax**	Gross amount	Tax
Unrelieved tax losses				
Expiring in less than a year	**11**	**3**	43	12
Expiring in the second to fifth years inclusive	**68**	**18**	14	1
Expiring after five years	**1,824**	**312**	1,706	312
	1,903	**333**	1,763	325
Accelerated capital allowances	**191**	**33**	184	33
Other timing differences	**573**	**97**	639	120
	2,667	**463**	2,586	478

(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

Year ended 31 December 2016						£m
	At beginning of the year	Income statement (credit)/ charge	Credited to equity	Transfer to held for sale	Foreign exchange and other movements	At end of the year
Accelerated tax depreciation	**48**	**–**	**–**	**–**	**10**	**58**
Deferred acquisition costs	**29**	**(4)**	**–**	**–**	**(25)**	**–**
Leasing	**–**	**–**	**–**	**–**	**–**	**–**
PVIF	**29**	**(7)**	**–**	**–**	**(3)**	**19**
Other acquired intangibles	**61**	**(9)**	**–**	**4**	**12**	**68**
Available-for-sale securities	**2**	**–**	**(1)**	**–**	**3**	**4**
Other temporary differences	**188**	**62**	**(2)**	**21**	**(62)**	**207**
Capital gains tax	**41**	**(32)**	**–**	**(10)**	**21**	**20**
Fee income receivable	**–**	**–**	**–**	**–**	**–**	**–**
Policyholder tax	**79**	**(28)**	**–**	**11**	**73**	**135**
Netted against assets	**(60)**	**5**	**–**	**(1)**	**(15)**	**(71)**
	417	**(13)**	**(3)**	**25**	**14**	**440**

Year ended 31 December 2015						£m
	At beginning of the year	Income statement (credit)/ charge	Credited to equity	Acquisition/ disposal of subsidiaries	Foreign exchange and other movements	At end of the year
Accelerated tax depreciation	49	5	–	–	(6)	48
Deferred acquisition costs	23	2	–	(6)	10	29
PVIF	44	(10)	–	(5)	–	29
Other acquired intangibles	16	(12)	–	58	(1)	61
Available-for-sale securities	2	–	–	–	–	2
Other temporary differences	244	(37)	3	2	(24)	188
Capital gains tax	158	(2)	1	–	(116)	41
Fee income receivable	1	–	–	–	(1)	–
Policyholder tax	94	4	–	–	(19)	79
Netted against assets	(177)	6	–	3	108	(60)
	454	(44)	4	52	(49)	417

As the Group is able to control the reversal of temporary differences in respect of investments in subsidiaries and branches and it is probable that these temporary differences will not reverse in the foreseeable future, there is no need to provide for the associated deferred tax liabilities. The aggregate amount of temporary differences on which further tax might be due is estimated at £4.6 billion (2015: £3.7 billion).

H8: Trade, other payables and other liabilities.

			£m
	Note	At 31 December 2016	At 31 December 2015 (Restated)[1]
Amounts payable on direct insurance business			
Funds held under reinsurance business ceded		**14**	11
Amounts owed to policyholders		**394**	290
Amounts owed to intermediaries		**82**	92
Other direct insurance operation creditors		**17**	25
		507	418
Accounts payable on reinsurance business		**47**	31
Accruals and deferred income		**370**	360
Post-employment benefits	J1	**83**	43
Liability for long-service leave		**48**	32
Share-based payments – cash-settled scheme liabilities		**–**	128
Short trading securities, spot positions and other		**139**	172
Trade creditors		**1,006**	300
Outstanding settlements		**795**	693
Cash collateral on securities lending		**620**	332
Obligations in relation to collateral holdings		**491**	114
Other liabilities		**1,006**	1,126
		5,112	3,749

1 The comparative information for 2015 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.

Included in the amounts shown above are £3,046 million (2015: £3,460 million) that are regarded as current, with the remainder regarded as non-current.

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H: Non-financial assets and liabilities continued
H9: Equity
(a) Share capital
Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

		£m
	At 31 December 2016	At 31 December 2015
4,929.9 million (2015: 4,928.6 million) Issued ordinary shares of 11³⁄₇p each	**563**	563

(b) Perpetual preferred callable securities
At 31 December 2016, the Group had £273 million (2015: £273 million) perpetual preferred callable securities in issue, in addition to the senior and subordinated debt securities as detailed in note G7. In accordance with IFRS, these instruments are classified as equity instruments and are disclosed within equity attributable to equity holders of the parent in the consolidated statement of financial position.

These notes are perpetual, unsecured and subordinated to the claims of senior creditors and the holders of any priority preference shares. They qualify as Tier 1 capital under Solvency II. For an initial period until 24 March 2020 interest is payable at a fixed rate of 6.4% per annum annually in arrears. From 24 March 2020 interest is reset semi-annually at 2.2% per annum above the sterling inter-bank offer rate for six month sterling deposits and is payable semi-annually in arrears. Coupon payments may be deferred on each interest payment date at the Group's discretion for the duration of the instrument subject to giving appropriate notice. Deferred coupons shall become due on the earliest of the date on which the securities are redeemed, or the date upon which the securities are substituted for alternative qualifying Tier 1 or Upper Tier 2 securities, or the commencement of a winding-up of the issuer. Other than in the case of a winding-up, the deferred coupon may only be settled by means of an Alternative Coupon Satisfaction Mechanism. The perpetual preferred callable securities are redeemable at the discretion of the Group at their principal amount from 24 March 2020. £350 million of these bonds were issued in November 2005 with £2 million repurchased in December 2012 via an open market repurchase and a further £75 million were repurchased in November 2014 via a Modified Dutch Auction tender.

On 10 January 2017 the Group announced that it had opened a tender process of the outstanding £273 million perpetual preferred callable securities, classified as equity instruments, at a premium to its nominal value.

On 3 February 2017 the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities and paid cash from the Group's existing resources. A £29 million loss, including accrued interest and the costs of acquiring the instruments, will be recognised directly in equity in the 2017 financial statements.

H10: Non-controlling interests
(a) Profit or loss
(i) Ordinary shares
The non-controlling interests' share of profit for the financial year has been calculated on the basis of the Group's effective ownership of the subsidiaries in which it does not own 100% of the ordinary equity. The principal subsidiaries where a non-controlling interest exists is Nedbank, the Group's South African banking business and OM Asset Management plc, the Group's US asset management business. For the year ended 31 December 2016 the non-controlling interests attributable to ordinary shares was £253 million (2015: £291 million).

(ii) Preferred securities

	At 31 December 2016 £m	At 31 December 2015 £m
Nedbank		
R3,222 million (2015: R3,560 million) non-cumulative preference shares	**18**	19
R2,000 million (2015: Rnil) subordinated callable notes	**4**	–
	22	19

(iii) Non-controlling interests – adjusted operating profit

The following table reconciles non-controlling interests' share of profit for the financial year to non-controlling interests' share of adjusted operating profit:

Reconciliation of non-controlling interests' share of profit for the financial year	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
The non-controlling interests' share is analysed as follows:		
Non-controlling interests – ordinary shares	**253**	291
Impact of acquisition accounting	**53**	–
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	**10**	15
Attributable to Institutional Asset Management equity plans	**3**	4
Non-controlling interests' share of adjusted operating profit	**319**	310

The Group uses an adjusted weighted average effective ownership interests when calculating the non-controllable interest applicable to the adjusted operating profit of its Southern African banking businesses. These reflect the legal ownership of this business following the implementation for Black Economic Empowerment (BEE) schemes in 2005. In accordance with IFRS accounting rules the shares issued for BEE purposes are deemed to be, in substance, options. Therefore the effective ownership interest of the minorities reflected in arriving at profit after tax in the consolidated income statement is lower than that applied in arriving at adjusted operating profit after tax. In 2016 the increase in adjusted operating profit attributable to non-controlling interests as a result of this was £10 million (2015: £15 million).

(b) Statement of financial position

(i) Ordinary shares

Reconciliation of movements in non-controlling interests	At 31 December 2016 £m	At 31 December 2015 £m
Balance at beginning of the year	**1,982**	1,867
Non-controlling interests' share of profit	**253**	291
Non-controlling interests' share of dividends paid	**(149)**	(141)
Disposal of interest in OM Asset Management plc	**153**	114
Acquisition of businesses	**–**	105
Net disposal of interests	**–**	72
Foreign exchange and other movements	**534**	(326)
Balance at end of the year	**2,773**	1,982

(ii) Preferred securities

	At 31 December 2016 £m	At 31 December 2015 £m
Nedbank		
358.3 million (2015: 358.3 million) non-cumulative preference shares	**272**	272
Repurchased by Nedbank subsidiaries	**(26)**	–
	246	272
R2,000 million Tier 1 perpetual subordinated instruments	**95**	–
Total	**341**	272

Preferred securities are held at the value of consideration received less unamortised issue costs and are stated net of securities held by Group companies.

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H: Non-financial assets and liabilities continued
H10: Non-controlling interests continued
(b) Statement of financial position continued
Non-cumulative preference shares
These preference shares were issued by Nedbank Limited (Nedbank), the Group's banking subsidiary.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83.3% of the prevailing prime rate on a deemed value of R10 and is never compounded.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment or when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders.

During the year, preference shares with a carrying value of £26 million were purchased by a subsidiary of Nedbank and were classified as treasury shares.

Tier 1 perpetual subordinated instruments
On 20 May 2016, Nedbank Limited issued a R1,500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 7.0% with a call date of 21 May 2021.

On 25 November 2016, Nedbank Limited issued a R500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR + 6.3% with a call date of 26 November 2021.

These additional Tier 1 capital instruments represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Limited from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, if certain conditions are reached the regulator may prohibit Nedbank from making interest payments. Accordingly the instruments are classified as equity instruments and disclosed as non-controlling interest.

I: Interests in subsidiaries, associates and joint arrangements
I1: Subsidiaries

Critical accounting estimates and judgements – Investments in subsidiaries and associated undertakings
The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

Consolidation of investment funds and securitisation vehicles
The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds, with regards to their practical ability to allow the Group not to control the fund. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. The non-controlling interests in investment funds consolidated by the Group are classified as third-party interests in consolidated funds, a financial liability, in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value, which is equal to the bid value of the number of units of the investment funds scheme not owned by the Group.

See note I3(b) for disclosures in respect of the investment funds in which the Group has an interest.

The Group has sponsored certain asset-backed financing (securitisation) vehicles under its securitisation programme which are run according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset-backed financing vehicles.

Structured entities

The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an economic interest, the Group considers numerous factors. These factors may include the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as certain securitisation vehicles and other funding vehicles represent investments in structured entities. Information on structured entities is included in note I3.

(a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and, except for OM Group (UK) Limited and Old Mutual Wealth Management Limited, are held indirectly by the Company. Refer to note L2 for a detailed list of the Group's related undertakings.

Name	Nature of business	Percentage holding	Country of incorporation
Old Mutual Group Holdings (SA) (Pty) Limited	Holding company	100	Republic of South Africa
Acadian Asset Management LLC[1]	Asset management	100	Delaware, USA
AIVA Holding Group S.A	Holding company	100	Panama
Barrow, Hanley, Mewhinney & Strauss LLC	Asset management	75	Delaware, USA
Faulu Microfinance Bank Limited	Lending	67	Kenya
Mutual & Federal Insurance Company Limited	General insurance	100	Republic of South Africa
Nedbank Group Limited[2]	Banking	55	Republic of South Africa
Nedbank Limited[3]	Banking	100	Republic of South Africa
Banco Único, SA	Banking	50	Republic of Mozambique
Old Mutual (Africa) Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
OMAM Inc.	Holding company	100	Delaware, USA
Old Mutual Emerging Markets Limited	Holding company	100	Republic of South Africa
Old Mutual Finance (Pty) Ltd	Lending	75	Republic of South Africa
Old Mutual Investment Group (Pty) Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Wealth Management Limited	Holding company	100	England and Wales
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Asset Management plc[4]	Holding company	52	England and Wales
OM Group (UK) Limited	Holding company	100	England and Wales
OM Latin America Holdco UK Limited	Holding company	100	England and Wales
Quilter Cheviot Limited	Asset management	100	England and Wales
Landmark Partners LLC	Asset management	60	Delaware, USA
UAP Holdings Limited	Holding company	61	Kenya

1 The Group holds 100% Class A shares and 85.71% Class B shares in Acadian Asset Management. The remaining 14.29% Class B shares are held by the employees.
2 Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE (Johannesburg, South Africa).
3 Nedbank Limited is a 100% subsidiary of Nedbank Group Limited. The Group's effective ownership is 55%.
4 OM Asset Management plc is a publicly listed company, with its primary listing on the New York Stock Exchange.

All the above companies have a year-end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

There are certain funds in which the Group owns more than 50% of the equity but does not consolidate these because of certain management contracts which give other parties the power to control these funds. These management contracts may include that the ability to control is delegated to a third party with no rights of removal on similar types of contractual agreements.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

I: Interests in subsidiaries, associates and joint arrangements continued
I1: Subsidiaries continued
(b) Non-controlling interests in subsidiaries
The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests:

At 31 December 2016							£m
	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited[1]	Other subsidiaries	Total Emerging Markets	Total
Statement of financial position							
Total assets	**56,791**	**1,959**	**842**	**455**	**3,811**	**5,108**	**63,858**
Total liabilities	**(51,982)**	**(867)**	**(629)**	**(315)**	**(3,469)**	**(4,413)**	**(57,262)**
Net assets	**4,809**	**1,092**	**213**	**140**	**342**	**695**	**6,596**
Non-controlling interests	**2,333**	**566**	**57**	**109**	**49**	**215**	**3,114**
Income statement							
Total revenue	**4,863**	**490**	**193**	**142**	**845**	**1,180**	**6,533**
Profit before tax	**737**	**124**	**41**	**10**	**159**	**210**	**1,071**
Income tax expense	**(199)**	**(30)**	**(15)**	**(2)**	**(26)**	**(43)**	**(272)**
Profit after tax for the financial year	**538**	**94**	**26**	**8**	**133**	**167**	**799**
Non-controlling interests	**255**	**31**	**(7)**	**(3)**	**(2)**	**(12)**	**274**

1 The financial information of UAP Holdings Limited (UAP) represents the results of UAP for year ended 31 December 2016 and the statement of financial position at 31 December 2016 as consolidated by the Group. This consolidated result may vary significantly from the full year results published by UAP due to acquisition entries recognised by the Group.

During the year ended 31 December 2016, dividends of £154 million (year ended 31 December 2015: £147 million) was paid to non-controlling interests in Nedbank Group Limited and £10 million (year ended 31 December 2015: £7million) was paid to the non-controlling interest in OM Asset Management plc.

At 31 December 2015							£m
	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited	Other subsidiaries	Total Emerging Markets	Total
Statement of financial position							
Total assets	40,436	1,476	411	329	2,593	3,333	45,245
Total liabilities	(36,995)	(562)	(347)	(212)	(2,007)	(2,566)	(40,123)
Net assets	3,441	914	64	117	586	767	5,122
Non-controlling interests	1,731	327	39	114	43	196	2,254
Income statement							
Total revenue	4,199	458	197	63	433	693	5,350
Profit before tax	755	105	45	8	43	96	956
Income tax (expense)/credit	(181)	(27)	(14)	1	(18)	(31)	(239)
Profit after tax for the financial year	574	78	31	9	25	65	717
Non-controlling interests	266	26	8	5	5	18	310

(c) Restrictions on the Group's ability to obtain funds from its subsidiaries
Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Services Board in South Africa to comply with statutory capital statutory requirements restrict the amount of funds that can be transferred out of South Africa to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

The non-controlling interests do not have any ability to restrict the cash flows to the Group.

(d) Guarantees provided by the Group to subsidiaries
No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

(e) Loss of control of subsidiaries
There has been no loss of control of any significant subsidiaries during the course of the current and previous year.

I2: Investments in associated undertakings and joint ventures
(a) Investments in associated undertakings and joint ventures
The Group's equity accounted and fair value investments in associated undertakings and joint ventures are as follows:

At 31 December 2016	Nature of activities	Percentage holding	Measurement method	Carrying amount £m	Group share of profit £m
Private equity associates and associate companies					
Listed					
Ecobank Transnational Incorporated[6]	Banking	21%	Equity accounted	**235**	**(6)**
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance[3,8]	Life assurance	26%	Equity accounted	**45**	**9**
Two Rivers Lifestyle Centre[2]	Property	50%	Equity accounted	**54**	**–**
Masingita Property Investment Holdings (Pty) Ltd[1]	Property development	35%	Fair value	**16**	**–**
Odyssey Developments (Pty) Ltd[1]	Property development	49%	Fair value	**4**	**–**
Other individually immaterial associates					
Private-equity associates (Manufacturing, industrial, leisure and other)	Various		Fair value	**36**	**–**
Private-equity associates (Property investment)	Various		Fair value	**73**	**–**
Other				**40**	**1**
Total investment in associate undertakings				**503**	**4**
Joint ventures					
Unlisted					
Old Mutual Goudian Life Insurance Company Ltd[4]	Life assurance	50%	Equity accounted	**36**	**(2)**
Banco Unico, S.A.[5,7]	Banking	38%	Equity accounted	**–**	**2**
Individually immaterial joint arrangements					
Curo Fund Services[1]	Asset management	50%	Equity accounted	**3**	**–**
Total investment in joint ventures				**39**	**–**
Total investments in associates and joint ventures				**542**	**4**

Country of operation:
1 Republic of South Africa
2 Kenya
3 India
4 China
5 Mozambique
6 Togo
7 On 3 October 2016, the Group acquired a 10.9% share in Banco Unico, SA to reach a controlling 50% plus one share. As the Group now has a controlling interest, the financial results and position of Banco Unico, SA has been consolidated with effect from 3 October 2016. Refer to note A2 and note J8 for further information
8 Call and put options exist in relation to 23% of the issued shares in Kotak Mahindra Old Mutual Life Assurance (KMOMLA), which are held by Kotak Mahindra Bank (KMB). The call options are exercisable by the Group in two separate windows this year and next year, and if exercised in full would increase the Group's ownership in KMOMLA to 49%. KMB has a perpetual put option over 23% of KMOMLA, which if exercised in full would also increase the Group's ownership to 49%. The call and put options are exercisable at the higher of the market value of the stake and a formulaic value.

Of the total carrying value of associates and joint ventures, £139 million (2015: £51 million) relates to those which are measured at fair value and £403 million (2015: £463 million) relates to those which have been equity accounted.

All of the joint ventures are strategic in the Group's underlying operating model. The joint ventures are evaluated according to the Group's contractual rights to jointly control the entity.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

I: Interests in subsidiaries, associates and joint arrangements continued
I2: Investments in associated undertakings and joint ventures continued
(a) Investments in associated undertakings and joint ventures continued

At 31 December 2015	Nature of activities	Percentage holding	Measurement method	Carrying value £m	Group share of profit £m (Restated)[1]
Private equity associates and associate companies					
Listed					
Ecobank Transnational Incorporated	Banking	22%	Equity accounted	342	44
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance	Life assurance	26%	Equity accounted	36	7
Heitman LLC	Asset management	50%	Equity accounted	22	–
Masingita Property Investment Holdings (Pty) Ltd	Property development	35%	Fair value	8	–
Odyssey Developments (Pty) Ltd	Property development	49%	Fair value	2	–
Other individually immaterial associates					
Private-equity associates (Manufacturing, industrial, leisure and other)	Financial services	25%	Equity accounted	21	–
Private-equity associates (property investment)	Financial services	23%	Equity accounted	14	–
Other				13	6
Total investments in associate undertakings				458	57
Joint ventures					
Unlisted					
Old Mutual Goudian Life Insurance Company Ltd	Life assurance	50%	Equity accounted	38	2
Banco Unico, S.A.	Banking	38%	Equity accounted	16	–
Individually immaterial joint arrangements					
Curo Fund Services	Asset management	50%	Equity accounted	2	–
Total investments in joint ventures				56	2
Total investments in associates and joint ventures				514	59

1 The Group share of profit from investments in associated undertakings and joint ventures for the year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

(b) Aggregate financial information of material investments in associated undertakings and joint ventures

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

31 December				£m
	Ecobank Transnational Incorporated		Banco Único, SA	
	2016	2015	**2016**	2015
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	**144**	303	**–**	–
Statement of comprehensive income				
Revenue	**1,043**	1,059	**–**	23
Profit from continuing operations	**158**	203	**–**	2
Post-tax loss from discontinued operations	**(1)**	(1)	**–**	–
Other comprehensive income/(loss)	**(471)**	(180)	**–**	–
Total comprehensive income	**(314)**	22	**–**	2
Statement of financial position				
Current assets	**9,678**	9,165	**–**	151
Non-current assets	**7,238**	6,835	**–**	94
Current liabilities	**8,309**	7,565	**–**	113
Non-current liabilities	**7,037**	6,617	**–**	105
Net assets	**1,570**	1,818	**–**	27

As in previous financial years, one of the Group's associate investments (ETI) will report results for the year ended 31 December 2016 subsequent to the release of the Group's audited consolidated financial statements. Therefore, as allowed by IAS 28, the Group uses the most recent public information of ETI as at 30 September 2016 (i.e. a quarter in arrears) to determine its share of ETI's earnings. In addition, as required by IAS 28, the Group considers whether adjustments for significant transactions or events between 30 September 2016 and 31 December 2016 are required based on publicly available information. The resulting equity accounted earnings are translated from US dollar to rand and from rand to pound at the average exchange rate applicable for the quarter in which the Group accounts for the earnings. The Group's share of the net assets of ETI is translated from US dollars to rand and from rand to pound at the closing exchange rate.

After application of the equity method, an entity determines whether there are indicators of impairment in terms of IAS 39. If impairment is indicated, the amount to be recognised as an impairment loss is calculated by reference to IAS 36. In terms of IAS 39 indicators of impairment include a significant or prolonged decline in the fair value of an associate below its carrying value. In addition information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate operates are also indicators that the carrying value of the associate may not be recovered.

The carrying value of Nedbank Group's strategic investment in ETI decreased from R7.8 billion (£460 million) to R4.0 billion (£235 million) during the year, due to a combination of foreign currency translation losses arising from the naira devaluation and therefore ETI's balance sheet decreasing in US dollars, the rand strengthening against the US dollar, our share of losses incurred by ETI during the 12 months to 30 September 2016, as well as an impairment provision of R1.0 billion (£50 million).

The market value of the Group's investment in ETI, based on its quoted share price, was R2.4 billion (£142 million) on 31 December 2016 and R2.1 billion (£124 million) on 24 February 2017. The ETI share trades in low volumes, given its low free float, while also being listed in a market that is itself thinly traded. The difference between market value and carrying value is significant and prolonged, which represented evidence of an impairment indicator at 31 December 2016.

Where there is an impairment indicator, International Financial Reporting Standards (IFRS) determined that an impairment test be computed, which compares the value in use (VIU) and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is base on, inter alia, economic estimates, macro assumptions and the discounting of future cashflow estimates. This is particularly complicated in the current economic environment in many of the jurisdictions in which ETI operates and with the limited public information available. As a result, management has computed the VIU based on a number of scenarios by taking into account publicly available information. Based on this VIU calculation, management determined that an impairment provision of R1.0 billion (£50 million) was appropriate. This has reduced the carrying value of the Group's investment to R4.0 billion (£235 million) at 31 December 2016.

This calculation is required to be revisited at each reporting period where the indicators of impairment would be reconsidered and the VIU calculation would be reassessed taking into account any future changes in estimates and assumptions. Any significant changes after this reporting period that require the VIU calculation or underlying carrying value of the ETI investment to be revisited could result in a further impairment or a release of the current R1.0 billion (£50 million) impairment provision. The impairment was recorded within operating and administrative expenses and is excluded from the determination of adjusted operating profit. Regulatory capital was not impacted as the impairment amount was less than the full threshold deduction already taken against regulatory capital. The Group's strategic investment in ETI has been impaired in accordance with the IFRS accounting considerations and the main driver of this was the significant change in the economic estimates and macro assumptions from Nigeria. ETI has been an important long-term investment for Nedbank, providing its clients with a pan African transactional banking network across 39 countries and access to dealflow in Central and West Africa since its acquisition in 2014. Nedbank remains supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course. Conditions in the key markets in which ETI operates are currently expected to remain difficult in 2017, before improving in 2018 and beyond.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

I: Interests in subsidiaries, associates and joint arrangements continued
I2: Investments in associated undertakings and joint ventures continued
(c) Aggregate financial information of other investment in associated undertakings and joint ventures
The aggregate financial information for all other investments in associated undertakings and joint ventures is as follows:

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Total assets	**4,147**	3,171
Total liabilities	**(3,610)**	(2,626)
Total revenues	**699**	470

(d) Aggregate Group investment in associated undertakings and joint ventures
The aggregate amounts for the Group's investment in associated undertakings and joint ventures are as follows:

		£m
	Year ended 31 December 2016	Year ended 31 December 2015
Balance at beginning of the year	**514**	518
Net additions of investment in associated undertakings and joint ventures	**93**	30
Share of profit after tax	**4**	59
Transfer of investments in associate companies to investments in subsidiaries	**(13)**	–
Impairment provision for investments in associate companies	**(50)**	–
Dividends paid	**(19)**	(7)
Transfer to assets held for sale[1]	**(26)**	–
Foreign exchange and other movements	**39**	(86)
Balance at end of the year	**542**	514

1 Amounts transferred to assets held for sale relate to the Institutional Asset Management (IAM) segment. Refer to note K2 for more information.

The above table includes those investments that are carried at fair value. The Group has no significant investments in which it owns less than 20% of the ordinary share capital that it accounts for using the equity method.

(e) Restriction on the Group's ability to obtain funds from its associate undertakings and joint arrangements
Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Service Board in South Africa to comply with statutory capital requirements restrict the amount of funds that can be transferred out of the country to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

No significant guarantees were provided by the Group during the financial year.

(f) Contingent liabilities and commitments
At 31 December 2016 and 31 December 2015, the Group had no significant contingent liabilities or commitments relating to investments in associated undertakings and joint ventures.

(g) Other Group holdings
The above does not include companies whereby the Group has a holding of more than 20%, but does not have significant influence over these companies by virtue of the Group not having any direct involvement in decision-making or the other owners possessing veto rights.

I3: Structured entities

(a) Group's involvement in structured entities

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
— Securitisation vehicles for loans and advances	— Finance the Group's own assets through the issue of notes to investors	— Generate: - Funding for the Group's lending activities - Margin through sale of assets to investors - Fees for loan servicing	— Investment in senior notes issued by the vehicles
— Investment funds	— Manage client funds through the investment in assets	— Generate fees from managing assets on behalf of third-party investors	— Investments in units issued by the fund
— Securitisation vehicles for third-party receivables	— Finance third party receivables and are financed through loans from third party note holders and bank borrowing	— Generate fees from arranging the structure. Interest income may be earned on the notes held by the Group	— Interest in these vehicles is through notes that are traded in the market
— Security vehicles	— Hold and realise assets as a result of the default of a client	— These entities seek to protect the collateral of the Group on the default of a loan	— Ownership interest will be in proportion of the lending. At 31 December 2016, the Group held no value in security vehicles
— Clients investment entities	— Hold client investment assets	— Generates various sources of income for the Group	— None
— Black Economic Empowerment (BEE) funding	— Fund the acquisition of shares by a BEE partner	— Generates interest on the funding provided	— None

As at 31 December 2016, the Group held £46 million (2015: £43 million) in unconsolidated investment funds which is included in investment and securities. In the normal course of business the Group will lend money to structured entities that are engaged in project finance work, such as renewable energy projects. The funding of these entities does not result in the Group being able to exercise control of these entities rather it is protected by normal lending covenants. In certain circumstances, the Group may take a direct equity stake in the underlying Project Finance activity, in which circumstances the Group will evaluate the appropriate treatment of this investment.

(b) Consolidation considerations for structured entities

In structured entities voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arms length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders who earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

During 2016, the Group has re-evaluated the criteria applied in determining whether investment funds should be consolidated under IFRS 10 'Consolidated Financial Statements' in the Group financial statements. This has resulted in the identification of additional investments funds that are required to be included in the consolidated financial statements. As a result, comparative information has been restated. Refer to note A2 for further information.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

Disclosure of consolidated securitisation vehicles, which are structured entities, is included in note I3(c).

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

I: Interests in subsidiaries, associates, and joint arrangements continued
I3: Structured entities continued
(c) Securitisation vehicles consolidated in the Group's statement of financial position
Nedbank Securitisations

Nedbank Group Ltd uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The Group currently has four active traditional securitisation transactions:

— Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme
— Greenhouse Funding (RF) Ltd, (Greenhouse), a residential mortgage-backed securitisation programme
— Greenhouse Funding III (RF) Ltd, (Greenhouse III), a residential mortgage-backed securitisation programme, and
— Precinct Funding 1 (RF) Ltd (Precinct Funding 1), a commercial mortgage-backed securitisation programme.

Synthesis Funding Ltd

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by Global Credit Rating Co (Pty) Ltd. At 31 December 2016, none of the commercial paper in issue was listed on JSE Ltd.

Liquidity facilities have been obtained from a P-1.za (Moody's) or zaA-1 (Standard & Poor's) rated bank in order to ensure the availability of sufficient funds in instances where timing mismatches could occur. These timing mismatches refer to the possible mismatch between the receipt of funds relating to financial assets and the disbursement of funds relating to the redemption of financial liabilities. These liquidity facilities cover the nominal value of the commercial paper issued and exceed the maturity date of the underlying commercial paper by five days.

Synthesis is a partially supported conduit whose credit support is dependent on transaction-specific credit enhancement as well as available programme-wide credit enhancement (PWCE) provided by Nedbank. PWCE is calculated as 5% of the aggregate book value of financial assets (excluding defaults) plus a dynamic percentage based on the credit quality of the underlying portfolio of the rated securities. If a rated security falls below AA-(ZA)(sf), Synthesis must remove the asset from the portfolio or obtain a guarantee by an entity rated at least AA-(ZA)(sf) or Nedbank must post PWCE within 15 business days. Currently all securities in the conduit portfolio are rated at least AA-(ZA)(sf) or are guaranteed by Nedbank if rated below AA-(ZA)(sf). As a result no PWCE is currently required in accordance with Synthesis' transaction documentation.

On 8 December 2016, the Directors and shareholder of Synthesis resolved, subject to the relevant regulatory approvals, to unwind the commercial-paper programme following the disposal by the company of all its assets ('the unwind disposal'). This unwind disposal will be effected during the 2017 financial year.

Greenhouse programmes (Greenhouse and Greenhouse III)

The Greenhouse transactions are securitisation vehicles through which the rights, title, interest and related security in respect of residential home loans are acquired from Nedbank Ltd under a segregated-series-medium-term-note programme.

During December 2007 the first Greenhouse transaction was created and R2 billion (£118 million) of home loans from Nedbank Ltd were securitised. Greenhouse was subsequently restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, were utilised to repay the R1.3 billion (£77 million) existing notes and subordinated loans on their scheduled maturity, and to acquire additional home loans from Nedbank Ltd. The senior notes, which are rated by Moody's Investors Service Ltd ('Moody's') and listed on JSE Ltd, were placed with third-party investors, and the junior notes and subordinated loans retained by the Group. The home loans transferred to Greenhouse have continued to be recognised as financial assets.

Greenhouse III, a second standalone residential-mortgage-backed securitisation programme, was implemented during 2014. Greenhouse III securitised R2 billion (£118 million) worth of home loans originated by Nedbank Ltd through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Ltd. The notes issued by Greenhouse III are listed on JSE Ltd and rated by Moody's.

The Greenhouse vehicles make use of an internal risk management policy, and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties. In addition, financial assets may be introduced into the programme only if they meet the eligibility criteria of the programme agreements.

Nedbank Ltd provided the Greenhouse programmes with interest-bearing subordinated loans at the commencement of each programme to provide part of the initial funding. Interest is payable on a quarterly basis, as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse structure, Nedbank holds the class C and class Y notes amounting to R113 million (£7 million) and in the Greenhouse III structure, Nedbank holds the class D note, amounting to R100 million (£6 million). These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Precinct Funding 1

Precinct Funding 1 is a commercial-mortgage-backed securitisation programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 1 structure takes the form of a static pool of small commercial property loans with limited substitution and redraws or further advance capabilities.

Precinct Funding 1 has issued notes rated by Moody's which are listed on JSE Ltd. The class A and class B notes were placed with third party investors and the junior notes and subordinated loan retained by Nedbank Ltd.

The vehicle makes use of an internal risk management policy and utilises the Nedbank Group Ltd credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio ageing and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank Ltd provided Precinct Funding 1 with an interest-bearing subordinated loan at the commencement of this transaction to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes amounting to R202 million (£12 million), which are subordinated to the higher-ranking notes in terms of the priority of payments.

The following table shows the carrying amount of securitised assets together with the associated liabilities, or each category of asset in the statement of financial position[1]:

				£m
	At 31 December 2016		At 31 December 2015	
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Loans and advances to customers				
Residential mortgage loans	**166**	**187**	143	158
Commercial mortgage loans	**58**	**76**	56	100
Other financial assets				
Corporate and bank paper	**12**	**–**	75	–
Other securities	**28**	**–**	45	–
Commercial paper	**–**	**40**	–	120
Total	**264**	**303**	319	378

1 The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.

The table above presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany and cash balances held by the various securitisation vehicles.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

J: Other notes

J1: Post-employment benefits

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

(a) Liability for defined benefit obligations

Year ended 31 December				£m
	Pension plans		Other post-retirement benefit schemes	
	2016	2015	**2016**	2015
Changes in projected benefit obligation				
Projected benefit obligation at beginning of the year	**491**	514	**154**	187
Acquisitions through business combinations	**–**	62	**–**	–
Benefits earned during the year	**3**	4	**5**	5
Interest cost on benefit obligation	**31**	25	**16**	13
Measurement losses/(gains)	**46**	(17)	**4**	(6)
Benefits paid	**(30)**	(35)	**(6)**	(6)
Foreign exchange and other movements	**77**	(62)	**67**	(39)
Projected benefit obligation at end of the year	**618**	491	**240**	154
Change in plan assets				
Plan assets at fair value at beginning of the year	**616**	621	**158**	186
Acquisitions through business combinations	**–**	68	**–**	–
Actual return on plan assets	**54**	41	**13**	11
Company contributions	**10**	10	**3**	3
Employee contributions	**1**	–	**–**	–
Benefits paid	**(30)**	(35)	**(6)**	(6)
Foreign exchange and other movements	**121**	(89)	**54**	(36)
Plan assets at fair value at end of the year	**772**	616	**222**	158
Net asset/(liability) recognised in statement of financial position				
Funded status of plan	**154**	125	**(18)**	4
Unrecognised assets	**(11)**	(14)	**–**	–
Other amounts recognised in statement of financial position	**(3)**	(1)	**–**	(2)
Net amount recognised in statement of financial position	**140**	110	**(18)**	2
Disclosed as follows:				
– Within trade, other receivables and other assets	**169**	122	**36**	33
– Within trade, other payables and other liabilities	**(29)**	(12)	**(54)**	(31)
	140	110	**(18)**	2

The amount recognised in the statement of financial position in relation to the Defined Benefit Pension Plans comprises surpluses totalling £169 million (2015: £122 million) and deficits totalling £29 million (2015: £12 million). The surpluses relate to Nedbank (2016: £141 million; 2015: £105 million) and Old Mutual plc (2016: £28 million; 2015: £16 million). The deficits relate to Emerging Markets (2016: £19 million; 2015: £10 million) and Old Mutual plc (2016: £10 million; 2015: £1 million).

(b) Expense/(income) recognised in the income statement

Year ended 31 December	Pension plans		Other post-retirement benefit schemes £m	
	2016	2015	**2016**	2015
Current service costs	**3**	4	**5**	5
Net interest (income)/cost	**(10)**	(8)	**(1)**	1
Other post retirement plan costs	**–**	–	**2**	1
Total (included in staff costs)	**(7)**	(4)	**6**	7

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates relevant to the countries in which they operate, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of £31 million and decrease of £25 million (2015: increase of £20 million and decrease of £17 million) respectively.

Total contributions expected to be paid to the Group pension plans for the year ending 31 December 2017 are £10 million (subject to any reassessments to be completed in the year).

(c) Plan asset allocation

At 31 December	Pension plans		Other post-retirement benefit schemes %	
	2016	2015	**2016**	2015
Equity securities	**29.8**	29.7	**39.2**	39.4
Debt securities	**46.4**	43.0	**16.7**	17.0
Property	**3.4**	2.9	**4.6**	4.6
Cash	**3.4**	3.4	**24.9**	24.3
Annuities and other	**17.0**	21.0	**14.6**	14.7
	100.0	100.0	**100.0**	100.0

Pension and other retirement benefit plan assets include ordinary shares issued by the Company with a fair value of £nil (2015: £nil).

J2: Share-based payments

(a) Reconciliation of movements in options

During the year ended 31 December 2016, the Group had a number of share-based payment arrangements. The movement in the options outstanding under these arrangements during the year is detailed below:

Options over shares in Old Mutual plc (London Stock Exchange)	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**11,950,545**	**£1.73**	9,334,206	£1.51
Granted during the year	**7,925,248**	**£1.51**	6,178,091	£1.87
Forfeited during the year	**(5,142,900)**	**£1.79**	(966,728)	£1.69
Exercised during the year	**(1,362,406)**	**£1.55**	(2,586,844)	£1.26
Expired during the year	**(10,358)**	**£1.74**	(8,180)	£1.63
Outstanding at end of the year	**13,360,129**	**£1.59**	11,950,545	£1.73
Exercisable at 31 December	**74,527**	**£1.63**	189,468	£1.53

The options outstanding at 31 December 2016 have an exercise price in the range of £1.28 to £1.87 (2015: £0.94 to £1.87) and a weighted average remaining contractual life of 1.8 years (2015: 2.2 years). The weighted average share price at date of exercise for options exercised during the year was £1.93 (2015: £2.12).

Options over shares in Old Mutual plc (Johannesburg Stock Exchange)	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**2,068,440**	**R15.05**	5,580,292	R13.21
Exercised during the year	**(1,487,985)**	**R14.76**	(3,486,110)	R12.14
Expired during the year	**–**	**–**	(25,742)	R13.29
Outstanding at end of the year	**580,455**	**R15.80**	2,068,440	R15.05
Exercisable at 31 December	**580,455**	**R15.80**	2,068,440	R15.05

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

J: Other notes continued
J2: Share-based payments continued

The options outstanding at 31 December 2016 have an exercise price in the range of R15.80 to R15.80 (2015: R13.35 to R15.80) and a weighted average remaining contractual life of 0.3 years (2015: 0.9 years). The weighted average share price at date of exercise for options exercised during the year was R38.36 (2015: R41.21).

Options over shares in Nedbank Group Ltd	**Year ended 31 December 2016**		Year ended 31 December 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**1,595,205**	**R174.20**	10,392,324	R167.55
Forfeited during the year	**(44,299)**	**R137.58**	(110,361)	R142.88
Exercised during the year	**(549,364)**	**R196.12**	(786,312)	R108.27
BEE cancellation of shares during the year	**–**	**–**	(7,879,135)	R163.53
Expired during the year	**(8,909)**	**R77.69**	(21,311)	R115.26
Outstanding at end of the year	**992,633**	**196.31**	1,595,205	R174.20
Exercisable at 31 December	**122,002**	**R138.84**	184,409	R103.57

The options outstanding at 31 December 2016 have an exercise price in the range of R138.84 to R231.84 (2015: R126.63 to R282.58) and a weighted average remaining contractual life of 1.2 years (2015: 1.9 years). The weighted average share price at date of exercise for options exercised during the year was R176.44 (2015: R247.37).

(b) Measurements and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured using a Black-Scholes option pricing model.

Share options are granted under a service and non-market based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

The grant date for the UK and South African plan awards is deemed to be 1 January in the year prior to the date of issue. As such the Group is required to estimate, at the reporting date, the number and fair value of the options that will be granted in the following year. The fair value of awards expected to be granted in 2016 which will have an IFRS 2 grant date of 1 January 2016, is shown separately below. The grant date for all other awards is the award issue date.

(c) Forfeitable/Restricted share grants

The following summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
Shares in Old Mutual plc (London Stock Exchange)	**2016**	**25,126,598**	**£1.67**
	2015	11,544,922	£2.08
Shares in Old Mutual plc (Johannesburg Stock Exchange)	**2016**	**20,284,617**	**R39.71**
	2015	14,244,304	R42.24
Shares in Nedbank Ltd	**2016**	**5,068,162**	**R177.97**
	2015	3,879,259	R231.76

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

(d) Annual bonus awards

The UK and South Africa Plan Awards give rise to annual bonus awards. The level of annual bonus awards is contingent upon the satisfactory completion of individual and company performance targets, measured over the financial year prior to the date the employees receive the award. The accounting grant date for the South African and UK annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grants.

The Group anticipates awards under the South African scheme of 6,222,592 restricted shares (2015: 8,243,127). The restricted shares have been valued using a share price of R34.44 (2015: R41.45).

The Group estimate of the total fair value of the annual bonus expected to be paid in the form of options and forfeitable shares is outlined below. The fair value is determined by making an estimate of the level of bonus to be paid out following the attainment of personal and company performance conditions.

	Year ended 31 December 2016		Year ended 31 December 2015	
	Total fair value £m	**Vesting period**	Total fair value £m	Vesting period
UK Plans	**11**	**4.2**	10	4.2 years

(e) Financial impact

		£m
	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)[1]
Expense arising from equity settled share and share option plans	**49**	31
Expense arising from cash settled share and share option plans	**–**	4
	49	35
Closing balance of liability for cash settled share awards	**–**	128

1 The year ended 31 December 2015 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note K1 for more information.

J3: Related parties

The Group provides certain pension fund, insurance, banking and financial services to related parties. These are conducted on an arm's length basis and are not material to the Group's results.

(a) Transactions with key management personnel, remuneration and other compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of Directors as well as their shareholdings in the Company are disclosed in the Remuneration Report on pages 104 to 139.

(b) Key management personnel remuneration and other compensation

	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	**£'000**	Number of personnel	£'000
Directors' fees	**11**	**1,584**	11	1,388
Remuneration		**25,133**		24,293
Cash remuneration	**14**	**6,228**	12	5,308
Short-term employee benefits	**14**	**9,828**	12	8,678
Long-term employee benefits	**14**	**280**	12	378
Share-based payments	**11**	**8,797**	12	9,929
		26,717		25,681

Share options	**Year ended 31 December 2016**		Year ended 31 December 2015	
	Number of personnel	**Number of options/ shares '000s**	Number of personnel	Number of options/ shares '000s
Outstanding at beginning of the year	**4**	**52**	5	48
Leavers	**–**	**–**	1	(11)
Granted during the year		**6**		29
Exercised during the year		**–**		(14)
Outstanding at end of the year	**4**	**58**	4	52

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

J: Other notes continued
J3: Related parties continued
(b) Key management personnel remuneration and other compensation continued

Restricted shares	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	**Number of options/ shares '000s**	Number of personnel	Number of options/ shares '000s
Outstanding at beginning of the year	**9**	**11,066**	9	13,753
Leavers	**2**	**(2,974)**	1	(3,538)
New appointments	**2**	**5,215**	1	2,056
Granted during the year		**11,566**		3,055
Exercised during the year		**(206)**		(944)
Vested during the year		**(1,225)**		(3,316)
Outstanding at end of the year	**9**	**23,442**	9	11,066

(c) Key management personnel transactions
Key management personnel and members of their close family have undertaken transactions with Old Mutual plc and its subsidiaries, joint ventures and associated undertakings in the normal course of business, details of which are given below. For current accounts positive values indicate assets of the individual whilst for credit cards and mortgages positive values indicate liabilities of the individual.

	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	**£000s**	Number of personnel	£000s
Current accounts				
Balance at beginning of the year	**5**	**2,208**	5	2,435
Net movement during the year		**743**		(227)
Balance at end of the year	**4**	**2,951**	5	2,208
Credit cards				
Balance at beginning of the year	**5**	**20**	4	29
Net movement during the year		**10**		(9)
Balance at end of the year	**4**	**30**	5	20
Mortgages				
Balance at beginning of the year	**3**	**110**	5	465
Net movement during the year		**11**		(355)
Balance at end of the year	**1**	**121**	3	110
Property & casualty contracts				
Total premium paid during the year	**1**	**6**	3	10
Life insurance products				
Total sum assured/value of investment at end of the year	**9**	**23,325**	10	23,258
Pensions, termination benefits paid				
Value of pension plans as at end of the year	**9**	**3,339**	10	4,675

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external clients generally or, where that is not the case, on the same preferential terms as were available to employees of the business generally.

J4: Contingent liabilities

	£m	
	At 31 December 2016	At 31 December 2015
Guarantees and assets pledged as collateral security	**965**	1,198
Secured lending	**806**	401
Irrevocable letters of credit	**210**	196
Other contingent liabilities	**10**	4

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.

The Group, through its South African banking business, has pledged debt securities and negotiable certificates of deposit amounting to £1,128 million (2015: £681 million) as collateral for deposits received under re-purchase agreements. These amounts represent assets that have been transferred but do not qualify for derecognition under IAS 39. These transactions are entered into under terms and conditions that are standard industry practice for securities borrowing and lending activities.

Contingent liabilities – tax

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

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

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

Nedbank litigation

There are a number of legal or potential claims against Nedbank Group Ltd and its subsidiary companies, the outcome of which cannot at present be foreseen.

The largest potential claim relates to Pinnacle Point Group Limited, where ABSA Bank Limited (ABSA) has initiated an action in the High Court against Nedbank Limited (Nedbank) for the sum of R773 million, where ABSA alleges that Nedbank had a legal duty of care to it in relation to certain single stock futures transactions.

In a matter relating to the same events, New Port Finance Company (Pty) Ltd and Winifred Trust have sued ABSA for R405 million and R65 million respectively, alleging that ABSA had a duty of care towards them. During November 2016 ABSA joined Nedbank as a third party to that action claiming that, should ABSA be held liable, then ABSA would be entitled to claim a contribution from Nedbank.

Nedbank's counsel is of the view that Nedbank has a strong case to successfully resist both matters.

Consumer protection

Old Mutual is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and treating customers fairly 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.

On 3 March 2016, the UK Financial Conduct Authority (FCA) issued a report detailing its findings of their industry-wide thematic review on the fair treatment of long-standing customers invested in closed-book products sold by the life insurance sector (Thematic Review) and announced that it was initiating an investigation into a number of firms, including Old Mutual Wealth Life Assurance Limited (OMWLA), a subsidiary of Old Mutual Wealth, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review. OWMLA is working with the FCA and is cooperating with its investigation, but as with any regulatory investigation of this nature it is difficult to predict when the investigation will be completed or its outcome and therefore no provision has been recognised in the financial statements for the year ended 31 December 2016.

Implications of the managed separation strategy

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

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

J: Other notes continued
J5: Commitments
Capital commitments
The Group's capital commitments are detailed in the table below. The Group's management is confident that future net revenues and existing funding arrangements will be sufficient to cover these commitments.

	£m	
	At 31 December 2016	At 31 December 2015
Investment property	**64**	63
Property, plant and equipment	**106**	106
Intangible assets	**48**	48

Commitments to extend credit to customers
The following table presents the contractual amounts of the Group's financial instruments not included in the statement of financial position that commit it to extend credit to customers.

	£m	
	At 31 December 2016	At 31 December 2015
Original term to maturity of one year or less	**140**	57
Original term to maturity of more than one year	**805**	436
Other commitments, note issuance facilities and revolving underwriting facilities	**4,375**	3,719

Assets are pledged as collateral under repurchase agreements with other financial institutions and for security deposits relating to local futures, options and stock exchange memberships. Mandatory reserve deposits are also held with local Central Banks in accordance with local statutory requirements. These deposits are not available to finance the Group's day-to-day operations.

Commitments under the Group's operating lease arrangements are described in note J6.

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. Note G4 provides further information on the Group's derivative financial instruments.

J6: Operating lease arrangements
(a) The Group as lessee

Outstanding commitments under non-cancellable operating leases, fall due as follows:						£m
	At 31 December 2016			At 31 December 2015		
	Banking	**Non-banking**	**Total**	Banking	Non-banking	Total
Within one year	**116**	**14**	**130**	45	12	57
In the second to fifth years inclusive	**89**	**40**	**129**	100	29	129
After five years	**115**	**34**	**149**	98	38	136
	320	**88**	**408**	243	79	322

(b) The Group as lessor

Assets subject to operating leases	**At 31 December 2016** £m	At 31 December 2015 £m
Land	**3**	7
Buildings	**16**	11
Investment property	**1,697**	1,233
	1,716	1,251

Future undiscounted minimum lease payments of contracts with tenants	**At 31 December 2016** £m	At 31 December 2015 £m
Within one year	**99**	71
In the second to fifth years inclusive	**257**	195
After five years	**118**	129
	474	395

J7: Fiduciary activities

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of misadministration or under-performance.

J8: Businesses acquired during the year

(a) Acquisition of Banco Unico SA

On 3 October 2016 the Group acquired a 10.9% share in Banco Unico, SA to reach a controlling 50% plus one share (2015: 38.3% share). The acquiree is a banking entity in Mozambique and the acquisition, in line with the Group's strategy of expanding into the rest of Africa, was made by purchasing Banco Unico, SA shares from a third party.

The accounting related to the step up in ownership from 38.3% to 50% plus one share is such that it effectively requires a simultaneous sale of 38.3% followed by an acquisition of the fair value of 50% plus one share of the business. Consequently a loss of £11 million was realised on the transaction. Consistent with usual Group practice, this loss was recognised in profit or loss but excluded from the determination of AOP. As the Group now has a controlling interest of 50% plus one share, the financial results and position of Banco Unico, SA have been consolidated with effect from 3 October 2016.

The assets and liabilities acquired have been recorded at their fair values for purposes of the opening balance sheet and included in the consolidated accounts of the Group using the Group's accounting policies in accordance with IFRS.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

J: Other notes continued
J8: Businesses acquired during the year continued
(a) Acquisition of Banco Unico SA continued
The table below sets out the consolidated assets and liabilities acquired as a result of the acquisition of Banco Unico, SA:

		£m
	Acquiree's carrying amount	**Fair value**
Assets		
Goodwill and other intangible assets	–	8
Property, plant and equipment	6	6
Deferred tax assets	3	3
Loans and advances	188	188
Investments and securities	8	8
Cash and cash equivalents	30	30
Total assets	**235**	**243**
Liabilities		
Borrowed funds	(1)	(1)
Deferred tax liabilities	–	(2)
Amounts owed to bank depositors	(206)	(206)
Trade, other payables and other liabilities	(6)	(6)
Total liabilities	**(213)**	**(215)**
Total net assets acquired	**22**	**28**
Acquisition-date fair value of consideration transferred		**29**
Acquisition-date fair value of consideration held[1]		12
Cash		5
Share of non-controlling interests[2]		14
Capitalised derivative financial instrument		(2)
Goodwill recognised		**1**

1 A £1 million loss was recognised in non-trading and capital items as a result of remeasuring to fair value the equity interest in Banco Unico, SA held by the Group before the business combination. In addition, a £10 million foreign currency translation reserve loss was recognised in profit or loss on completion of the step-up acquisition. Refer to note A2 for more information.

2 The Group elected to measure non-controlling interests at the proportionate share of the fair value of net assets.

The goodwill recognised at acquisition is attributable to the delivery of cost and revenue synergies that could not be linked to identifiable intangible assets.

There were no contingent consideration arrangements and indemnification assets recognised on the acquisition.

£2 million profit from operations and £2 million profit for the year have been included in the consolidated income statement since the acquisition date.

(b) Other acquisitions
AAM Advisory (AAM)
On 16 March 2016, Old Mutual Wealth completed the acquisition of 100% of AAM, a Singapore based wealth advice company. The consideration payable was an initial SGD 14 million (£7 million) with additional potential deferred consideration of SGD 26 million (£13 million), which is subject to AAM meeting certain performance targets for the period from 2016 to 2018. Goodwill of £4 million and other intangible assets of £3 million were recognised as a result of the transaction.

Old Mutual Private Client Advisors (PCA)
During the second half of 2016, Old Mutual Wealth (OMW) completed the acquisition of a number of advisor businesses as part of the expansion of its PCA business that was launched in October 2015. The aim is to develop an OMW branded, employed adviser business focused upon servicing upper affluent and high-net worth clients, offering a restricted advice proposition focused upon OMW's investment solutions and platform. The total consideration payable was an initial £8 million with additional potential deferred consideration of £8 million, dependent upon meeting certain performance targets, generally relating to funds under management. Goodwill of £8 million and other intangible assets of £7 million were recognised as a result of the transaction. The deferred consideration was included in the calculation of goodwill recognised.

Purchase of remaining stake in Credit Guarantee Insurance Company (CGIC)
On 1 March 2016 Emerging Markets acquired the remaining 13.9% of the shares in CGIC for R190 million (£10 million) taking its share to 100%. This transaction has resulted in a debit being directly recognised in reserves of R78 million (£4 million), which is the excess of the consideration paid and the proportionate share of the net assets of CGIC acquired.

(c) Acquisitions through businesses classified as held for sale
Acquisitions through businesses classified as held for sale are disclosed in note K2.

J9: Events after the reporting date
Old Mutual Wealth acquisition of Caerus Capital Group
On 28 February 2017, Old Mutual Wealth announced that it had reached a conditional agreement to acquire the financial adviser network, Caerus Capital Group (Caerus). The proposed acquisition is subject to a number of conditions, including shareholder agreement and regulatory approval. The transaction is expected to complete in Q2 2017.

The acquisition will complement Old Mutual Wealth's existing controlled distribution footprint in the UK, which includes Intrinsic, and Old Mutual Wealth Private Client Advisers, the branded national adviser firm established in 2015. Caerus has more than 300 advisers that are authorised and are responsible for more than £4 billion of assets under advice.

Old Mutual Wealth acquisition of Attivo Investment Management Limited
During 2016, the Group entered into a purchase agreement to acquire Attivo Investment Management Limited ('AIM') from Attivo Group Limited. The purchase has received regulatory approval, and is expected to be completed in the first quarter of 2017.

Repurchase of the outstanding Old Mutual plc perpetual preferred callable securities
On 3 February 2017 the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities and paid cash from the Groups' existing resources. A £29 million loss, including accrued interest and the costs of acquiring the instruments, will be recognised directly in equity in the 2017 financial statements.

Disposal of Old Mutual Wealth Italy
On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy, part of the Old Mutual Wealth business for a cash consideration of €278 million (£210 million net of costs) plus interest to completion.

A goodwill impairment loss of £46 million has been recognised in profit or loss as the net asset value of the business disposed of exceeds the expected net proceeds. The related assets and liabilities were classified as held for sale at 31 December 2016. Refer to note K1 for further information.

GROUP FINANCIAL STATEMENTS
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For the year ended 31 December 2016

K: Discontinued operations and disposal groups held for sale
K1: Discontinued operations
On 9 March 2016, the Group announced its managed separation strategy, which included the phased reduction of the majority stake in OM Asset Management plc (OMAM) and in addition, on 31 May 2016, the Group sold its interest in Rogge Global Partners Limited (Rogge). These two businesses comprised one of the Group's reported segments, Institutional Asset Management (IAM). For the year ended 31 December 2016, IAM has been classified as a discontinued operation. Comparative profit and loss information has been restated accordingly. This treatment is consistent with the requirements of IFRS, given the Group's stated strategic intentions. In addition, as it is probable that the reduction of the holding in OMAM, such that the Group loses control, will occur within twelve months of the reporting date, the assets and liabilities of this business have been disclosed as held for sale. Details relating to the financial position of IAM is included in held for sale assets and liabilities and are disclosed in note K2.

During the year ended 31 December 2015, a loss on disposal of £21 million was incurred as a result of the settlement of litigation arising on the disposal of US Life in 2011 following a court order in favour of the plaintiff.

(a) Income statement from discontinued operations

£m

	Year ended 31 December 2016			Year ended 31 December 2015		
	Institutional Asset Management	**US Life**	**Total**	Institutional Asset Management	US Life	Total
Revenue	**503**	**–**	**503**	497	–	497
Expenses	**(399)**	**–**	**(399)**	(388)	–	(388)
Share of associated undertakings' and joint ventures' profit after tax	**11**	**–**	**11**	8	–	8
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	**18**	**–**	**18**	1	(21)	(20)
Profit/(loss) before tax from discontinued operations	**133**	**–**	**133**	118	(21)	97
Income tax expense	**(29)**	**–**	**(29)**	(27)	–	(27)
Profit/(loss) after tax from discontinued operations	**104**	**–**	**104**	91	(21)	70
Attributable to:						
Equity holders of the parent	**72**	**–**	**72**	66	(21)	45
Non-controlling interests – ordinary shares	**32**	**–**	**32**	25	–	25
	104	**–**	**104**	91	(21)	70

(b) Statement of comprehensive income from discontinued operations

£m

	Year ended 31 December 2016			Year ended 31 December 2015		
	Institutional Asset Management	**US Life**	**Total**	Institutional Asset Management	US Life	Total
Profit/(loss) after tax from discontinued operations	**104**	**–**	**104**	91	(21)	70
Items that may be reclassified subsequently to profit or loss						
Currency translation differences/exchange differences on translating foreign operations	**(3)**	**–**	**(3)**	1	–	1
Other movements	**–**	**–**	**–**	4	–	4
Total comprehensive income for the financial year from discontinued operations	**101**	**–**	**101**	96	(21)	75

(c) Net cash flows from discontinued operations

£m

	Year ended 31 December 2016			Year ended 31 December 2015		
	Institutional Asset Management	**US Life**	**Total**	Institutional Asset Management	US Life	Total
Operating activities	**14**	**–**	**14**	69	(21)	48
Investing activities	**(172)**	**–**	**(172)**	3	–	3
Financing activities[1]	**203**	**–**	**203**	(64)	–	(64)
Net cash flows from discontinued operations	**45**	**–**	**45**	8	(21)	(13)

1 Excludes dividend and financing payments made to Old Mutual plc

K2: Assets and liabilities held for sale

The following tables show the assets and liabilities that have been disclosed as held for sale:

At 31 December 2016 £m

	Emerging Markets	**Nedbank**	**Old Mutual Wealth**	**Institutional Asset Management**	**Total**
Assets					
Goodwill and other intangible assets	**–**	**–**	**78**	**1,216**	**1,294**
Investment properties	**116**	**–**	**–**	**–**	**116**
Property, plant and equipment	**–**	**17**	**4**	**32**	**53**
Deferred tax assets	**–**	**–**	**3**	**247**	**250**
Investments in associated undertakings and joint ventures	**–**	**–**	**–**	**29**	**29**
Deferred acquisition costs	**–**	**–**	**63**	**32**	**95**
Investments and securities	**–**	**–**	**6,189**	**165**	**6,354**
Other assets	**–**	**–**	**127**	**155**	**282**
Cash and balances with central banks	**–**	**–**	**14**	**83**	**97**
Total assets	**116**	**17**	**6,478**	**1,959**	**8,570**
Liabilities					
Long-term business policyholder liabilities	**–**	**–**	**6,164**	**–**	**6,164**
Borrowed funds	**–**	**–**	**–**	**319**	**319**
Provisions	**–**	**–**	**3**	**3**	**6**
Deferred revenue	**–**	**–**	**5**	**–**	**5**
Deferred tax liabilities	**–**	**–**	**21**	**4**	**25**
Current tax payable	**–**	**–**	**–**	**67**	**67**
Other liabilities	**1**	**–**	**71**	**388**	**460**
Total liabilities	**1**	**–**	**6,264**	**781**	**7,046**

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For the year ended 31 December 2016

K: Discontinued operations and disposal groups held for sale continued
K2: Assets and liabilities held for sale continued

At 31 December 2015					£m
	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total
Assets					
Goodwill and other intangible assets	–	–	–	1	1
Investment properties	84	–	–	–	84
Property, plant and equipment	–	–	4	1	5
Deferred acquisition costs	–	–	–	2	2
Other assets	–	–	–	11	11
Cash and balances with central banks	–	–	–	20	20
Total assets	84	–	4	35	123
Liabilities					
Other liabilities	–	–	–	12	12
Total liabilities	–	–	–	12	12

Institutional Asset Management
Current period transactions
On 9 March 2016, the Group announced its managed separation strategy, which included the phased reduction of the majority stake in OM Asset Management plc (OMAM). As such, the assets and liabilities of OMAM, part of the Institutional Asset Management segment, are classified as held for sale at 31 December 2016.

Further analysis of significant balances included in OMAM assets and liabilities held for sale are as follows:

(a) Goodwill and other intangible assets
As at 31 December 2016, the market value of the Group's investment in OMAM, based on its quoted share price, was £863 million, compared to a carrying value of £602 million. The Group has therefore concluded that the goodwill related to OMAM is not impaired.

(b) Deferred tax assets
In evaluating OMAM's ability to recover its deferred tax assets, management considers all available positive and negative evidence including the existence of cumulative income in the most recent financial years, changes in the business in which the OMAM operates, and the ability to forecast future taxable income. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence that is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. OMAM has three years of cumulative earnings as of December 31, 2016, 2015, and 2014. As of December 31, 2016, management believes it is more likely than not that the balance of the deferred tax asset will be realised based on forecasted taxable income.

(c) Investments and securities
Investments and securities of £165 million comprise listed pooled investments of £64 million and unlisted pooled investments of £101 million.

The classification of investments and securities, in terms of the fair value hierarchy described in note E2 is as follows:

				£m
At 31 December 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Designated (fair value through profit or loss)				
Investments and securities	**165**	**70**	**28**	**67**

Investments and securities classified as Level 3 relate to timber and real estate assets held by funds of OMAM. Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities. A 10% change to the significant unobservable inputs of the Level 3 investments and securities above is in the range of £6 million favourable and £6 million unfavourable.

There have been no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the year.

Of the £67 million Level 3 investments and securities, OMAM disposed of a £41 million timber investment in January 2017.

(d) Borrowed funds

In July 2016, OMAM announced underwritten public offerings of $400 million aggregate principal amount of senior notes, consisting of $275 million of senior notes due 2026 (the Institutional Notes), and $125 million of senior notes due 2031 (the Retail Notes). The Institutional Notes will bear interest at a fixed rate of 4.8% per year, payable on a semi-annual basis.

The Retail Notes will bear interest at a fixed rate of 5.1% per year, payable on a quarterly basis. The Retail Notes are callable at par as of 1 August 2019.

(e) Acquisition of Landmark Partners LLC (Landmark)

On 18 August 2016, the Group's US listed subsidiary, OM Asset Management plc (OMAM), acquired a 60% stake in the equity share capital of Landmark in exchange for cash consideration of $242 million (£185 million) in cash with the potential for an additional payment of up to $225 million (£182 million) on or around 31 December 2018. As this potential additional payment is dependent on future service and other conditions, no amounts have been attributed to the consideration of the business. Certain key members of the management team of Landmark have retained the remaining 40% interest in the business as ownership units. Both the potential additional payment and the 40% ownership units held by management are recognised as share-based payment transactions due to service conditions and settlement features. These arrangements vest over varying increments from 31 December 2018 through 31 December 2024. At the date of acquisition, the Group's stake in OMAM's equity was 66%.

Landmark is based in the United States of America and is a leading global secondary private equity and property investment firm. OMAM financed the acquisition through the proceeds of various note offerings, in particular $275 million of 4.8% senior notes due 27 July 2026 and $125 million of 5.1% senior notes due 1 August 2031.

Subsequent to the acquisition, the Group decided to dispose of its holding in OMAM and consequently the goodwill recognised on this acquisition was transferred from goodwill and other intangible assets to assets held for sale in the consolidated statement of financial position.

The results from the business have been consolidated since the date of the acquisition and the table below sets out the consolidated assets and liabilities acquired:

		£m
	Acquiree's carrying amount	**Fair value**
Assets		
Intangible assets	–	65
Property, plant and equipment	4	4
Cash and cash equivalents	18	18
Trade, other receivables and other assets	7	7
Total assets	**29**	**94**
Liabilities		
Deferred revenue	(7)	(7)
Trade, other payables and other liabilities	(19)	(13)
Total liabilities	**(26)**	**(20)**
Total net assets acquired	**3**	**74**
Total cash consideration paid		**185**
Goodwill recognised		**111**

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and the use of external expertise and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

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K: Discontinued operations and disposal groups held for sale continued

K2: Assets and liabilities held for sale continued

The carrying value of assets and liabilities in Landmark's consolidated statement of financial position at acquisition date approximated the fair value of these items determined by the Group, with the exception of identified intangible assets of £65 million and a reduction in other liabilities of £6 million. Of the £65 million identified intangibles assets, £64 million relates to the value attributable to contractual relationships existing at the acquisition date to provide asset management advisory services and the remaining £1m relates to the Landmark trade name. The value of the asset management contracts was determined using the excess earnings method in which the value is equal to the present value of the after-tax cash flows attributable to the intangible asset. The preliminary useful life for the asset management contacts has initially been estimated to be 13.4 years.

Goodwill is calculated as the difference between the fair value of the consideration paid and the net value assigned to the identified assets and liabilities acquired and are attributable to the delivery of cost and revenue synergies that cannot be linked to identifiable intangible assets. Under US tax law, the goodwill and other intangibles recognised as a result of this acquisition is expected to be deductible for tax purposes over a period of 15 years.

Transaction costs incurred of £5 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but excluded from the determination of adjusted operating profit. From the date of acquisition to 31 December 2016, Landmark contributed a loss of £16 million to the profit after tax attributable to equity holders of OMAM, which includes amortisation of intangible assets recorded in purchase accounting and compensation expense for the arrangements with employees of Landmark noted above.

Prior period transactions

At 31 December 2015, the Group classified total assets of £35 million (comprising £20 million cash and cash equivalents and £10 million other assets) and total liabilities of £12 million as held for sale in relation to the disposal of Rogge Global Partners Limited. This transaction completed on 31 May 2016.

Emerging Markets

Current and prior period transactions

Emerging Markets has classified £116 million (2015: £84 million) of investment properties as held for sale. These transactions are expected to complete in the next 12 months. The investment properties form part of the policyholder assets and therefore have no impact on profit or loss of the Group.

Nedbank

Current period

Following an internal review of its own office space requirements, Nedbank has identified buildings with a carrying value of £17 million (2015: £nil) that are no longer required and which are currently being marketed for sale.

Old Mutual Wealth

Current period

On 9 August 2016, the Group announced that it had agreed to sell Old Mutual Wealth Italy, part of the Old Mutual Wealth business, to ERGO Italia (now renamed Phlavia Investimenti), subject to regulatory approval. From this date the business was disclosed as held for sale.

A goodwill impairment loss of £46 million has been recognised in profit or loss for the year ended 31 December 2016 as the net asset value of the business exceeded the net proceeds.

At 31 December 2016, the principal financial assets and liabilities included as held for sale were investments and securities of £6,189 million and investment contract liabilities of £6,164 million, all of which were classified as Level 1 in terms of the fair value hierarchy.

The sale completed on 9 January 2017.

Current and prior period

Old Mutual Wealth has also identified property, plant and equipment of £4 million (December 2016: £4 million) as held for sale.

L1: Accounting policies on financial assets and liabilities

The Group is exposed to financial risk through its financial assets (investments and loans), financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

(a) Recognition and derecognition

A financial asset or liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when, and only when:

— The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
— It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
— It transfers the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control.

A financial liability is derecognised when, and only when the liability is extinguished. That is when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

(b) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or less for a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(c) Derivative financial instruments

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives not designated as hedges for hedge accounting purposes are included in investment income or finance costs as appropriate.

(d) Hedge accounting

Qualifying hedging instruments must either be derivative financial instruments or non-derivative financial instruments used to hedge the risk of changes in foreign currency exchange rates, changes in fair value or changes in cash flows. Changes in the value of the financial instrument should be expected to offset changes in the fair value or cash flows of the underlying hedged item.

The Group designates certain qualifying hedging instruments as either (1) a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (fair value hedge) or (2) a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction, and could affect profit or loss (cash flow hedge) or (3) a hedge of a net investment in a foreign operation. Hedge accounting is used for qualifying hedging instruments designated in this way provided certain criteria are met.

The Group's criteria in accordance with reporting standards for a qualifying hedging instrument to be accounted for as a hedge include:

— Upfront formal documentation of the hedging instrument, hedged item or transaction, risk management objective and strategy, the nature of the risk being hedged and the effectiveness measurement methodology that will be applied is prepared before hedge accounting is adopted
— The hedge is documented showing that it is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk, consistent with the risk management and strategy detailed in the upfront hedge documentation
— The effectiveness of the hedge can be reliably measured
— The hedge is assessed and determined to have been highly effective on an ongoing basis
— For cash flow hedges of a forecast transaction, an assessment that it is highly probable that the hedged transaction will occur and will carry profit or loss risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in profit or loss, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or hedges of a net investment in a foreign operation, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. For fair value hedge accounting, any previous adjustment to the carrying amount of a hedged interest-bearing financial instrument carried at amortised cost (as a result of previous hedge accounting), is amortised in profit or loss from the date hedge accounting ceases, to the maturity date of the financial instrument, based on the effective interest method.

For hedges of a net investment in a foreign operation, any cumulative gains or losses in equity are recognised in profit or loss on disposal of the foreign operation. The Group does not apply significant cash flow or fair value hedging.

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For the year ended 31 December 2016

L1: Accounting policies on financial assets and liabilities continued

(e) Embedded derivatives

Certain derivatives embedded in financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised as such on a standalone basis, when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in profit or loss. If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as fair value through profit or loss and measured at fair value.

(f) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is currently a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position, with the exception of those relating to hedges, which are disclosed in accordance with profit or loss effect of the hedged item.

(g) Interest income and expense

Interest income and expense in relation to financial instruments carried at amortised cost or held as available-for-sale are recognised in profit or loss using the effective interest method, taking into account the expected timing and amount of cash flows. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income and expense on financial instruments carried at fair value through profit or loss are presented as part of interest income or expense.

(h) Non-interest revenue

Non-interest revenue in respect of financial instruments principally comprises fees and commission and other operating income. These are accounted for as set out below.

Fees and commission income

Loan origination fees, for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Fees and commission arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Other income

Revenue other than interest, fees and commission (including fees and insurance premiums), which includes exchange and securities trading income, dividends from investments and net gains on the sale of banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably and it is probable that the economic benefits of the transaction or service will flow to the Group.

(i) Financial assets

Non-derivative financial assets are recorded as held-for-trading, designated as fair value through profit or loss, loans and receivables, held-to-maturity or available-for-sale. An analysis of the Group's statement of financial position, showing the categorisation of financial assets, together with financial liabilities is set out in note E1(o).

(j) Classification of financial instruments

Held-for-trading financial assets

Held-for-trading financial assets are those that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists, or are derivatives that are not designated as effective hedging instruments.

Financial assets designated as fair value through profit or loss

Financial assets that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis (for instance with respect to financial assets supporting insurance contract liabilities) or are managed, evaluated and reported using a fair value basis (for instance financial assets supporting shareholders' funds).

All financial assets carried at fair value through profit or loss, whether held-for-trading or designated, are initially recognised at fair value and subsequently remeasured at fair value based on bid prices quoted in active markets. If such price information is not available for these instruments, the Group uses other valuation techniques, including internal models, to measure these instruments. These techniques use market observable inputs where available, derived from similar assets and liabilities in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters, the Group estimates the non-market observable inputs used in its valuation models. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Fair values of certain financial instruments, such as over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads, and volatility factors.

Realised and unrealised fair value gains and losses on all financial assets carried at fair value through profit or loss are included in investment return (non-banking) or in banking trading, investment and similar income as appropriate.

Interest earned whilst holding financial assets at fair value through profit or loss is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, when a dividend is declared.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. Loans and receivables are carried at amortised cost less any impairment write-downs. Third-party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

Held-to-maturity financial assets

Financial assets with fixed maturity dates which are quoted in an active market and where management has both the intent and the ability to hold the asset to maturity are classified as held-to-maturity. These assets are carried at amortised cost less any impairment write-downs. Interest earned on held-to-maturity financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate.

Available-for-sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices other than those designated fair value through profit or loss or as loans and receivables, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale financial assets are measured at fair value based on bid prices quoted in active markets. If such prices are unavailable or determined to be unreliable, the fair value of the financial asset is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on observable market data where available at the reporting date.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are disposed, the related accumulated fair value adjustments are included in profit or loss as gains and losses from available-for-sale financial assets. When available-for-sale assets are impaired the resulting loss is shown separately in profit or loss as an impairment charge.

Interest earned on available-for-sale financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, as appropriate when a dividend is declared.

Financial liabilities (other than investment contracts and derivatives)

Non-derivative financial liabilities, including borrowed funds, amounts owed to depositors and liabilities under acceptances are recorded as held-for-trading, designated as fair value through profit or loss or as financial liabilities at amortised cost.

Liabilities that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or are managed, evaluated and reported using a fair value basis.

For financial liabilities recorded at fair value and which contain a demand feature, the fair value of the liability is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial liabilities categorised at amortised cost are recognised initially at fair value, which is normally represented by the transaction price, less directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Equity classified conversion options included within financial liabilities are recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bondholders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other income.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L1: Accounting policies on financial assets and liabilities continued

(k) Reclassifications of financial assets

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was required to be categorised as held-for-trading (on the basis that it was held for the purpose of selling or repurchasing in the near term) may under exceptional circumstances be reclassified out of the fair value through profit or loss category if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable.

Other non-derivative financial assets that were required to be categorised as held-for-trading at initial recognition may be reclassified out of the fair value through profit or loss category in rare circumstances. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. Measurement of the asset after reclassification depends on the subsequent categorisation.

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was designated as available-for-sale may under exceptional circumstances be reclassified out of the available-for-sale category to the loans and receivables category if it meets the loans and receivables definition at the date of reclassification and if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable. In the case of a financial asset with a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is amortised to profit or loss over the remaining life using the effective interest method together with any difference between the new amortised cost and the maturity amount. In the case of a financial asset that does not have a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is recognised in profit or loss when the financial asset is sold or otherwise disposed.

(l) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as appropriate when considering the de-recognition criteria contained within IAS 39. The securities retained in the financial statements are reflected as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Cash paid for securities purchased under agreements to resell at a predetermined price are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and any interest earned recognised in profit or loss using the effective interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(m) Parent Company investments in subsidiary undertakings and associates

Parent Company investments in subsidiary undertakings and associates are recorded at cost. Impairments of Parent Company investments in subsidiary undertakings and associates are accounted for in the same way as impairments of other non-financial assets.

(n) Impairments of financial assets
Indicators of impairment
A provision for impairment is established if there is objective evidence that the Group will not be able to recover all amounts relating to the financial asset. Observable data that could come to the attention of the Group that could lead to a provision for impairment to be made include:

— Significant financial difficulty of the counterparty
— A breach of contract, such as a default or delinquency in interest or principal payments
— The Group, for economic or legal reasons relating to the counterparty's financial difficulty, grants to the counterparty a concession that the Group would not otherwise consider
— It becoming probable that the counterparty will enter bankruptcy or other financial reorganisation
— Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including:
  - adverse changes in the payment status of counterparties in the group of financial assets; or
  - national or local economic conditions that correlate with defaults on the assets in the group of financial assets.

In addition, for an available-for-sale financial asset, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment.

Financial assets at amortised cost
The amount of the impairment of a financial asset held at amortised cost is the difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the effective interest rate at initial recognition. In estimating future expected cash flows the Group looks at the contractual cash flows of the assets and adjusts these contractual cash flows for historical loss experience of assets with similar credit risks, with this adjusted to reflect any additional conditions that are expected to arise or to account for those which no longer exist. This is done to predict inherent losses which exist in the asset as at the reporting date but have not been reported.

The impairment provision also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the reporting date, but these components have not yet been specifically identified. When a loan is uncollectable, it is written-off against the related impairment provision.

If the amount of impairment subsequently decreases due to an event occurring after the write-down, the release of the impairment provision is credited to profit or loss. Impairment reversals are limited to what the carrying amount would have been, had no impairment losses been recognised.

Interest income on impaired loans and receivables is recognised on the impaired amount using the original effective interest rate before the impairment.

Available-for-sale financial assets
The amount of the impairment loss of an available-for-sale financial asset is the cumulative loss that has been recognised in other comprehensive income, being the difference between the acquisition cost and the asset's current fair value, less any impairment loss on that asset previously recognised in profit or loss. For available-for-sale debt securities, fair value is determined as the present value of expected future cash flows discounted at the current market rate of interest.

All such impairments are recognised in profit or loss. The reversal of an impairment allowance in respect of a debt instrument categorised as available-for-sale is credited to profit or loss, the release in respect of an equity instrument categorised as available-for-sale is credited to the available-for-sale reserve within equity.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group
The following provides a list of the Group's related undertakings. These disclosures are required by Section 409 of the Companies Act 2006. It should be noted that this is a statutory disclosure and does not represent the way that the Group accounts for these entities.

(a) Group subsidiaries
The table below sets out the Group's subsidiary undertakings (including investment funds and collective investment schemes controlled by the Company). All shares are held indirectly by the Company (unless indicated) and their results are included in the Company's consolidated financial statements.

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
310 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
312 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
314 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
315 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
316 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
317 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
318 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
319 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
32 Randjesfontein Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
320 Halfway House Ext 13 Investments (Pty) Ltd[1]	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
321 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road, Pretoria Main Road, Midrand, Gauteng, 1685
AAM Advisory PTE Limited	100	Ordinary	Singapore	Capita Green #06-01, 138 Market Street, Singapore 048946
Acadian Asset Management (Australia) Ltd	100	Ordinary	Australia	260 Franklin Street, 20th Floor, Boston, MA 02109
Acadian Asset Management (Japan)	100	Ordinary	Cayman Islands	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104
Acadian Asset Management (Singapore) Pte Ltd.	100	Ordinary	Singapore	260 Franklin Street, 20th Floor, Boston, MA 02109
Acadian Asset Management (UK) Ltd[1]	100	Ordinary	England & Wales	36-38 Cornhill, London EC3V 3ND
Acadian Asset Management LLC	100	Class A and B shares	USA (DE)	260 Franklin Street, 20th Floor, Boston, MA 02109
Acsis Licence Group (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Acsis Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Adviceworx (Pty) Ltd	100	Class A and Class B shares	Republic of South Africa	1st Floor Building 5, Commerce Square, 39 Rivonia Road, Sandhurst, 2194
Adviceworx Old Mutual Enhanced Income FoF B1	100	Class B1 shares	Republic of South Africa	Collingwood Building, Fir St, Observatory, Cape Town, 7925
Adviceworx Old Mutual Inflation Plus 4-5% Fund of Funds	35	Class B1 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Affordable Rental and Investment Fund South Africa Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, Cape Town, Western Cape 7405
African Fund Managers (Mauritius)	100	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
African Infrastructure Holding Company 2 (Mauritius)	50	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
African Infrastructure Investment Fund	31	One class of share	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
African Infrastructure Investment Fund 2 Partnership	43	One class of share	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
African Infrastructure Investment Holding Company 2 (Mauritius)	50	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
African Infrastructure Investment Managers (Pty) Ltd	100	Ordinary	Republic of South Africa	Colinton House, Ground Floor, The Oval, 1 Oakdale Str, Newlands, 7700
Agility Broker Services (Pty) Ltd (in voluntary liquidation)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
AIIF2 Power Holdings	100	Ordinary	Republic of South Africa	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
AIIF2 Towers SA (Pty) Ltd	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
AIIM Hydropower Holdings (Pty) Ltd	99	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis, Mauritius
AIIM Seed General Partner (Pty) Ltd	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
Aiva Florida Inc. de Miami	100	Ordinary	Florida, USA	201 South Biscayne, Boulevard, Suite 1500 BB Miami Florida
Aiva Health S.A.	100	Ordinary	Uruguay	Zonamerica – Ruta 8km 17500 Edif, Beta 3, Of 011
Aiva Holding Group S.A.	86	Ordinary	Panama	Costa del Este, Av Roberto Motta Edificio Capital Plaza Piso 8 – Panama- Republica de Panama
Aiva Investments S.A.	100	Ordinary	Uruguay	Zonamerica – Ruta 8km 17500 Edif, Beta 3, Of,011
Aiva S.A.	100	Ordinary	Uruguay	Luis Alberto de Herrera 1245 WTC Torre I – Of,1406
Aiva Tpa Services S.A.	100	Ordinary	Uruguay	Zonamerica – Ruta 8Km 17 500 Edif, Beta 3, Of,011
ALFI Rogge Partners S.A.	100	Ordinary	England and Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Amber Mountain Investment 3 (Pty) Ltd	100	Ordinary	Republic of South Africa	401 Cape Road, Cotswold, Port Elizabeth, 6045
Anduin Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Apollo Advisors (Pty) Ltd	95	Ordinary	Republic of South Africa	Ground Floor, Colinton House,The Oval, 1 Oakdale Rd, Newlands, Cape Town 7701
Apollo II GP Partnership General Partner	93	Ordinary	Republic of South Africa	Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands
Apollo Investment Partnership General Partner (Pty) Ltd	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
Apollo Investment Partnership II En Commandite Partnership	51	Ordinary	Republic of South Africa	Ground Floor, Colinton House,The Oval, 1 Oakdale Street, Newlands, Cape Town 7700
Ashfield Capital Partners LLC	100	Ordinary	USA (DE)	750 Battery Street, Suite 600, San Francisco, CA 94111
Asia Storage GP, LLC		Ordinary	USA	191 N Wacker Drive, Ste 2500 Chicago, IL 60606
Azaadville Gardens (RF) (Pty) Ltd	65	Ordinary	Republic of South Africa	11th floor, Nedbank Corner, 96 Jorissen Street, Braamfontein, Johannesburg, Gauteng 2017
Balanced Fund	72	Class A, A3, B1, B2, C and R shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Banco Unico	50 plus one share	Ordinary	Mozambique	Julius Nyerere Avenue, n'500 Maputo, Mozambique
Barprop (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Barrow, Hanley, Mewhinney & Strauss LLC	75	Ordinary	USA (DE)	JPMorgan Chase Tower, 2200 Ross Avenue, 31st Floor, Dallas, TX 75201
Beaumont Robinson Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Bene Inventa (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BHMS Investment GP LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
BHMS Investment Holdings LP	4	Ordinary	USA (DE)	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808, U,S,A,
Black Distributors SPV Limited	100	Ordinary	England & Wales	5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Bloemfontein Board of Executors and Trust Company Ltd	100	Ordinary and cumulative redeemable preference shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Blue Downs 3 Property Developments (Pty) Ltd.	100	Ordinary and cumulative redeemable preference shares	Republic of South Africa	Old Mutual West Campus Entrance 2, Mutual Park, 2 Jan Smuts Drive, Pinelands, 7405
Blueprint Distribution Limited	100	Ordinary and cumulative redeemable preference shares	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Blueprint Financial Services Limited	100	Ordinary and cumulative redeemable preference shares	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Blueprint Organisation Limited	100	Ordinary and cumulative redeemable preference shares	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
BNS Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE 187 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Investment Holdings Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Link Nominees (Proprietary) Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
BoE Management Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Private Client & Trust Company (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
BoE Private Client Investment Holdings Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BoE Private Equity Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Bond Fund	69	Class B1, B2, C and R shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Boness Development Phase 3 (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
BPCC Security Company (Pty) Ltd	100	Ordinary and cumulative redeemable preference shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
C.I.P.M Nominees Limited	100	Ordinary	Jersey	4th Floor 28/30 The Parade St Helier Jersey JE2 3QQ
Campbell (RTC Acquisition), LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Global Administracao de Ativos Florestais Ltda, LLC	100	Ordinary	Brazil	AV, Paulista 2073, Conjunto Nacional – Horsa II, Cj, 1702 Cerqueira Cesar, both in Sao Paulo, State of Sao Paulo
Campbell Global Australia Pty. Ltd	100	Ordinary	Australia	Melbourne, VIC 3000
Campbell Global Brazil, LLC	100	Ordinary	USA	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Global Forest Restoration, LLC	100	Ordinary	USA (DE)	Paracorp Incorporated, 2140 S Dupont Hwy, Camden, DE 19934
Campbell Global New Zealand, LLC	100	Ordinary	USA	c/o National Registered Agents, Inc., 160 Greentree Dr., Ste, 101, Dover, DE 19904
Campbell Global Timber Fund Feeder, LLC	100	Ordinary	USA (DE)	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, Cayman Islands KY1-1104
Campbell Global Timber Fund GP, Ltd	100	Ordinary	Cayman Islands	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, Cayman Islands KY1-1104
Campbell Global Timber Fund LP	100	Ordinary	Cayman Islands	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, Cayman Islands KY1-1104
Campbell Global, LLC	75	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Opportunity Timber Fund GP, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Opportunity Timber Fund GP-TE, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Opportunity Timber Fund VI GP, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Timber Fund II GP, LLC	80	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Campbell Timber Fund III Manager, LLC	20	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Capegate Crescent Development (Pty) Ltd	100	Ordinary	Republic of South Africa	Ground Floor Vineyards Square South, The Vineyards Office Estate, 99 Jip De Jager Road, Tygervalley
Capital Developments Limited	100	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe 3
Capital Growth Investments Trust	100	Trust does not issue shares	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Capital Investments Limited	51	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe 3
CBI (OldCo), Inc.	100	Ordinary	USA (PA)	200 Clarendon Street, 53rd FL, Boston, MA 02116
CBN Nominees (Pty) Ltd	100	Ordinary	Namibia	8th Floor, Namdeb Sentre, 10 Dr Frans Indongo Str, Windhoek
CCF Old Mutual Multi-Style Global Equity	100	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
CCF Old Mutual Opp Global Equity	86	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Celestis Broker Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan smuts Drive, Pinelands, 7405
Central Africa Building Society	100	Ordinary	Zimbabwe	Northend Close Northridge Park, Highlands, Harare
Central Consortium SPV One Investments (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Central Consortium SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
CEPS 1, LLC	90	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
CG Franklin-Clarkson GP, LLC	100	Ordinary	USA (DE)	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
CG Franklin-Clarkson LLC	100	Ordinary	USA (DE)	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
CG Snoqualmie Logco, LLC	100	Ordinary	USA (DE)	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
CG Snoqualmie, LLC	100	Ordinary	USA (DE)	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801
Cheviot Asset Management Limited	100	Ordinary	England & Wales	One Kingsway, London, WC2B 6AN
Cheviot Capital (Nominees) Limited	100	Ordinary	England & Wales	One Kingsway, London, WC2B 6AN
Cheviot Exodus LP	100	Ordinary	England & Wales	90 Long Acre, London, WC2E 9RA
Cheviot GP Limited	100	Ordinary	England & Wales	One Kingsway, London, WC2B 6AN
Cirilium Asset Management Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
City Centre Properties (Private) Limited	93	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Coastal Consortium SPV One Investments (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Coastal Consortium SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Commsale 2000 Limited[1]	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Community Property Company (Pty) Ltd	100	Ordinary	Republic of South Africa	3rd Floor Great Westerford, 240 Main Road, Rondebosch, 7700
Community Property Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	3rd Floor Great Westerford, 240 Main Road, Rondebosch, 7700
Constantia Insurance Company (Guernsey) Limited[1]	100	Ordinary	Guernsey	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH
Consumer Credit (Swaziland) (Pty) Ltd	100	Ordinary	Swaziland	Deloitte & Touche, 1st floor, Embassy House, Cnr Allister Milller and Morris Strs, Mbabane, Swaziland
Copper Rock Capital Partners LLC	65	Ordinary	USA	200 Clarendon St., 51st FL, Boston, MA 02116
Copper Rock Global All Cap Equity Fund	99	Class A shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Corporate Trade & Invest 9 Pty Ltd	100	Ordinary	Republic of South Africa	c/o Old Mutual Alterantive Investments, Mutual Park, Jan Smuts Drive, Pinelands,
Cougar Investment Holding Company Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
CP Holdings GP, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
CPT Logco, Inc.	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
CPT Logco, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Credit Guarantee Insurance Corporation of Africa Limited	86	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Crown Pine Parent GP, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700 Portland, Oregon 97258
Crystal Park Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	Old Mutual Investment Group, 3rd Floor OMIG Building, West Campus,Mutual Park, Jan Smuts D, Western Cape Province, 7405
Crystal Park Trust	100	Trust does not issue shares	Republic of South Africa	c/o Old Mutual Alterantive Investments, Mutual Park, Jan Smuts Drive, Pinelands
CSM Holdings, Inc.	100	Ordinary	USA (PA)	200 Clarendon Street, 53rd FL, Boston, MA 02116
CU Property Holdings (Private) Limited	100	Ordinary	Zimbabwe	Royal Mutual House, 45 Nelson Mandela, Harare, Zimbabwe
Depfin Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Desert SPV One Investments (Pty) Ltd	100	Ordinary	Namibia	11th floor, Mutual Tower, 223 Independence Avenue, Windhoek
DQS Financial Management Limited	90	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Dr Holsboer Benefit Fund	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Dynamic Floor Fund	36	Class A1, B1, B2 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Eastern Consortium SPV One Investment (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Eastern Consortium SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Echo Point Investment Management LLC (DE)	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
Education SPV Limited	100	Ordinary	England & Wales	5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Eighty One Main Street Nominees Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Embeca Properties (Private) Ltd	100	Ordinary	Zimbabwe	3rd/J Moyo, Harare
Emerald Investment Associates LLC	75	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258

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For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Equibond (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Erf 7 Sandown (Pty) Ltd	100	Ordinary	Republic of South Africa	Building 7, 1st Floor, Pinewood Office Park, 33 Riley Road,Woodmead
Esimio Trading 101 Ltd	100	Ordinary	Republic of South Africa	24 Archter Road, Paulshof, 2191
Fairbairn Investment Company Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Fairbairn Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Fairheads Bond Managers (Pty) Ltd (in voluntary liquidation)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Fairheads Mortgage Nominees (Pty) Ltd (in voluntary liquidation)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Falcon Warehouse Holdings GP LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Faulu Microfinance Bank Limited	67	Ordinary and cumulative redeemable preference shares	Kenya	Business Support Centre, Ngong Lane, Off Ngong Road P.O. Box 60240-00200, Nairobi
Featherwood Apartments (Pty) Ltd	74	Ordinary	Republic of South Africa	c/o Old Mutual Alterantive Investments, Mutual Park, Jan Smuts Drive, Pinelands,
Featherwood Rentals (Pty) Ltd	74	Ordinary	Republic of South Africa	c/o Old Mutual Alterantive Investments, Mutual Park, Jan Smuts Drive, Pinelands,
Fidelity Multi Asset Adventurous Fund	68	Ordinary	England & Wales	Oakhill House, 150 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ
Fidelity Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	100 Main Street, Johannesburg, South Africa
Finansfin (Pty) Ltd	100	Ordinary and cumulative redeemable preference shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Finlac Trust Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
First Trade and Invest 9 (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	Old Mutual West Campus Entrance 2, Mutual Park, 2 Jan Smuts Drive, Pinelands, 7405
Flexible Fund	69	Class A1, B1, B2, C and R shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Franklin-Clarkson LogCo, Inc.	100	Ordinary	USA (DE)	100 S, 4th Street, Ste. 1000, St, Louis, MO 63102
Franklin-Clarkson, LP	99	Ordinary	USA (DE)	One SW Columbia, Ste, 1700, Portland, OR 97258
Frittlewell Investments (Private) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Front Line Investment Limited	70	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe 3
Futuregrowth Agri Fund 2	100	One class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Futuregrowth Agri Fund	43	One class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Futuregrowth Agri-fund (South Africa)-1GP (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Futuregrowth Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
G.E.O.C. Nominees Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Galilean Properties (Prop) Limited	100	Ordinary	Republic of South Africa	135 Daisy Street, Sandton, Sandown, 2196
Glenmore Seaside Resort (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Global Bond Feeder Fund	33	Class A and B2 shares	Republic of South Africa	Jan Smuts Drive Mutual Park, Pinelands 7405
Global Currency Feeder Fund	41	Class A, B1, B2 and C shares	Republic of South Africa	Jan Smuts Drive Mutual Park, Pinelands 7405
Global Edge Technologies (Pty) Limited	100	Ordinary	Republic of South Africa	Mutual Gardens, Mowbray, Cape Town
Golddunn Property Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	665 Duncan Street, Hillcrest, Pretoria, 0001

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Golden Magpie LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Golden Piccolo Limited	100	Ordinary	Hong Kong	15/F LHT Tower, 31 Queens Road, Central, Hong Kong
GRAND CENTRAL AIRPORT (PTY) LTD	100	Ordinary	Republic of South Africa	Grand Central Airport, New Road And Pretoria Main Road, Midrand, Gauteng, 1685
GRAND CENTRAL INVESTMENTS SHARE BLOCK (PTY) LTD	100	Class A and Class B shares	Republic of South Africa	Grand Central Airport, New Road And Pretoria Main Road, Midrand, Gauteng, 1685
Green Horizon Environment Rehabilitation Company (NPC)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Greenfield Developments Company (Pty) Ltd	100	Ordinary	Republic of South Africa	3rd floor, OMIG Building Entrance 2, West Campus, Mutual Park, Jan Smuts Drive, Pinelands 7405
Hawthorne Investment LLC	80	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
HCEPP Management Co. S.à r.l.	100	Ordinary	Luxembourg	69, Route d'Esch L – 1470 Luxembourg, Luxembourg
HDP LLC	100	Ordinary	USA	191 N Wacker Drive, Ste 2500, Chicago, IL 60606
HDP-OM (GP) LLC	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808
Heitman America Real Estate Trust, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman California Financial Services GP Inc.	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman California Financial Services LP	99	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Capital Management LLC	100	Ordinary	USA (IA)	191 North Wacker Drive, Chicago, IL 60606
Heitman Core Real Estate Debt Income Trust, LLC	100	Ordinary	USA	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801
Heitman Equities LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman European Residential Investment GP	100	Ordinary	Luxembourg	26B Boulevard Royal, L-2449, Luxembourg
Heitman Financial Services LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Financial Sp. z.o.o.	100	Ordinary	Poland	International Business Centre, Al, Armii Ludowej 14, Warsaw, Poland 00-638
Heitman Financial U.K. LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Germany GmbH	100	Ordinary	Germany	Weißfrauenstraße 12-16, 60311, Frankfurt
Heitman Global Systems LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman HK Limited	100	Ordinary	Hong Kong	15F/LHT Tower, 31 Queens Road, Central, Hong Kong
Heitman International HK Limited	100	Ordinary	Hong Kong	15F/LHT Tower, 31 Queens Road, Central, Hong Kong
Heitman International LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman International Real Estate Securities GmbH	100	Ordinary	Germany	Maximilianstrasse 35A, Munich Germany 80539
Heitman International Real Estate Securities HK Limited	100	Ordinary	Hong Kong	15F/LHT Tower, 31 Queens Road, Central, Hong Kong
Heitman International Real Estate Securities Pty Limited	100	Ordinary	Australia	Level 7, 300 Collins Street, Melbourne, Victoria 3000
Heitman International S.a.r.l.	100	Ordinary	Luxembourg	26B, Boulevard Royal, L-2449 Luxembourg
Heitman KK (Japan)	100	Ordinary	Japan	Yukacucho-Denki Bldg, South, 11-F, 1-7-1- Yuracucho, Chiyodaku, Tokyo, 100-0006
Heitman LLC	50	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Management Company S.à.r.l.	100	Ordinary	Luxembourg	26B Boulevard Royal, L-2449 Luxembourg
Heitman Real Estate Debt Partners, LLC	100	Ordinary	USA	191 North Wacker Drive, Suite 2500, Chicago, IL 60606
Heitman Real Estate Securities LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Russia LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Securities LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Strategic Finance Partners, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman U.K. Limited	100	Ordinary	England & Wales	20 Balderton Street, London W1K 6TL
Heitman Value Partners II LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman Value Partners III LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman VCAC Manager LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Heitman/HART LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Ste 2500, Chicago, IL 60606
Heitman/NPS Investors, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
HEPP IV Management Company S.a.r.l.	100	Ordinary	Luxembourg	26B, Boulevard Royal, L-2449 Luxembourg
HERIP B Investor LLC	100	Ordinary	USA (DE)	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801
HERIP Investor GP LLC	100	Ordinary	USA (DE)	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801
HERIP-OM (GP) LLC	100	Ordinary	England & Wales	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808
HIFSA Housing Impact Fund South Africa	55	Participation based on unit holding	Republic of South Africa	2nd Floor Summit Place, Cnr Rivonia & School Road, Morningside, 2196

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For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
High Yield Opportunity Fund	38	Class A, B and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Hires Research Limited (UK)	100	Ordinary	England & Wales	20 Balderton Street, London W1K 6TL
Housing Impact Fund South Africa Trust	54	Ordinary	Republic of South Africa	2nd Floor Summit Place, Cnr Rivonia & School Road, Morningside, 2196
Housing Investment Partners (Pty) Ltd	68	Ordinary	Republic of South Africa	2nd Floor, Summit Square, 15 School Road, Cnr Rivonia Road, Morningside, Sandton, 2196
HVP III Arisu REIT Manager, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Suite 2500, Chicago, IL 60606
HVP III-OM (GP) LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd Floor, Boston, MA 02116
HVP II-OM (GP) LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd Floor, Boston, MA 02116
IBL Asset Finance and Services Ltd	100	Ordinary	Republic of South Africa	No 24 Achter Road, Paulshof, 2191
Ideas Nedbank AIIF Investors Trust	60	Ordinary	Republic of South Africa	P.O. Box 72112, Parkview, 2122
IFA Holding Company Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
IFA Services Holdings Company Limited	100	Class A and Class B ordinary shares	England & Wales	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
IMFUNDO SPV Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Imvelo Facilities Management (Pty) Ltd	60	Ordinary	Republic of South Africa	71 Cottswold Drive, Westville, Durban, Kwa Zulu Natal, 3629
Incentive Investment Consultants (Pty) Ltd	100	Ordinary	Republic of South Africa	Room 2, The White House, 27 Courtenay Street, George, 6530
Institutional Money Market Fund	100	Class B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands 7405
Intrinsic Cirilium Investment Company Limited	100	Class A, Class B and preference shares	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Planning Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Services Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Financial Solutions Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Mortgage Planning Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Wealth Financial Solutions Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Intrinsic Wealth Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Investage 91 (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Investment Counselors of Maryland, LLC	100	Class B economic interest	USA (DE)	803 Cathedral Street, Baltimore, MD 21201
Jefferson Timber Properties, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
K2012150042 (South Africa) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
K2013236459 South Africa (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Ki Pacific Asset Management, Inc.	100	Ordinary	USA (DE)	6 Front Street, Hamilton HM11, Bermuda
Kingsmead Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Kirkney Securitisation (Pty) Ltd	100	Ordinary	Republic of South Africa	11th Floor Nedbank Corner, 96 Jorissen Street, Braamfontein, Gauteng, 2001
L & S Properties Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Lake Michigan Partners GP, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Ste 2500, Chicago, IL 60606
Landmark Equity Advisors, L.L.C.	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808
Landmark Partners, LLC	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808
Landmark Realty Advisors LLC	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808
LIBERO International SICAV PLC	100	Ordinary	Malta	One Kingsway, London, WC2B 6AN

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Liberty Ridge Capital, LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd Floor, Boston, MA 02116
Lighthouse Development (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Lincoln Investment Associates, LLC	85	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808,
Lincoln Timber, L.P.	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Linton Projects (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
LMK Services Inc.	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808
LML Holdings LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd Floor, Boston, MA 02116
M.C.Z. (Pvt) Limited	70	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Malawian Dividend Access Trust	100	Trust does not issue shares	Malawi	Old Mutual Building, 30 Glyn Jones Road, Blantyre
Managed Alpha Hedge Fund	99	Class A and L shares	Republic of South Africa	Old Mutual Investment Group, West Campus, Mutual Park, Jan Smuts Drive, Pinelands, 7405
Marriott Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	2 Delamore Rd, Hillcrest, 3610
Marriott Corporate Services (Pty) Ltd	100	Ordinary	Republic of South Africa	2 Delamore Rd, Hillcrest, 3610
Marriott Isle of Man Limited	100	Ordinary	Isle of Man	IOMA House, Hope Street, Douglas IM1 !AP Isle of Man
Marriott Property Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Marriott Retirement Fund Administrators (Pty) Ltd	100	Ordinary	Republic of South Africa	2 Delamore Road, Hillcrest, 3610
Marriott Unit Trust Management Company (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masisizane Fund NPC	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masisizane Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masthead (Pty) Ltd	75	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masthead Financial Advisors (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masthead Financial Planning (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Masthead Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Max Payment Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
MBCA Bank Ltd	100	Ordinary	Zimbabwe	14th floor Old Mutual centre, 3rd Street/ John Mayo Avenue, Port Louis, Mauritius
MBCA Holdings Ltd	69	Ordinary	Zimbabwe	14th floor Old Mutual centre, 3rd Street/ John Mayo Avenue, Port Louis, Mauritius
MBCA Nominees (Private) Ltd	100	Ordinary	Zimbabwe	99 Jason Moyo Avenue, Harare
Melbek Holding (Private) Ltd	100	Ordinary	Zimbabwe	99 Jason Moyo Avenue, Harare
Mercury Securities (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
MHF Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
MHLP-OM (GP) LLC	100	Ordinary	USA (DE)	200 Clarendon Street, Boston, MA 02116
Michael Waite Independent Financial Advice Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Milky Way Partners LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Mill Pond Associates, LLC	100	Ordinary	USA	Reid And Riege, P,C, One Financial Plaza, Hartford, CT, 06103
Millpencil Limited	100	Ordinary	England & Wales	5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Money Market Fund	46	Class A, A2, B1, B2, B3, B5 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands 7405
Morened (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Mortgage Investment Corporation (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Mountain Halla, LLC	100	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
MPICO Limited	57	Ordinary	Malawi	Old Mutual House, City Centre, P.O. Box 30459, Lilongwe 3, Malawi
MPICO Malls Limited	66	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe 3
MPL (UK) Limited	100	Ordinary	England & Wales	5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Mtha Financial Services Trust	100	Trust does not issue shares	Republic of South Africa	3 Rockridge Road, Pilgrin House, Parktown, 2193
Mutual & Federal Company of Zimbabwe (Pvt) Limited	100	Ordinary	Zimbabwe	M&F Centre, 227 Independence Avenue, Windhoek, Namibia
Mutual & Federal Insurance Company Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Mutual & Federal Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual & Federal Building, 75 Helen Joseph Street, Johannesburg, 2000
Mutual & Federal Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Mutual & Federal Namibia Discretionary Trust	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Mutual & Federal Risk Financing Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405

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L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Mutual & Federal Senior Black Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Mutual Place NPC (formerly known as Stella Business Park Owners Association (NPC))	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
N.B.S.A. Ltd	100	Ordinary	England & Wales	1st Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
N.H.S. Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nasionale Dorpsontwikkelingskorperasie Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
National Board (P.E.) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
National Board of Executors Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Ned Investment Trust	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Ned Settle Services (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedamericas Investments Ltd	75	Ordinary	Mauritius	1st floor, Fairfax House, 21 Mgr Gonin street, Port Louis Mauritius
Nedbank (Lesotho) Ltd	100	Ordinary	Lesotho	Kingsway Road, Maseru
Nedbank (Malawi) Ltd	100	Ordinary	Malawi	Development House, Cnr Henderson and Victoria Avenue, Blantyre
Nedbank (Swaziland) Ltd	65	Ordinary	Swaziland	Cnr Mall & Bypass Roads, Mbabane, Swaziland
Nedbank Group Insurance Company Ltd	100	Ordinary	Isle of Man	IOM Assurance Co, Ltd, Prospect Hill, Douglas, IOM IM ET British Isles
Nedbank Group Insurance Holdings Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedbank Group Ltd	55	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedbank Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedbank Namibia Ltd	100	Ordinary	Namibia	12-20 Dr Frans Indongo Street, Windhoek
Nedbank Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedbank Private Wealth Ltd	100	Ordinary	Isle of Man	St Mary's Court, 20 Hill Street, Douglas, Isle of Man
Nedcap International Ltd	100	Ordinary	Isle of Man	Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB
Nedcapital Investment Holdings (Pty) Ltd	100	Ordinary	Namibia	3 Schutzen Street, Windhoek, Namibia
NedCapital Namibia (Pty) Ltd	100	Ordinary	Namibia	3 Schutzen Street, Windhoek, Namibia
Nedcor Bank Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedcor Investments Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedcor Trade Services (Asia) Ltd	100	Ordinary	Hong Kong	1808-1811 Great Eagle Centre, 23 Harbour, Road, Hong Kong
Nedcor Trade Services Ltd	100	Ordinary	Mauritius	4th Floor, IBL House, Caudan Waterfront, Port Louis, Mauritius
Nedeurope Ltd	100	Ordinary	Isle of Man	Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB
Nedgroup Administrators (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Beneficiary Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Beta Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Collective Investments (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Financial Services 104 Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Insurance Administrators Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Insurance Company Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup International Holdings Ltd	100	Ordinary Class A and Class B shares	Isle of Man	1st Floor, Samual Harris House, St George's Street, Douglas, Isle of Man
Nedgroup Investment 102 Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Investment Advisors (UK) Ltd	100	Ordinary	England & Wales	1st Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Nedgroup Investment Advisors Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Investments (IOM) Ltd	100	Ordinary Class A and Class B shares	Isle of Man	Samuel Harris House, St Georges Street, Douglas, IOM
Nedgroup Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Investments Africa	100	Ordinary	Mauritius	4th Floor, IBL House, Caudan Waterfront, Port Louis, Mauritius
Nedgroup Life Assurance Company Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Private Wealth (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Private Wealth Corporate Services Ltd	100	Ordinary	Jersey	Fairbairn House, 31 Esplanade, St Helier, Jersey, Channel Islands
Nedgroup Private Wealth Directors Ltd	100	Ordinary	Guernsey	Fairbairn House, Rohais, St Peter Port
Nedgroup Private Wealth Fiduciary Services Ltd	100	Ordinary	Jersey	Fairbairn House, 31 Esplanade, St Hielier, Jersey, Channel Islands
Nedgroup Private Wealth Nominees (IOM) Ltd	100	Ordinary	Isle of Man	St Mary's Court, 20 Hill Street, Douglas, Isle of Man
Nedgroup Private Wealth Nominees (Jersey) Ltd	100	Ordinary	Jersey	Fairbairn House, 31 Esplanade, St Hielier, Jersey, Channel Islands
Nedgroup Private Wealth Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Private Wealth Nominees (UK) Ltd	100	Ordinary	Isle of Man	St Mary's Court, 20 Hill Street, Douglas, Isle of Man
Nedgroup Private Wealth Secretarial Ltd	100	Ordinary	Guernsey	Fairbairn House, Rohais, St Peter Port
Nedgroup Private Wealth Stockbrokers (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Secretariat Services (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Securities (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Structured Life Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Trust (IOM) Ltd	100	Ordinary	Isle of Man	St Mary's Court, 20 Hill Street, Douglas, Isle of Man
Nedgroup Trust (Jersey) Ltd	100	Ordinary	Jersey	Fairbairn House, 31 Esplanade, St Hielier, Jersey, Channel Islands
Nedgroup Trust (KZN) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Trust (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedgroup Trust Ltd	100	Ordinary	Guernsey	Fairburn House, Rohais, St Peter Port
Nedgroup Wealth Management (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedinvest (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nedloans (Pty) Ltd	100	Ordinary	Namibia	8th Floor, Namdeb Sentre, 10 Dr Frans Indongo Str, Windhoek
NedNamibia Holdings Ltd	100	Ordinary	Namibia	12-20 Dr Frans Indongo Street, Windhoek
NedNamibia Life Assurance Company Ltd	100	Ordinary	Namibia	12-20 Dr Frans Indongo Street, Windhoek
NedPlan Insurance Brokers Namibia (Pty) Ltd	100	Ordinary	Namibia	12-20 Dr Frans Indongo Street, Windhoek
Nedport Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
NedProperties (Pty) Ltd	100	Ordinary	Namibia	9 Feld Street, Windhoek, Namibia
NES Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
New Capital Properties Limited	100	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe 3
Newtown Leasing (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
NIB 61 Share Block (Pty) Ltd (in voluntary liquidation)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
NIB Blue Capital Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
NIB Mining Finance (Pty) Ltd	100	Ordinary	Namibia	3 Schutzen Street, Windhoek, Namibia
NIB Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Northern Consortium SPV One Investments (Pty) Ltd	100	Ordinary	Namibia	223 Independence Avenue, 11th Floor, Mutual Tower, Windhoek, Namibia
Northern Consortium SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	224 Independence Avenue, 11th Floor, Mutual Tower, Windhoek, Namibia
Northern Empowerment SPV Three Investments (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Northern Empowerment SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Oakleaf Investment Holding 83 (Pty) Ltd	100	Class A and Class B shares, Class A preference shares and class B redeemable cumulative preference shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old ICM, Inc.	100	Ordinary	USA (MD)	803 Cathedral Street, Baltimore, MD 21201
Old Mint (Pty) Ltd (previously Triangle Real Estate Fund (Pty) Ltd)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual (Africa) Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7406
Old Mutual (Bermuda) Holdings Limited	100	Ordinary	Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda
Old Mutual (Bermuda) Re Limited	100	Ordinary	Bermuda	Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual (Blantyre) Nominees Limited	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual (Malawi) Limited	100	Ordinary	Malawi	31 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual (Namibia) Black Distributors Trust	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual (Namibia) Discretionary Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual (Namibia) Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual (Netherlands) B.V	100	Ordinary	Netherlands	Luna ArenA, Herikerbergweg 182, 1101 CM Amsterdam, The Netherlands
Old Mutual (South Africa) Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual (South Africa) Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual (South Africa) Share Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual (Swaziland) Investments (Pty) Ltd	100	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual (Zimbabwe) Unclaimed Share Trust	100	Trust does not issue shares	Zimbabwe	Old Mutual Zimbabwe Limited, Mutual Gardens, No. 100 The Chase West, Emerald Hill, Harare, Zimbabwe
Old Mutual 130/30 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Absolute Return Global Bond Fund	32	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4P 4WR
Old Mutual Actuaries & Consultants (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Administradora De Fondos De Pensiones y Cesantias S.A.	100	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual Africa Private Equity Fund of Funds	100	Class A shares	Ireland	Ashley House, Morehampton Road, Dublin 4, Ireland
Old Mutual Africa Property Asset Management Company	100	Ordinary	Republic of South Africa	c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 Cyber City, Ebene, Mauritius
OLD MUTUAL AFRICAN FRONTIER FD	97	Class B shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Albaraka Balanced Fund	39	Class A, B1, B0 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Investment Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands 7405
Old Mutual Alternative Investments (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Alternative Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Investments GP (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Risk Transfer Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Solutions Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Asian Equity Income Fund	98	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ
Old Mutual Asistencia Professional S.A de C.V.	100	Ordinary	Mexico	Bosques de Ciruelos 162, Bosques de las Lomas, C,P, 11700, Ciudad de Mexico
Old Mutual Asset Managers (East Africa) Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Asset Managers (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Asset Solutions Limited[1]	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton, SO14 7AY

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Bermuda Business Services Inc.	100	Ordinary	Delaware, USA	c/o United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, Delaware 19904
Old Mutual Blended Global Equity Fund	90	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Botswana Life Insurance Company (Pty) Ltd	100	Ordinary	Botswana	Plot 64511 Unit 8, Fairgrounds, Gaborone, Botswana
Old Mutual Broad Based (Namibia Employee Share Trust)	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Business Services (Mauritius) Limited	100	Ordinary	Mauritius	Old Mutual c/o Dtos Ltd 10th Floor, Standard Chartered Tower 19 Cybercity Ebene Mauritius
Old Mutual Business Services Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Old Mutual Capital Holding (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Capital Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Capital Partners (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Capital, LLC	100	Ordinary	USA (DE)	Regency Plaza, 4643 South Ulster Street, Suite 600, Denver, CO 80237
Old Mutual Cirilium Balanced Fund	42	Accumulation R and I shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Cirilium Balanced Passive Fund	66	Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Cirilium Conservative Fund	46	Accumulation R and I shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Cirilium Conservative Passive Fund	70	Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Cirilium Dynamic Passive Fund	52	Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Cirilium Moderate Passive Fund	52	Accumulation I shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Compania De Seguros de Vida S.A.	94	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual Compass Portfolio 2	83	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Compass Portfolio 3	94	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Compass Portfolio 4	97	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Compass Portfolio 5	98	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Core Diversified Fund	86	Class A, A2, B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual CoreGrowth Product	100	CoreGrowth is a pooled life fund and does not have different classes	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Corporate Real Estate Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Credit Investments Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Customised Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Deuda Corto Plazo S.A. de C.V. Sociedad de inversion en Instrumentos de Deuda	100	Investment Fund	Mexico	Bosque de Circuelos 162 first floor, Col, Bosque de las Lomas, ZIP code 11700, Mexico City
Old Mutual Deuda Estrategica S.A. de C.V. Sociedad de Inversion en Instrumentos de Deuda	100	Ordinary	Mexico	Bosque de Circuelos 162 first floor, Col, Bosque de las Lomas, ZIP code 11700, Mexico City
Old Mutual Direct Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Dividend Access Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Dividend Access Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Emerging Markets Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Emerging Markets Local Currency Debt Fund	47	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Europe Ex UK Smaller companies Fund	64	A, I, R, R Income, R Hedged, U1, U1 Hedged, U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Europe GmbH[1]	100	Ordinary	Germany	Kaiserin-Augusta-Allee 108, 10553 Berlin, Germany
Old Mutual Finance (Namibia) (Pty) Ltd	75	Ordinary	Namibia	11th floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Finance (Pty) Ltd	75	Classes of shares include class A, B, C, D, E and F redeemable cumulative preference shares and ordinary shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Finance House 1 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Financial Services (UK) Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Old Mutual Financial Services Botswana (Pty) Ltd	100	Ordinary	Botswana	Plot 163/4 Unit 5, Gaborone International Commerce Park, Gaborone, Botswana

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Foundation (Charitable Trust)	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Foundation Management (Pty) Ltd	100	Ordinary Class A and Class B shares, Class A preference shares and class B redeemable cumulative preference shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Foundation Trust	100	Trust does not issue shares	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Fund Administration Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Fund Managers (Guernsey) Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Old Mutual Fund Managers (Guernsey) PCC Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Old Mutual Fund Services	100	Ordinary	USA	CT Corporation System, Philadelphia,
Old Mutual Funding Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual FundsNet Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Global Agg Bond	93	Class A shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Bond	30	Class A, A Income, A Hedged, B, B Income, C, C Income, S Income shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Global Currency Fund	60	Class A, B and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Emerging Markets	38	A, B, B Income, C, I, S, U2, R shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Global Emerging Markets	76	Class A, B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Global Index Trackers (UK) Limited	100	Ordinary	England & Wales	5th Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Global Investors (Asia Pacific) Limited	100	Ordinary	Hong Kong	24th Floor, Henley Building, 5 Queen's Road, Central Hong Kong
Old Mutual Global Investors (Singapore) PTE Limited	100	Ordinary	Singapore	8 Marina Boulevard, #05-02, Marina Bay Financial Centre, Singapore (018981)
Old Mutual Global Investors (UK) Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Global Investors Holdings Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Global Portfolios – Balanced Fund	100	Ordinary	Luxembourg	4, Rue Jean Monnet L-2180 Luxembourg Grand Duchy of Luxembourg
Old Mutual Global Portfolios – Cautious Fund	100	Ordinary	Luxembourg	4, Rue Jean Monnet L-2180 Luxembourg Grand Duchy of Luxembourg
Old Mutual Global Portfolios – Dynamic Fund	100	Ordinary	Luxembourg	4, Rue Jean Monnet L-2180 Luxembourg Grand Duchy of Luxembourg
Old Mutual Global REIT Fund	86	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Strategic Bond Fund	93	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Group Holdings (SA) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Health Insurance Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Holding Company (Ghana) Limited	100	Ordinary	Ghana	Provident Towers, Ring Road Central, P.O. Box 5754 Accra, Ghana
Old Mutual Holding De Colombia S.A.	94	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual Holdings (Bahamas) Limited	100	Ordinary	Bahamas	Suite 200B, 2nd Floor Centre of Commerce, One Bay Street P.O. Box N-3944 Nassau, Bahamas
Old Mutual Holdings (Guernsey) Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Holdings (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Holdings Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Insurance Company (Private) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Interest Plus Fund	76	Class A, B1, B3, B5 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual International (Guernsey) Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Old Mutual International (Ireland) Limited	100	Ordinary	Ireland	Arthur Cox Building, Earlsfort Terrace, Dublin 2 D02 CK83
Old Mutual International (Middle East) Limited	100	Ordinary shares and Class B and Class D redeemable cumulative preference shares	Dubai	7 & 8,Level 2, Gate Village 7, Dubai International Financial Centre, Dubai, 482062, United Arab Emirates
Old Mutual International Business Services Limited	100	Ordinary	Isle of Man	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Holdings Limited	100	Ordinary	Isle of Man	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Ireland Limited	100	Ordinary	Ireland	Arthur Cox Building, Earlsfort Terrace, Dublin 2, D02 CK83
Old Mutual International Isle of Man Limited	100	Ordinary	Isle of Man	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual International Trust Company Limited	100	Ordinary	Isle of Man	King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man
Old Mutual Investment Administrators (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Grade Corporate Bond	61	A, A Income, A Hedged income, A Hedged, C, U2 Hedged, I, S Hedged income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Investment Group (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Investment Group (Pty) Ltd	100	Ordinary shares and Class A, B, C, D, E, F, H and I ordinary par value shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Group Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Group Limited	100	Ordinary	Malawi	Old Mutual Building, 30 Glyn Jones Road, Blantyre
Old Mutual Investment Group Limited (Kenya)	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Investment Group Swaziland (Pty) Ltd	100	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual Investment Group Zimbabwe (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Investment Management Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Investment Partners	100	Ordinary	USA	200 Clarendon Street, 53rd FL, Boston, MA 02116
Old Mutual Investment Services (Kenya) Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Investment Services (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Investment Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Services Nominees (Namibia) (Pty) Ltd	100	Ordinary shares and Class A, B, C, D, E, F, H and I ordinary par value shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Investment Services Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Japanese Equity	54	Accumulation A, P, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Life Assurance Co (Swaziland) Limited	85	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual Life Assurance Company (Ghana) Limited	100	Ordinary	Ghana	42 Ring Road Central, Accra
Old Mutual Life Assurance Company (Malawi) Limited	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual Life Assurance Company (Namibia) Limited	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Life Assurance Company (South Africa) Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Life Assurance Company (South Africa) Limited – Guernsey Branch	100	Ordinary	Guernsey	Old Mutual Guernsey, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AW
Old Mutual Life Assurance Company (South Africa) Limited – Hong Kong Branch	100	Ordinary	Hong Kong	Old Mutual Hong Kong, 24/F Henley Building, 5 Queen's Road Central, Hong Kong
Old Mutual Life Assurance Company (South Africa) Limited – Isle of Man Branch	100	Ordinary	England & Wales	Skandia House, King Edward Road, Onchan, Isle of Man IM99 1NU

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Life Assurance Company Limited	66	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Life Assurance Company Zimbabwe Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Life Insurance Company (Pty) Ltd Botswana	100	Ordinary	Botswana	Plot 64511 Fairgrounds Gaborone
Old Mutual Life S.A. de C.V.	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D,F., Mexico
Old Mutual Liquid Macro Fund	98	Ordinary	England & Wales	Millennium Bridge House
Old Mutual Local Currency Emerging Market Debt Fund	89	A, A Income, B, B Income, C, C Income, I, U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Managed Fund	25	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Maximum Return Fund of Funds	44	Class A, B1, B2 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Medium Term Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Metis Alternative Fund (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Metis Alternative Fund Trust	100	Trust does not issue shares	Republic of South Africa	Maitland House 1, River Park, River Lane, Mowbray, 7700, South Africa
Old Mutual Metis Alternative Trust	100	Class C and L shares	Republic of South Africa	Old Mutual Investment Group, West Campus, Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Moderate Balanced Fund	64	Class A and B1 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Monthly income High yield Bond Fund	95	A, A Income, Hedged, N Income, R Income, Hedged Income shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual MSCI Africa Ex-South Africa Index Fund	99	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual MSCI Emerging ESG Index Fund	50	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual MSCI World ESG Index Fund	49	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Multi-Managers Aggressive Balanced Fund	47	Class A and B4 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Balanced Fund of Funds	72	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Cautious Fund of Fund	55	Class A, B4 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Defensive Fund of Funds	61	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Enhanced Income Fund of Funds	64	Class B4, C2, A and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Equity Fund of Funds	57	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.3	100	Class B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.4	100	Class B1, B2 and B3 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.5	100	Class B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.7	99	Class B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Maximum Return Fund	40	Class A and B4 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Money Market Fund	39	Class A, B4 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Satellite Equity Fund No. 1	69	Class B1, B2, B3 and B5 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Multi-Managers Satellite Equity Fund No. 2	92	Class B1, B2, B3 and B5 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Satellite Equity Fund No. 4	100	Class B1, B2 and B3 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Strategy (Pty) Limited (in voluntary liquidation)	100	Ordinary	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Strategy Trust	100	Trust does not issue shares	Republic of South Africa	P.O. Box 878, Cape Town 8000
Old Mutual Multi-Style Global Equity	99	Ordinary Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Namibia Dividend Access Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Dynamic Floor Fund	67	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Enhanced Income Fund	55	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Growth Fund	47	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Income Fund	42	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Managed Fund	55	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Namibia Real Income Fund	44	One class of share	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Nigeria General Insurance Company Limited	70	Ordinary	Nigeria	20 Adetokunbo Ademola Street, Victoria Island, Lagos
Old Mutual Nigeria Life Assurance Company Limited	70	Ordinary	Nigeria	235 Ikorodu Rd, Illupeju, Lagos, Nigeria
Old Mutual Nominees (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Nominees (Swaziland) (Pty) Ltd	100	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual Operadora De Fondos S.A. De C.V. Sociedad Operadora de Sociedades de Inversión	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D,F., Mexico
Old Mutual Opportunities Global Equity	54	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Pan African Fund	99	A, R, and U3 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Pension Services Company Limited	100	Ordinary	Malawi	Old Mutual Building 30 Glyn Jones Road, Blantyre, Malawi
Old Mutual Pensions Trust Ghana Limited	100	Ordinary	Ghana	Provident Towers, Ring Road Central, Accra, Ghana
Old Mutual Planeación Financiera S.A.	100	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual Properties (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Properties Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, P.O. BOX 30059 – 00100
Old Mutual Property (Pty) Ltd	100	Ordinary shares and Class A ordinary par value shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Property Investment Corporation (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Property Zimbabwe (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Rafi 40 Tracker	83	Class A, B1, B2 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Real Estate Holding Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Real Estate Zimbabwe (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Reassurance (Ireland) Limited[1]	100	Ordinary	Ireland	44 Fitzwilliam Place Dublin 2
Old Mutual Renta Variable Estrategica, S.A. de C.V., Sociedad de Inversion de Renta Variable	100	Investment Fund	Mexico	Bosque de Circuelos, 162 first floor, Col, Bosques de las Lomas, ZIP code 11700, Mexico City
Old Mutual Renta Variable Mexico S.A. de C.V. Sociedad de Inversion de Renta Variable	100	Investment Fund	Mexico	Bosque de Circuelos 162 first floor, Col, Bosque de las Lomas, Zip code 11700, Mexico City
Old Mutual Retirement Accomodation Fund (Pty) Ltd (previously known as Iracure (Pty) Ltd)	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual S.A. de C.V.	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D,F., Mexico
Old Mutual Securities (Pvt) Limited	70	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Securities Limited	70	Ordinary	Kenya	IPS Building, 6th Floor Kimathi Street, P.O. Box 50338-00200, Nairobi, Kenya

GROUP FINANCIAL STATEMENTS
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For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Securities Nominees (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Servicios Mexico S.A. de C.V.	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D.F., Mexico
Old Mutual Shared Services (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Short-Term Insurance Company (Namibia) Limited	100	Ordinary	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Short-Term Insurance (Botswana) Limited	100	Ordinary	Botswana	Plot 163/4 Unit 5, Gaborone International Commerce Park, Gaborone, Botswana
Old Mutual Sociedad Fiduciaria S.A.	87	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual South Africa Equity Trust (liquidated)	100	Trust does not issue shares	Massachusetts, USA	Washington Mall Phase II, 4th Floor, 22 Church Street, Hamilton HM 11, Bermuda
Old Mutual Specialised Finance (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Specialty Insurance Limited	100	Ordinary	Mauritius	Old Mutual c/o Dtos Ltd 10th Floor, Standard Chartered Tower 19 Cybercity Ebene Mauritius
Old Mutual Stable Growth Fund	88	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Style Premia Absolute Return Fund	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Swaziland (Pty) Ltd	99	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual Technology Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Transaction Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Transactional Services (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Trust (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Old Mutual Trust Company Limited	100	Ordinary	Ghana	42 Ring Road Central, Accra
Old Mutual UK Specialist Equity Fund Limited	80	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Unit Trust Company (Malawi) Limited	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual Unit Trust Management Co. (pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Unit Trust Management Company (Namibia) Limited	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Unit Trust Managers (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Unit Trusts (Pty) Ltd	100	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building, Mhlambanyatsi Rd, Mbabane
Old Mutual VAF (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
Old Mutual VAF 2 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
Old Mutual VAF 2 Trust	100	Trust does not issue shares	Republic of South Africa	Mutual House 1, River Park, River Lane, Mobray, 7700, South Africa
Old Mutual VAF 3 (Pty) Limited	100	Class C and L shares	Republic of South Africa	Old Mutual Investment Group, West Campus, Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual VAF 3 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
Old Mutual VAF 3 Trust	100	Trust does not issue shares	Republic of South Africa	Mutual House 1, River Park, River Lane, Mobray, 7700, South Africa
Old Mutual VAF Trust	100	Trust does not issue shares	Republic of South Africa	Mutual House 1, River Park, River Lane, Mobray, 7700, South Africa
Old Mutual Valores S.A. Comisionista de Bolsa	100	Ordinary	Colombia	Av, 19 109 A30, Bogotá, Colombia
Old Mutual Value Global Equity	56	Class A shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Wealth (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual Wealth Business Services Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Holdings Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Italy S.p.A. – to be sold 9/1/17	100	Ordinary	Italy	Via Fatebenefratelli, 3 – 20121 Milano, Italy
Old Mutual Wealth Life & Pensions Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Life Assurance Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Management Limited[1]	100	Held by OM plc	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Nominees Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Pensions Trustee Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual Wealth Private Client Advisers Limited – NEW	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Wealth Proprietary Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth Services Company Proprietary Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth Trust Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth UK Holding Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Old Mutual West Africa (Pty) Ltd (formerly known as Old Mutual Nigeria Services Company Limited)	100	Ordinary	Nigeria	235 Ikorodu Rd, Illupeju, Lagos, Nigeria
Old Mutual Woodford Equity Income	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual World Equity	62	Class A, B, C, I and S shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
Old Mutual Zimbabwe Dividend Access Trust	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Zimbabwe Limited	75	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Old Mutual Zimbabwe Nominees (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
OLD VAF 2 (Pty) Limited	100	Class C and L shares	Republic of South Africa	Old Mutual Investment Group, West Campus, Mutual Park, Jan Smuts Drive, Pinelands, 7405
OM Aberdeen Asia Pacific Fund	100	Accumulation A and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Artemis Income Fund	100	A Income, U2 Accumulation and Income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Artemis UK Special Situations Fund	100	A and U2 Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Asia Pacific Fund	33	Accumulation A Accumulation P Accumulation R Accumulation U1 Accumulation U2	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Asset Management plc	52	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Blackrock Gold & General Fund	100	A Accumulation, U2 Accumulation and Income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM BlackRock UK Special Situations Fund	100	A and U2 Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Bond 1 Fund	100	A Income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Bond 2 Fund	100	A Income and Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Bond 3 Fund	100	A and R Income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Botswana Holdco Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
OM Corporate Bond Fund	32	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Corporate Member Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OM Equity 1 Fund	100	Accumulation A shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Equity 2 Fund	100	Accumulation A shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Ethical Fund	69	Accumulation A and R shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM European Equity (ex UK) Fund	41	Accumulation A, P, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Fidelity Global Focus Fund	100	Accumulation A and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Fidelity Moneybuilder Income Fund	100	A, U2 Income and Accumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Fidelity Strategic Bond Fund	100	A and U2 Income and Accumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
OM Foundation 3 Fund	99	Accumulation A, R, U1 O Hedged, Income R and U1 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Foundation 4 Fund	100	Accumulation A, R, U1, O Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Foundation 5 Fund	100	Accumulation A, R, U1, O Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Generation Target 3 Fund	74	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Generation Target 4 Fund	92	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Generation Target 5 Fund	89	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Gilt Fund	99	Accumulation A, U2, Income A, R and U2	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Global Best Ideas Fund	65	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Global Equity Income Fund	96	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Global Property Securities Fund	77	Income A, R and Accumulation A shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Global Strategic Bond Fund	27	Income A, Accumulation A Hedged shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Group (UK) Limited[1]	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OM Henderson China Opportunities Fund	100	Accumulation A and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Henderson European Fund	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Invesco Perpetual Asian Fund	100	Accumulation A, U2 and Income U2	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Invesco Perpetual Corporate Bond Fund	100	Income A and U2, and Accumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM JPM Emerging Markets Fund	100	Income A and U2, and Accumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM JPM Natural Resources Fund	99	Accumulation A and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Latin America Holdco UK Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Monthly Income Bond Fund	65	Income and Accumulation A, P, R, U1 and U2 Accumulation shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Newton Global Income Fund	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Newton Higher Income Fund	100	Accumulation U2 30,661,705, Income A 1,130 (30/09/14)	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM North American Equity Fund	31	A, I, B, C, R, S shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Portfolio Holdings (South Africa) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OM Portfolio Holdings Zimbabwe Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
OM Schroder Tokyo Fund	100	Accumulation A, U2 and Income U2	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Schroder US Mid Cap Fund	100	Accumulation A, U2 and Income U3	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Seed Investment (UK) Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OM Spectrum 3 Fund	92	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Spectrum 4 Fund	92	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
OM Spectrum 5 Fund	92	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Spectrum 6 Fund	93	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Spectrum 7 Fund	90	Accumulation A, R, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Spectrum 8 Fund	87	Accumulation A, R, U1, U2 and U3 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Threadneedle American Select Fund	100	Accumulation A shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Threadneedle European Select Fund	100	Accumulation A and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Threadneedle High Yield Bond Fund	100	Income A, U2 andAccumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM UK Equity Income Fund	59	Income and Accumulation A, P, R, U1 and Accmulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM UK Index Fund	100	Accumulation A, R and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Voyager Diversified Fund	98	Accumulation A and R shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Voyager Global Dynamic Equity Fund	98	Accumulation A and R shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Voyager Strategic Bond Fund	76	Income and Accumulation A, P, U1 and U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM World Index Fund	100	Accumulation U2 shares	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ
OM Zimbabwe Holdco Limited	100	Ordinary	England & Wales	Millennium Bridge House, 5th floor, 2 Lambeth Hill, London, ECV 4GG
OMAM (Asia-Pacific) Limited	100	Ordinary	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
OMAM (HFL) Inc.	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM (Landmark) LLC	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808
OMAM Affiliate Holdings LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM Axiom Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMAM Charitable Foundation Inc.	100	Ordinary	USA (MA)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM Holdings Ltd.	52	Ordinary	England & Wales	5th Floor Millenium Bridge House, 2 Lambeth Hill, London, EC4V 4GG United Kingdom
OMAM Inc.	100	Ordinary	USA (DE)	Registered Agent Address is: c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808 Principal office and mailling address is: 200 Clarendon Street, 53rd Floor, Boston, MA 02116
OMAM Intermediary (Analytic) LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM Intermediary (BHMS) LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM International Ltd.	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OMAM Marketing, LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMAM Seed Holdings LLC	100	Ordinary	USA (DE)	Corporation Service Company, 2711 Centerville Rd Suite 400, Wilmington, DE 19808
OMAM UK, Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG UK
OMAM US, Inc.	100	Ordinary	USA (DE)	Secretary State of Delaware, 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808
OMAMTC Holding Company	100	Ordinary	USA (DE)	200 Clarendon House, Boston MA 02116
OMF (IOM) Limited	100	Ordinary	Isle of Man	King Edward Bay House, King Edward Road Onchan Isle of Man IM99 INU
OMFS (GGP) Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OMFS Company 1 Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OMGI Switzerland LLC	100	Ordinary	Switzerland	Schützengasse 4, 8001 Zürich
OM-Heitman Sponsored Fund Investors LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
OMIGSA Alternative Assets Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
OMIGSA Alternative Strategies plc	100	Ordinary	Ireland	New Century House, Mayor Street, International Financial Services Centre, Dublin 1 Ireland
OMIGSA Black Management Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
OMIGSA Green Hands Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMIGSA Imfundo Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405

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For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
OMIGSA International Private Equity Fund of Funds I	99	Class A and B shares	Ireland	Ashley House, Morehampton Road, Dublin 4, Ireland
OMIGSA International Private Equity Fund of Funds II	98	Class C and F shares	Ireland	Ashley House, Morehampton Road, Dublin 4, Ireland
OMIGSA Management Company Limited	100	Ordinary	Ireland	78 Sir John Rogerso's Quay Dublin 2 D02 RK57
OMIGSA Management Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
OMIGSA New Retail Fund II Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
OMIGSA Select Equity 130/30 Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park (West Campus), Jan Smuts Drive, Pinelands, 7405
OMLA Holdings Limited	100	Ordinary	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OMLACSA (Ideas) Limited Partner	100	Ordinary	Republic of South Africa	Property On Fifth, Block 5E, Mutual Park, Pinelands
OMP Africa Holding Company (Pty) Ltd	100	Ordinary	Republic of South Africa	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMP Africa Investment (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMP Management Services Pty Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMPE Fund IV Co-Investment Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMPE Fund IV Executive Trust	100	Trust does not issue shares	Republic of South Africa	West Campus Jan Smuts Drive, Pinelands, 7405
OMQI Managed Alpha GP (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
OMSA Broad-Based Employee Share Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands
OMSA Management Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands
Onenote Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton, SO14 7EJ
Onrus Manor (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Onyx Partners LLC	100	Ordinary	USA (DE)	191 N, Wacker Drive, Suite 2500, Chicago, IL 60606
Oryx Management Services (Pty) Ltd	90	Ordinary	Republic of South Africa	36 Stellenberg Road, Parow Industria, 7490
Pacific Financial Research, Inc.	100	Ordinary	USA (MA)	200 Clarendon Street, 53rd FL, Boston, MA 02116
Pacific West LogCo, LLC	100	Ordinary	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Pamela J Cum & Associates (Pty) Ltd	100	Ordinary	Republic of South Africa	Fancourt Office Park, Cnr Felstead And Northumberland Ave, North Riding, 2162
Pembroke Quilter (Ireland) Nominees Limited	100	Ordinary	Ireland	Hambledon House, 2nd Floor, 19/26 Lower Pembroke Street, Dublin 2, Ireland
Peoples Mortgage Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Positive Solutions (Financial Services) Limited	100	Class B1 shares	England & Wales	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Prestige College OPCO (RF) NPC	100	Class B1 shares	Republic of South Africa	164 Nicolson Street, Brooklyn, Pretoria
Prestige Deal Property Company (RF) Proprietary Limited	100	Ordinary	Republic of South Africa	164 Nicolson Street, Brooklyn, Pretoria
Private Equity Fund IV	100	One class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Private Equity Multi-Managed Fund	97	One class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Proclare (Pty) Ltd	100	Class A and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Pyraned Ltd	100	Class A and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
QGCI Nominees Limited	100	Ordinary	Jersey	4th Floor 28/30 The Parade St Helier Jersey JE2 3QQ
QUILPEP Nominees Limited	100	Class A and B2 shares	England & Wales	One Kingsway, London, WC2B 6AN
Quilter Cheviot Holdings Limited	100	Ordinary	England & Wales	One Kingsway, London, WC2B 6AN
Quilter Cheviot Limited	100	Class A and L shares	England & Wales	One Kingsway, London, WC2B 6AN

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Quilter Fund Management Limited	100	Class A shares	England & Wales	One Kingsway, London, WC2B 6AN
Quilter Nominees Limited	100	Class B shares	England & Wales	One Kingsway, London, WC2B 6AN
Rainbow Beach Trading 180 (Pty) Ltd	100	Class A, B1, B0 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Real Income Fund	45	Class A, B1, B2 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Real Living Spaces (Pty) Ltd (RF)	50	Class A shares	Republic of South Africa	c/o Old Mutual Alternative I, Mutual Park Jan Smuts Drive, Pinelands, Western Cape, 7405
RGP share Co Ltd	100	Class A, A3, B1, B2, C and R shares	Switzerland	Cours de Rive 14, 1204 Genève
RM Insurance Holdings Limited	51	Class B1, B2, C and R shares	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
RMB Holdings Limited	100	Class A1, B1, B2 and B3 shares	Jersey	Po Box 51, 57 Bath Street, St Helier, JE4 0XP
Rodina Investments (Pty) Ltd	100	Class A, A2, B1 and B2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Royal Deal Operations Company (RF) NPC	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Royals Deal Property (RF) (Pty) Ltd	100	Class A1, B1, B2 and C shares	Republic of South Africa	310 W F Nkomo Street, Pretoria, Gauteng Province, Gauteng, 0002
Royals Deal Property (RF) (Pty) Ltd previously known as Friedshelf 1475 (Pty) Ltd	100	Class A shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
RTC Acquisition Company, LLC	100	Class A1, B1, B2, B3, B4 and C shares	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
SA Quoted Property Fund	56	Class A, B1, B2, B4, C and C3 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Salestalk 298 (Pty) Limited	100	Class A, B2 and R shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
School and Education Grant Impact Fund of South Africa NPC (RF) (Pty) Ltd	100	Class A and C shares	Republic of South Africa	OMIGSA Building, West Campus 2, Jan Smuts Drive, Pinelands, 7406
Seaside SPV One Investments (Pty) Ltd	100	Class A1, B1, B2 and C shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Seaward Development (Pty) Ltd	100	Class A, B and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Selestia Investments Limited	100	Class A, B1, B2, B3 and C shares	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Selestia Services Limited – proposed to strike off	100	Class A1, B1, B2, C and R shares	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
Sirach Capital Management, Inc.	100	Class A and C shares	USA (WA)	200 Clarendon Street, 53rd FL, Boston, MA 02116
SIS Inflation Matching	53	Class B shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
SIS Inflation plus 1 – 3	35	Class B shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
SIS Inflation plus 3 – 5	38	Class B shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
SIS Inflation plus 5 – 7	30	Class B shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
SIS Nominees (Pty) Ltd	100	Class A, B and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Skandia America LLC	100	Class A3, B1, B3, C and R shares	Delaware, USA	200 Clarendon Street, 53rd Floor, Boston, MA 02116
Skandia Global Investments S.A.	94	Class A2, B2 and R shares	Colombia	Av, 19 109 A30, Bogotá, Colombia
Skandia UK Limited[1]	100	Class B1 and B2 shares	England & Wales	5th Floor Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
SMK Genomineerdes (Edms) Bpk	100	Class A, B1, B3, B5 and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Southern Consortium SPV One Investments (Pty) Ltd	100	Class A, B1 and C shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Southern Consortium SPV Two Investments (Pty) Ltd	100	Class A, B1, B2 and C shares	Namibia	6th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Spectrum Nominees Ltd	100	Class A, B1, B2, C and R shares	Guernsey	Fairbairn House, Rohais, St Peter Port
Spice Finance (Pty) Ltd (in voluntary liquidation)	100	Class A, A2, B1, B2, B3, B5 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Spice Insurance Limited (in voluntary liquidation)	100	Class G, H and I shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Stable Growth Fund	59	Class A, B1, B2, B3 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Strategic Implementation Services Administration (Pty) Ltd	100	Class A and B4 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Strategic Investment Services Life Company Limited	100	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Strategic Investment Services Management Company Limited	100	Class A, B4 and C shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Sustainable Housing Investment (RF) (Pty) Ltd (formerly known as Mettle Property Solutions Securitisation (RF)(Pty) Ltd)	50	Ordinary	Republic of South Africa	Old Mutual West Campus, Entrance 2, Mutual Park, 2 Jan Smuts Drive, Pinelands, 7405
Swaziland Automated Electronic Clearing House	20	Class B4, C2, A and C shares	Republic of South Africa	Central Bank of Swaziland, Mahlokohla Street, Mbabane, Swaziland
Swaziland Balanced Fund	91	Class A, B, C and D shares	Swaziland	4th Floor, PSPF Building, Mhlambanyatsi Road, Mbabane, Swaziland

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L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Swaziland Money market fund	38	Class A, B, C and D shares	Swaziland	4th Floor, PSPF Building, Mhlambanyatsi Road, Mbabane, Swaziland
Syfrets Ltd	100	Class B1 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Mortgage Nominees (RF) (Pty) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Nominees Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Participation Bond Managers (Pty) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Property Brokers (Pty) Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Securities Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Securities Nominees (Pty) Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Trust & Executor (Eastern Cape) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Syfrets Trust & Executor (Grahamstown) Co. Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
TC&I-Chinook Log Corp	100	Class A, B4 and C shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TC&I-Chinook Mananger LLC	100	Class B1 and B3 shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TC&I-Dixieland Log Corp.	100	Class B1, B2, B3 and B5 shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TC&I-Dixieland Manager, LLC	100	Class B1, B2, B3 and B5 shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TC&I-Shasta Mananger LLC	100	Class B1, B2, B3 and B5 shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TCG/Southern Diversified Manager, LLC	100	Class B1 and B3 shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
TCG-FSA, LLC	100	Class A, B1, B2 and C shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Telle Investments (Pty) Ltd	100	Class A, B1, B2 and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The Board of Executors	100	Class A, B1, B2, B4, C and C3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The Board of Executors Mortgages (Pty) Ltd	100	Class A, B1, B2, B3 and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The C.O.C. Trust Company Ltd	100	Class A, A12 and B1 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The Campbell Group, Inc.	100	Class A, B1, B2, C and R shares	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
The Colonial Orphan Chamber & Trust Company	100	Class C and L shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The Correlation Fund (Pty) Ltd	100	Class A shares	Republic of South Africa	West Campus, Mutual Park, Jan Smuts Drive, Pinelands, 7405
The Correlation Fund Trust	100	Trust does not issue shares	Republic of South Africa	Maitland House 1, River Park, River Lane, Mowbray, 7700, South Africa
The General Estate & Orphan Chamber	100	Class C and F shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
The IR Company	100	Class A, B, C and D shares	USA (IL)	200 Clarendon Street, 53rd FL, Boston, MA 02116
THE KIRKNEY SECURITISATION OWNER TRUST	100	Trust does not issue shares	Republic of South Africa	Maitland House 1, River Park, Gloucester Road, Mowbray, Cape Town 7700
The Masisizane Fund	100	One class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
The Motor Finance Corporation (Pty) Ltd	100	Ordinary	Republic of South Africa	24 Archter Road, Paulshof, 2191
The Mutual & Federal Black Broker Trust	100	Trust does not issue shares	Republic of South Africa	Mutual & Federal Centre, 75 President Street, Johannesburg
The Mutual & Federal Community Trust	100	Trust does not issue shares	Republic of South Africa	Mutual & Federal Centre, 75 President Street, Johannesburg
The Mutual & Federal Management Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutual & Federal Centre, 75 President Street, Johannesburg
The Mutual & Federal Namibia Discretionary Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
The Mutual & Federal Namibia Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
The Mutual & Federal Namibia Senior Black Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
The Mutual & Federal Senior Black Management Trust	100	Trust does not issue shares	Republic of South Africa	Mutual & Federal Centre, 75 President Street, Johannesburg
The Old Mutual (South Africa) Foundation	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
The Old Mutual Black Distributors Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
The Old Mutual Education Trust	100	Trust does not issue shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
The South African Association	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Thembokwesi SPV (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Think Synergy Limited	100	Ordinary	England & Wales	Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY
Thompson, Siegel & Walmsley LLC	74	Ordinary	USA (VA)	6806 Paragon Pl., Ste, 300, Richmond, VA 23230
Three Anchor Investments (Pvt) Limited	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West, Emerald Hill, Harare
Toontjiesrivier Landgoed (Edms) Bpk	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Top Companies Fund	41	Class A, B1, B2, C and R shares	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Triangle Real Estate India Fund	100	One class of share	Mauritius	6th Floor, Tower A, 1 CyberCity, Ebene, Republic of Mauritius
TS&W Investment GP LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
TS&W Investment Holdings LP	4	Ordinary	USA (DE)	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808, U,S,A,
UAM Columbia Holdings, LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
UAM Retirement Plan Services, Inc.	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
UAM UK Holdings Limited	100	Ordinary	Scotland	Quartermile Two, 2 Lister Square, Edinburgh, Midlothian, EH3 9GL
UAM/CEPS 1, LLC	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
UAP Africa Limited	100	Ordinary	Mauritius	2nd Floor, The AXIS, 26 Bank Street, Cybercity, Ebene 72201
UAP Credit Services	100	Ordinary	Kenya	Bishops Garden Towers, 7th Floor, Bishops Road; P.O. Box 43013 – 00100
UAP Financial Services Limited	94	Ordinary	Uganda	Nakawa Business Park, 6th Floor, Plot 3 – 5, New Portbell Road; P.O. Box 1610, Kampala
UAP Global Services	100	Ordinary	Mauritius	2nd Floor, The AXIS, 26 Bank Street, Cybercity, Ebene 72201
UAP Holdings Limited	61	Ordinary	Kenya	Bishops Garden Towers, 8th Floor, Bishops Road; P.O. Box 43013 – 00100
UAP Insurance Company Limited	100	Ordinary	Kenya	Bishops Garden Towers, 7th Floor, Bishops Road; P.O. Box 43013 – 00100
UAP Insurance Rwanda Limited	100	Ordinary	Rwanda	Grand Pension Plaza, 7th Floor BP 6644 Kigali Rwanda
UAP Insurance South Sudan Limited	100	Ordinary	South Sudan	UAP Plaza, Hai Cinema Opposite Al-Sabah Children Hospital P.O. Box 201 Juba
UAP Insurance Tanzania Limited	60	Ordinary	Tanzania	Barclays House, 4th Floor, Ohio Street; P.O. Box 71009, Dar es Salaam
UAP Insurance Uganda Limited	53	Ordinary	Uganda	Plot 1, Kimathi Avenue P.O. Box 7185 Kampala Uganda
UAP Investments Limited	100	Ordinary	Kenya	3rd Floor I&M Building, 2nd Ngong Avenue, Nairobi, Kenya
UAP Investments Limited	100	Ordinary	Mauritius	c/o Axis Fiduciary Ltd, 2nd Floor, The AXIS, 26 Cybercity, Ebene 72201, Mauritius
UAP Life Assurance Limited	100	Ordinary	Kenya	Bishops Garden Towers Mezzanine Floor Bishops Road P.O. Box 23842 – 00100
UAP Life Assurance Uganda Limited	53	Ordinary	Uganda	Nakawa Business Park, 6th Floor Plot 3 – 5, New Portbell Road P.O. Box 1610, Kampala
UAP Properties Limited	100	Ordinary	Kenya	Bishops Garden Towers 7th Floor Bishops Road P.O. Box 30165 – 00100
UAP Properties Limited	100	Ordinary	Mauritius	c/o Axis Fiduciary Ltd, 2nd Floor, The AXIS, 26 Cybercity, Ebene 72201, Mauritius
UAP Properties Limited	55	Ordinary	Uganda	Plot 1, Kimathi Avenue P.O. Box 7185 Kampala Uganda
UAP Properties Limited	70	Ordinary	South Sudan	UAP Plaza, Hai Cinema Opposite Al-Sabah Children Hospital P.O. Box 201 Juba
UAP RDC sprl	100	Ordinary	Democratic Republic of the Congo	Bureau n° 3-0-B12 Kavali Center, n° 10/13 Croisement Av, Mutombo Katshi et Equateur Kinshasa/ Gombe,
UAP Trust Corporation	100	Ordinary	Kenya	Bishops Garden Towers 7th Floor Bishops Road P.O. Box 43013 – 00100
United Asset Management Corporation	100	Ordinary	USA (DE)	200 Clarendon Street, 53rd FL, Boston, MA 02116
Urban Impact Properties Limited	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, Cape Town Western Cape, 7405,
Uvest Housing Portfolio 2 (RF) Proprietary Limited	100	Ordinary	Republic of South Africa	Madison Square, 5th Floor, 4 Howick Close, Corner Bill Bezuidenhout Avenue & Carl Cronje Avenue
Villager Investments No. 1 (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196

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L2: Related undertakings of the Group continued
(a) Group subsidiaries continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Visigro Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Haumann Rodger, Shiraz House, The Vineyards Office Estate, 99 Jip De Jager Road, Bellville, 7536
Western SPV One Investments (Pty) Ltd Namibia	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Western SPV Three Investment (Pty) Ltd	100	Ordinary	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Western SPV Two Investments (Pty) Ltd	100	Ordinary	Namibia	M&F Centre, 227 Independence Avenue, Windhoek, Namibia
Winter Breeze Investment Holding Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
WPS Capital Management LLC	50	Ordinary	USA (DE)	6806 Paragon Pl., Ste, 300, Richmond, VA 23230
Zadar Investments SPV 2 (Pty) Ltd	100	Ordinary	Republic of South Africa	1402 Burger Street, Rondebosch, Cape Town 8000 South Africa
ZLE Developments (Pty) Ltd	100	Ordinary & preference	Republic of South Africa	Tygervalley Chambers Four, 2nd Floor, 27 Willie van Schoor drive, Bellville, Western cape 7530

1 Held directly by the Company

(b) Investments in associated undertakings
The table below sets out the Group's investments in associated undertakings and entities where the Company directly or indirectly owns at least 20% of the voting rights. All shares are held indirectly by the Company (unless indicated).

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
360 dot net Limited	13	Ordinary	England & Wales	12-14 Upper Marlborough Road, ST Albans, Hertfordshire AL1 3UR
Aard Mining Equipment (Pty) Ltd	49	Ordinary	Republic of South Africa	48 Jacob Street, Chamdor, Krugersdorp, 1739
Aquarella Investments 509 (Pty) Ltd	28	Ordinary	Republic of South Africa	Suite 415 1st Floor Block 4, Island Office Park, 35-37 Island Circle, Riverhorse Valley East, Kwa-Zulu Natal, 4017
Bora Mall (Pty) Ltd	35	Ordinary	Republic of South Africa	First Floor, Building B Riviera Office Park, 6-10 Riviera Road, Killarney 2193
Bea Ned (Pty) Ltd	50	Ordinary	Republic of South Africa	4th Floor, 151 Musgrave Road, Durban, 4001
Bond Choice (Pty) Ltd	29	Ordinary	Republic of South Africa	3rd Floor Bond Choice Building, 2 Silverton Road, Musgrave, Durban, 4001
Campuskey (Pty) Ltd	20	Ordinary	Republic of South Africa	2 Groeneweide Street, Stellenbosch 7600
Cape Commodities Traders and Investors 9 (Pty) Ltd	35	Ordinary	Republic of South Africa	Legacy House, 5 Autumn Street, Rivonia 2128
Capricorn Business and Technology Park (Pty) Ltd	33	Ordinary	Republic of South Africa	87 Capricorn Boulevard, Capricorn Park, Muizenberg, Western Cape 7945
Clifton Dunes Investments 487 (Pty) Ltd	22	Ordinary	Republic of South Africa	Emwil House West, 15 Pony Street, Tijgervallei Office, Silver Lakes, 0081
Consep Developments (Pty) Ltd	31	Ordinary	Republic of South Africa	Unilong House, Cnr Georginia & Paul Kruger St, Horizon, Roodepoort, 1724
CRD Management Company (Pty) Ltd	40	Ordinary	Republic of South Africa	6 Goodenough Avenue Epping 2 Goodwood, 7460
Crossroads Distribution (Pty) Ltd	40	Ordinary	Republic of South Africa	6 Goodenough Avenue Epping 2 Goodwood, 7460
Datacraft Mexico SA de CV	40	Ordinary	Mexico	Av Insurgentes, Sur 1106, 11 Piso, Nochebuena 03720 Mexico
Ecobank Transnational Incorporated	21	Ordinary	Togo	2365 Boulevard du Mono, Lome, Republic of Togo
Elderberry Investments 110 (Pty) Ltd	49	Ordinary	Republic of South Africa	Suite 4, Do Vale Centre, Shepstone Street, Camperdown, 3720
Eveready (Pty) Ltd	20	Ordinary	Republic of South Africa	30 Bird Street, Central, Port Elizabeth, 6001
Farm Bothasfontein (Kyalami) (Pty) Ltd	30	Ordinary	Republic of South Africa	Gatehouse, Kyalami Grand Prix Circuit, Allandate and Kyalami Main Road, Midrand, 1683

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Farm Rietfontein 31 (Pty) Ltd	30	Ordinary	Republic of South Africa	Unit B, 3rd Floor, 20 The Piazza, Melrose Arch, Atholl Oaklands Road, Melrose North, Johannesburg, 2196
Finishing Touch Trading 55 (Pty) Ltd	20	Ordinary	Republic of South Africa	Mazars House, Rialto Road, Grand Moorings Precinct, Century City, 7441
Firefly Investments 74 (Pty) Ltd	35	Ordinary	Republic of South Africa	Building 7, 1st Floor, Pinewood Office Park, 33 Riley Road,Woodmead
Friedshelf 1168 (Pty) Ltd	40	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Friedshelf 1514 (Pty) Ltd	40	Ordinary	Republic of South Africa	6 Goodenough Avenue Epping 2 Goodwood, 7460
Gateway Central Park (Pty) Ltd	30	Ordinary	Republic of South Africa	6 Beverley Drive, Westville, 3629
Gateway Park Avenue (Pty) Ltd	45	Ordinary	Republic of South Africa	6 Beverley Drive, Westville, 3629
Golddurb Investments (Pty) Ltd	25	Ordinary	Republic of South Africa	94 Regency Drive, Cnr Soverein & Regency Drive, Route 21 Corporate Park, Irene 0062
Golden Pond Trading 350 (Pty) Ltd	20	Ordinary	Republic of South Africa	1st Floor Northern Entrance, 24 Richefond Circle, Ridgeside Office Park, Umhlance Rocks 4319
Great Fish River Wind Farm (Pty) Ltd	25	Ordinary	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
Great Karoo Wind Farm	40	Ordinary	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
Hazeldean Retreat (Pty) Ltd	20	Ordinary	Republic of South Africa	1st Floor, Gleneagles Building, Fairway Office Park, 52 Grosvenor Road, Bryanston, 2021
Heitman LLC	50	Ordinary	USA (DE)	191 North Wacker Drive, Chicago, IL 60606
Ideal Infinity Services (Pty) Ltd	20	Ordinary	Republic of South Africa	33 Ashford Road, Parkwood, Johannesburg 2193
Iliza Elitsha JV Co (Pty) Ltd	33	Ordinary	Republic of South Africa	Abcon House, Fairway Office Park 52 Grosvenor Road Bryanston, Bryanston, 2021.
Imbumba Aganang Private Party (Pty) Ltd	24	Ordinary	Republic of South Africa	79 Hyde Lane, First Floor, South Block, Hyde Park, 2196
Infrastructure Empowerment Fund Managers (Pty) Ltd	50	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
Investment Counselors of Maryland, LLC	100	Ordinary	USA (DE)	803 Cathedral Street, Baltimore, MD 21201
Isegen South Africa (Pty) Ltd	45	Ordinary	Republic of South Africa	284 Refinery Road, Sapref Park, isipingo,Kwazulu Natal, 4110
Ixia Trading 630 (Pty) Ltd	35	Ordinary	Republic of South Africa	46 Main Road, Bergvliet, 7945
Izwe Loans Securitisation (Pty) Ltd	27		Republic of South Africa	9 Wellington Road, Parktown, 2193
Klein Steenberg (Pty) Ltd	33	Ordinary	Republic of South Africa	30 Bird Street, Central, Port Elizabeth
Kotak Mahindra Old Mutual Life Insurance Company Limited[1]	26	Ordinary	India	6th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatroa Kadam Marg, Lower Parel, Mumbai, India
L&C Coinvest, LLC	50	Ordinary	USA (DE)	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 09801
Liberty Lane 329 (Pty) Ltd	33	Ordinary	Republic of South Africa	RPP House, The Braes Office Park, 139 Bryanston Drive, Bryanston, 2191
Little Green Beverages (Pty) Ltd	30	Ordinary	Republic of South Africa	24A Taute Street Ermelo, 2351
Lulama Property Management (Pty) Ltd	49	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Manappu Investments (Pty) Ltd	20	Ordinary	Republic of South Africa	33 Ashford Road, Parkwood, Johannesburg 2193
Masingita Property Investment Holdings (Pty) Ltd	35	Ordinary	Republic of South Africa	4 Wabord Road, Parktown, Johannesburg 2193
Mercury Administrator and Underwriter Agency (Pty) Ltd	25	Ordinary	Republic of South Africa	19&21 Totius Str, Potchefstroom 2531
Metropolis Health Services (Pty) Ltd	49	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
NamClear (Pty) Ltd	25	Ordinary	Namibia	c/o Deloitte and Touche, P.O. Box 47, Windhoek
Nedglen Property Developments (Pty) Ltd	35	Ordinary	Republic of South Africa	Mazars House, Rialto Road, Grand Moorings Precinct, Century City, 7441
Northants Property Enterprises (Pty) Ltd	50	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, South Africa, 2196
Nxuba Wind Farm (RF) (Pty) Ltd	40	Ordinary	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, 7700
Odyssey Developments (Pty) Ltd	49	Ordinary	Republic of South Africa	La Rocca Office Park, Block B 1st Floor, C/O main and Petunia Road, Byranston 2191
Off The Shelf Investments Forty One (Pty) Ltd	33	Ordinary	Republic of South Africa	The President Office Suites, 4 Alexander Road Bantry Bay, Cape Town, WC 8001
Old Mutual Trust (Namibia) Ltd	50	Ordinary	Namibia	12-20 Dr Frans Indongo Str, Windhoek, Namibia
Old Mutual US Dollar Money Market Fund	50	Ordinary	Mauritius	NTS Office, Level 5, Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius
Olievenhout Plaza Share Block (Pty) Ltd	25	Ordinary	Republic of South Africa	Sokatumi Estate, Leyden Avenue, Clubview Centurion, Gauteng, 0157
Oukraal Developments (Pty) Ltd	30	Ordinary	Republic of South Africa	Abcon House, Fairway Office Park 52 Grosvenor Road Bryanston, Bryanston, 2021.
Pacific Eagle Properties 13 (Pty) Ltd	25	Ordinary	Republic of South Africa	Ridgeside Campus, 2 Ncondo Place, Umhlanga, 4320
Payments Association of Lesotho Ltd	20	Ordinary	Lesotho	Central Bank of Lesotho, P.O.Box 1184, Corner Airport and Moshoeshoe Roads, Maseru 100, Lesotho
Pearldale Property Developers (Pty) Ltd	35	Ordinary	Republic of South Africa	46 Main Road, Bergvleit, 7945
Platin Underwriting Managers (Pty) Ltd	40		Republic of South Africa	152 Bryanston Drive, Sandton, 2191
POD Property Fund (Pty) Ltd	49	Ordinary	Republic of South Africa	Abcon House, Fairway Office Park 52 Grosvenor Road Bryanston, Bryanston, 2021.
Polkadots Properties 117 (Pty) Ltd	50	Ordinary	Republic of South Africa	48 Jacob Street, Chamdor, Krugersdorp, 1739
Positivo (Pty) Ltd	30	Ordinary	Republic of South Africa	Suite 9C Waterkloof Rand Shopping C, C/R Rigel Avenue and Buffeldrift ST, Erasmusrand, Gauteng, 0181 37 Third Street, Delmas,2210

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued
(b) Investments in associated undertakings continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Povimix (Pty) Ltd	30	Ordinary	Republic of South Africa	323 Lynnwood Road, Menlo Park 0081
Primedia Interactive (Pty) Ltd	42	Ordinary	Republic of South Africa	6th Floor, Primedia Place, 5 Gwen Lane, Sandown, 2196
Primedia Lifestyle (Pty) Ltd	50	Ordinary	Republic of South Africa	7th Floor, Primedia Place, 5 Gwen Lane, Sandown, 2196
Pro-Active Health Solutions (Pty) Ltd	38	Ordinary	Republic of South Africa	1st Floor, Block A, Upper Grayston Office Park, 150 Linden Road, 2031
Quintado 126 (Pty) Ltd	25	Ordinary	Republic of South Africa	1st Floor Suite 101, Mill Square Offices, 12 Plein Street, Stellenbosch 7599
Raiden Investments (Pty) Ltd	40	Ordinary	Republic of South Africa	Unit B, 3rd Floor, 20 The Piazza, Melrose Arch, Atholl Oaklands Road, Melrose North, Johannesburg, 2196
Real People Home Improvement Finance (Pty) Ltd	25	Ordinary	Republic of South Africa	Real People Views, 12 Esplanade Road, Quigney, East London 5201
Real People Investment Holdings (Pty) Ltd	26	Ordinary	Republic of South Africa	Pappagallo Penthouse Offices, 12 Esplanade Road, Quigney, East London, 5201
Robow Investments No 47 (Pty) Ltd	50	Ordinary	Republic of South Africa	1st Floor, North Wing, Nedbank Clock Tower, V&A Waterfront, 8001
RSPCE Devco (Pty) Ltd	30	Ordinary	Republic of South Africa	26 Charles De Gaulle Street, The Greens Office Park, Highveld, Gauteng, 0157
RZT Zelby 4558 (Pty) Ltd	25	Ordinary	Republic of South Africa	5th Floor, The Spinnaker, Albert Terrace, Durban
S.B.V. Services (Pty) Ltd	25	Ordinary	Republic of South Africa	SBV House,Corner Of 11th Avenue & 8th Street, Houghton, 2198, Johannesburg
Schools and Education Investment Impact Fund of South Africa	20	Trust does not issue shares	Republic of South Africa	Old Mutual Investment Group (South Africa) (Proprietary) Limited, Mutual Park, Jan Smuts Drive, Pinelands, 7405 Cape Town
Sethekho Private Party (Pty) Ltd	35	Ordinary	Republic of South Africa	10 Fricker Road, Illovo Boulevard, Illovo, 2196
Setsing Financial Services (Pty) Ltd	35	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Seventy Five On Maude (Pty) Ltd	49	Ordinary	Republic of South Africa	Legacy House, 5 Autumn Street, Rivonia
Silver Meadow Trading 255 (Pty) Ltd	40	Ordinary	Republic of South Africa	Inframax House, Sunrise Park, Prestige Drive, Sunrise Circle, Ndabeni, 7405
Skynet South Africa (Pty) Ltd	40	Ordinary	Republic of South Africa	6 Goodenough Avenue Epping 2 Goodwood, 7460
South African Bankers Services Company Ltd	23	Ordinary	Republic of South Africa	243 Booysen Road, Selby, Johannesburg, 2001
South African Roll Company (Pty) Ltd	50	Ordinary	Republic of South Africa	8 McColm Boulevard, Vanderbijlpark, 1911
Stella SGS Investments (Pty) Ltd	33	Ordinary	Republic of South Africa	60 Craddock Avenue, Dunkeld 2196
Ten Kaiser Wilhelm Strasse (Pty) Ltd	50	Ordinary	Namibia	10 Sam Nujoma Street, Swakopmund
The Heron Banks Development Trust	50	Ordinary	Republic of South Africa	Abcon House, Fairway Office Park 52 Grosvenor Road Bryanston, Bryanston, 2021.
The Waterbuck Trust	40	Ordinary	Republic of South Africa	17 Kosi Place, Umgeni Business Park, Durban, 4091
The Woodlands Property Trust	20	Ordinary	Republic of South Africa	6th Floor, 4 Sandown Valley Crescent, Sandton, 2196
UFFM Management (Pty) Ltd	27	Ordinary	Republic of South Africa	Moores Rowland 1 Thibault Square Cape Town 8001
Walvis Bay Land Syndicate (Pty) Ltd	50	Ordinary	Namibia	38, 11th Road, Walvis Bay
Whirlprops 33 (Pty) Ltd	49	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Winelands Business Park (Pty) Ltd	40	Ordinary	Republic of South Africa	Ground Floor, Douglas MurrayHouse, 18 Protea Road, Claremont ,7708
Women's Investment Portfolio Holdings Limited	33	Ordinary	Republic of South Africa	29 Central Street, Houghton, 2198
WPS Capital Management LLC	50	Ordinary	USA (DE)	6806 Paragon Pl., Ste. 300, Richmond, VA 23230

1 Held directly by the Company.

(c) Investments in joint ventures

The table below includes the Group's investments in joint ventures. All shares are indirectly held by the Company and the financial year end of all companies is 31 December, unless otherwise stated. All of the joint ventures are strategic in the Group's underlying operating model. The joint ventures are evaluated according to the Groups' contractual rights to jointly control the entity.

Name	Percentage holding	Country of incorporation	Registered Office Address
ACED Bedford Wind Farm (Pty) Ltd[1]	50	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
ACED De Aar Solar PV Park 2 (Pty) Ltd[2]	50	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
ACED Renewables Flagging Trees (Pty) Ltd (in voluntary liquidation)[2]	50	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
ACED Renewables Hidden Valley (Pty) Ltd[2]	50	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
African Clean Energy Developments (Pty) Ltd[2]	50	Republic of South Africa	2nd Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
African Infrastructure Investment Fund 2 General Partner (Pty) Ltd	50	Mauritius	Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700, South Africa.
AIIM Hydroneo (Pty) Ltd	50	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis, Mauritius
Annapurna Capital (Pty) Ltd	30	Republic of South Africa	Gleneagles Fiarway Office Park, 52 Grosvenor Road, Bryantson, 2021
Bay West City (Pty) Ltd	25	Republic of South Africa	Eikestad Mall, 43 Andringa Street, 3rd Floor, Stellenbosch, 7600
Billion Property Developments (Pty) Ltd (Forest Hill Retail)	25	Republic of South Africa	3rd Floor Palazzo Towers West, Montecasino Boulevard, Fourways 2055
Blue Horison Properties 49 (Pty) Ltd (Mont Blanc)	25	Republic of South Africa	4th Floor, Building 1 Illovo Edge, cnr Fricker and Harries Rd, Illovo 2196
Blue Waves Properties 150 (Pty) Ltd (Sandton Hotel)	50	Republic of South Africa	152 Western Services Road, Woodmead, 2128
Century City JV	50	Republic of South Africa	Erf 5020 Montague Gardens at Century City, Cape Town
Community Growth Management Company Ltd[3]	50	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Copperzone 163 (Pty) Ltd	20	Republic of South Africa	24A Taute Street, Ermelo 2351
Curo Fund Services (Pty) Ltd	50	Republic of South Africa	Building 2, Mispel Street, Parc du Cap, 7530 Belville
Faldorite (Pty) Ltd	50	Republic of South Africa	Allhart Office Park Kalahari Building, 152 Western Services Road, Woodmead, Gauteng 2191
Greater Atlantic Properties (Pty) Ltd	20	Republic of South Africa	24A Taute Street, Ermelo 2351
Ibunti Trade 79 (Pty) Ltd (Flowers Edge)	15	Republic of South Africa	186 Corobay Avenue, Menlyn 0181
Imbali Props 21 (Pty) Ltd	20	Republic of South Africa	1 Richefond Circle, Ridgeside Office Park, Umhlanga 4319
Imbumba Aganang Facility Management Company (Pty) Ltd	50	Republic of South Africa	79 Hyde Lane, First Floor, South Block, Hyde Park, 2196
Lion Hill Development Company (Pty) Ltd	40	Republic of South Africa	5th Floor, 14 Long Street, Cape Town, 8001
Mooikloof JV (Forum SA Trading 284 (Pty) Ltd)	25	Republic of South Africa	Allhart Office Park, 152 Western Services Road, Woodmead, Sandton
Mthatha Mall (Pty) Ltd	30	Republic of South Africa	3rd Floor Palazzo Towers West, Montacasino Boulevard, Fourways 2055
Newmarket Property Developments JV	40	Republic of South Africa	7 Danie Theron Street, Alberante Extension, Alberton, 1449
Nickimanzi (Pty) Ltd	29	Republic of South Africa	Unit 8 Block B, 34 Impala Road, Chiselhurston, Gauteng, 2196
Nisamart (Pty) Ltd (The Warehouse Hotel)	50	Republic of South Africa	Allhart Office Park Kalahari Building, 152 Western Services Road, Woodmead, Gauteng, 2191
Old Mutual Trusts (Namibia) Ltd	50	Namibia	11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek
Old Mutual US Dollar Money Market Fund	50	Namibia	C/o NTS Office, 5th Floor Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius
Old Mutual-Guodian Life Insurance Company Limited	50	China	10th Floor, Building 1 of China Center, No. 81 Jianguo Road, Beijing
OMIGPI Kerr Property Developers (Pty) Ltd	50	Republic of South Africa	71 Cotswold Drive,Westville,, 3629
OMPE GP IV (Pty) Ltd	50	Republic of South Africa	West Campus Mutual Park, Jan Smuts Drive, Pinelands, Cape Town, 7405
Parsec Properties (Pty) Ltd	15	Republic of South Africa	76 Regency Drive, Route 21 Corporate Park, Irene 72, Gauteng, 1667
Pioneer Property Zone (Pvt) Ltd	50	India	A-401,Business Square Solitaire Corporate Park, Chakala, Anderheri (East) , Mumbai -400093 India
Savannah City Developments (Pty) Ltd (formerly known as Sugar Creek Trading 101 (Pty) Ltd)	50	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Soetwater Wind Farm	50	Republic of South Africa	FernwoodHouse, 2ndFloor, The Oval, 1 Oakdale Road, Newlands, 7700, Cape Town
Space Securitisation (Pty) Ltd	50	Republic of South Africa	Old Mutual Alternative Investments, Omig Building Entrance 2 West Campus, Mutual Park Jan Smuts Drive, Pinelands, Western Cape 7405
The Boulevard Joint Venture	50	Republic of South Africa	Faircape Property Group, 1st Floor, Old Warehouse Building, Blackrivier Park, Fir Steet, Observatory
The MPI Trust and Linton Projects (Pty) Ltd JV	20	Republic of South Africa	Abcon House, Fairway Office Park, 52 Grosvenor Road, Bryanston, 2021
Tirasano Facilities Management (Pty) Ltd	50	Republic of South Africa	Tsebo House, 7 Arnold Road, Rosebank, 2196
Triangle Real Estate India Fund Managers (Pty) Ltd	50	Mauritius	c/o Abax Corporate Services Ltd, Level 6, One Cathedral Square Building, Jules Koenig Street, Port Louis, Mauritius
Wilriet Properties (Pty) Ltd (The Terraces)	25	Republic of South Africa	First Floor, Block 2, Freestone Office Park, 135 Patricia Road, Sandown 2196

1 Year end: 28 February

2 Year end: 31 March

3 Year end: 30 September.

GROUP FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2016

L2: Related undertakings of the Group continued

(d) Other qualifying undertakings

The Company is indirectly a member of the following Limited Partnerships which are consolidated into the Company's Group financial statements

Name	Country of incorporation	Registered Office Address
BHMS Investment Holdings LP	USA (DE)	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808, U.S.A.
Lincoln Timber LP	USA (DE)	One SW Columbia, Suite 1700, Portland, Oregon 97258
Millpencil (US) LP	USA (DE)	Corporation Service Company, 27/11 Centerville Road, Suite 400, Wilmington, DE 19808
TS&W Investment Holdings LP	USA (DE)	2711 Centerville Road, Suite 400, Wilmington, County of New Castle, DE 19808, U.S.A.

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016	Notes	**Year ended 31 December 2016**	Year ended 31 December 2015 £m
Assets			
Investments in Group subsidiaries	2	**5,457**	5,562
Investments and securities	3	**163**	226
Investments in associated undertakings and joint ventures	4	**26**	26
Trade, other receivables and other assets	5	**4,119**	4,951
Derivative financial instruments – assets	6	**77**	60
Cash and cash equivalents		**570**	443
Total assets		**10,412**	11,268
Liabilities			
Borrowed funds	7	**1,023**	1,102
Provisions	8	**7**	–
Trade, other payables and other liabilities	9	**3,944**	4,426
Derivative financial instruments – liabilities	6	**69**	6
Total liabilities		**5,043**	5,534
Net assets		**5,369**	5,734
Equity			
Equity attributable to equity holders of the parent		**5,369**	5,734
Total equity		**5,369**	5,734

The Company's financial statements on pages 309 to 317 were approved by the Board of Directors on 8 March 2017.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

Company registered number: 03591559

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2016		£m
	Year ended 31 December 2016	Year ended 31 December 2015
(Loss)/Profit after tax	**(169)**	83
Recognition of impairment losses	**89**	158
Profit arising on disposal of subsidiaries, associates, joint ventures and strategic investments	**(10)**	–
Fair value movement on derivatives and borrowed funds	**83**	(12)
Foreign exchange movement on assets and liabilities	**(12)**	–
Non-cash movements in profit after tax	**150**	146
Other operating assets and liabilities	**150**	237
Changes in working capital	**150**	237
Net cash inflow from operating activities	**131**	466
Net disposal of financial investments	**(7)**	–
Net movement of interests in subsidiaries, associates, joint ventures and strategic investments	**–**	(4)
Disposal of interests in subsidiaries, associates, joint ventures and strategic investments	**44**	30
Other investing cash flows	**71**	122
Net cash inflow from investing activities	**108**	148
External interest received	**38**	38
External interest paid	**(63)**	(62)
Intercompany interest paid	**(151)**	(146)
Dividends paid to:		
Ordinary shareholders of the Company	**(160)**	(173)
Preferred security interests	**(15)**	(30)
Net proceeds from issue of ordinary shares	**2**	187
Subordinated and other debt issued	**–**	450
Subordinated and other debt repaid	**(116)**	(264)
Loan financing received/(paid to) from Group companies	**353**	(823)
Net cash outflow from financing activities	**(112)**	(823)
Net increase in cash and cash equivalents	**127**	(209)
Cash and cash equivalents at beginning of the period	**443**	652
Cash and cash equivalents at end of the year	**570**	443

FINANCIAL STATEMENTS OF THE COMPANY
COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016	**Millions**						**£m**
	Number of shares issued and fully paid	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings***	**Perpetual preferred callable securities**	**Total**
Shareholders equity of the Company at beginning of the year	4,928	563	1,040	1,400	2,458	273	5,734
Loss for the year	–	–	–	–	(183)	14	(169)
Items that will not be reclassified subsequently to profit and loss							
Actuarial gain on defined benefit plan	–	–	–	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	–	(193)	14	(179)
Dividends for the year	–	–	–	–	(159)	(17)	(176)
Tax relief on dividends paid	–	–	–	–	(3)	3	–
Other movements in share capital and share-based payment reserve	2	–	2	–	(40)	–	(38)
Fair value of equity settled share options	–	–	–	28	–	–	28
Shareholders' equity of the Company at end of the year	4,930	563	1,042	1,428	2,063	273	5,369

Year ended 31 December 2015	Millions						£m
	Number of shares issued and fully paid	Share capital	Share premium	Other reserves	Retained earnings*	Perpetual preferred callable securities	Total
Shareholders' equity of the Company at beginning of the year	4,906	560	857	1,473	2,498	526	5,914
Profit for the year	–	–	–	–	59	24	83
Items that will not be reclassified subsequently to profit and loss							
Actuarial loss on defined benefit plan	–	–	–	–	1	–	1
Total comprehensive income for the year	–	–	–	–	60	24	84
Dividends for the year	–	–	–	–	(173)	(30)	(203)
Tax relief on dividends paid	–	–	–	–	(6)	6	–
Merger Reserve realised	–	–	–	(90)	90	–	–
Preferred securities purchased	–	–	–	–	(11)	(253)	(264)
Other movements in share capital and share-based payment reserve	22	3	183	–	–	–	186
Fair value of equity settled share options	–	–	–	17	–	–	17
Shareholders' equity of the Company at end of the year	4,928	563	1,040	1,400	2,458	273	5,734

*Included within retained earnings of £2,063 million (2015: £2,458 million) are distributable reserves of £2,059 million (2015: £2,440 million)

Other reserves		**£m**
	Year ended 31 December 2016	Year ended 31 December 2015
Merger reserve	**1,252**	1,252
Share-based payment reserve	**152**	124
Cancellation of treasury shares	**24**	24
Attributable to equity holders of Company at end of the year	**1,428**	1,400

FINANCIAL STATEMENTS OF THE COMPANY
NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Financial assets and liabilities
Company statement of financial position
The Company is principally involved in the management of its investments in subsidiaries, with its risks considered to be consistent with those in the operations themselves. Full details of the financial risks are provided in the Group financial statements, note F3. The most important components of financial risk for the Company itself are interest rate risk, currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Company financial statements have been prepared on the going concern basis which the Directors believe to be appropriate having taken into consideration the points as set out in the Governance section headed Going Concern Viability Statements.

(a) Categories of financial instruments
The financial instruments of the Company consist of derivative assets and liabilities, both of which are treated as held-for-trading, other assets and cash and cash equivalents which are treated as loan and receivables, borrowed funds of which £570 million is designated as fair value through the income statement and £453 million at amortised cost (2015: £535million and £567 million respectively) and other liabilities which are also measured at amortised cost. For borrowed funds, as the financial instruments measured at fair value through the income statement, the hierarchy classification (as detailed in the Group financial statements, note G4) is level 1.

(b) Capital risk management
Old Mutual plc is the holding company of the Group and is responsible for the raising and allocation of capital in line with the Group's capital management policies set out in note F1 to the consolidated financial statements and for ensuring the operational funding and regulatory capital needs of the holding company and its subsidiaries are met at all times.

(c) Currency risk
The Company is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and cash flows. The principal foreign currency risk arises from the fact that the Group's functional currencies is pounds sterling, whereas the functional currency of its principal operations are South African rand and US dollar. The exposure of the Group to currency risk is disclosed in the Group consolidated financial statements, note F4. The Company hedges some of this currency translation risk through currency swaps, currency borrowings and forward foreign exchange rate contracts. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts and currency swap agreements. A 10% deterioration in the values of the major currencies the Company is exposed to in relation to GBP would result in a decrease in the Company's equity holders' funds of £49 million (2015: decrease of £65 million).

(d) Credit risk
The Company is principally exposed to credit risk through its derivative asset positions, investment and securities, holdings of cash and cash equivalents which it holds to back shareholder liabilities and the ability of its subsidiaries to repay amounts due to the Company. The exposure of the Group to credit risk is disclosed in the consolidated financial statements, note F3(a). Credit risk is managed by placing limits on exposures to any single counterparty, or groups of counterparties and to geographical and industry segments. Credit risk is monitored with reference to established credit rating agencies, with limits placed on exposure to below investment grade holdings, or the financial position of companies within the Group. Of the Company's financial assets bearing credit risk, derivative assets, investment and securities, bonds and cash and cash equivalents are rated as investment grade (being AAA to BBB for Standard & Poor's or an equivalent). The other financial assets bearing credit risk are not rated.

(e) Interest rate risk
Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets, liabilities and capital.

The Company employs currency and interest rate swap transactions to mitigate against the impact of changes in the fair values of its borrowed funds. Details of the arrangements in place are shown in the Group financial statements note G5 Hedge accounting.

(f) Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company has net current liabilities of £534 million (2015: net current assets £46 million), all of which represent liabilities, including intergroup short dated loans, to other Group companies. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows of both the Company and its subsidiaries.

The key information reviewed by the Company's executive directors and Executive Committee, together with the Capital Management Committee, is a detailed management report on the Company's current and planned capital and liquidity position. Forecasts are updated regularly based on when new information is received, and as part of the annual business planning cycle. The Company's liquidity and capital position and forecast are presented to the Company's Board of Directors on a regular basis.

Further information on liquidity and the Company's cash flows is contained in other sections of this Annual Report, for example the business review and Group Finance Director's statement.

2 Principal subsidiaries

		£m
	At 31 December 2016	At 31 December 2015
Balance at beginning of the year	**5,562**	5,729
Additions	**28**	20
Disposals	**(44)**	(29)
Impairments	**(89)**	(158)
Balance at end of the year	**5,457**	5,562

On 1 June 2016, the Company sold its investment in OMPLC Brands AB for £10 million. As a result of the sale, the Company has recognised a profit on disposal of £10 million.

On 23 June 2016, the Company sold 1,454,801 shares of its investment in Old Mutual Wealth Management Limited to Old Mutual Wealth JSOP Trust No 1, for £43 million.

During 2016, the Company impaired its investments in Constantia Insurance Company (Guernsey) Limited, Old Mutual Reassurance (Ireland) Limited and Old Mutual Europe GmbH by £2 million, £1 million and £86 million respectively.

The Company routinely makes share awards to employees of subsidiaries companies, for which no consideration is paid by these entities. The applicable accounting standard requires that this is reflected as a share-based payment expense in the subsidiary company and to be reflected as an increase in the value of the investment in the subsidiary, with a corresponding increase in the share-based payment reserve in the Company. The impact of these transactions in the financial statements was an addition of £28 million (2015: £17 million).

The principal subsidiary undertakings of the Company are as follows:

At 31 December 2016	Country of incorporation	Class of shares	% interest held
OM Group (UK) Ltd	England & Wales	Ordinary	100
Old Mutual Wealth Management Ltd	England & Wales	Ordinary	100
Old Mutual Europe GMBH	England & Wales	Ordinary	100

A complete list of subsidiaries is in note L2 of the Group consolidated financial statements.

3 Investments and securities

		£m
	At 31 December 2016	At 31 December 2015
Government and government-guaranteed securities	**–**	75
Other debt securities, preference shares and debentures	**163**	151
Total investment and securities	**163**	226

Other debt securities, preference shares and debentures are all rated AAA-BBB. The intention is to hold these investments to maturity.

FINANCIAL STATEMENTS OF THE COMPANY
NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4 Investments in associated undertakings and joint ventures
The Company holds the following interest in associated undertakings:

	Country of operation	% interest held	£m At 31 December 2016	At 31 December 2015
Kotak Mahindra Old Mutual Life Insurance Limited	India	26	**26**	26

5 Trade, other receivables and other assets

	£m At 31 December 2016	At 31 December 2015
Other receivables	**28**	–
Accrued interest and rent	**3**	3
Other prepayments and accrued income	**2**	3
Amounts owed by Group undertakings		
Amounts falling due within one year	**12**	52
Amounts falling due after one year	**4,074**	4,893
Total other assets	**4,119**	4,951

6 Derivative financial instruments
The following tables provide a detailed breakdown of the fair values of the Company's derivative financial instruments outstanding at the year end. These instruments allow the Company to transfer, modify or reduce foreign exchange and interest rate risks.

The Company undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with whom it deals, and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Company.

	At December 2016		At December 2015	£m
	Fair values		Fair values	
	Assets	**Liabilities**	Assets	Liabilities
Exchange rate contracts				
Swaps	**–**	**33**	–	5
Options	**–**	**7**	–	–
Forwards	**13**	**29**	5	1
	13	**69**	5	6
Interest rate contracts				
Swaps	**64**	**–**	55	–
Total	**77**	**69**	60	6

The contractual maturities of the derivative liabilities held are as follows:

	Balance sheet amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	No contractual maturity date	£m Total
At 31 December 2016							
Derivative financial liabilities	**69**	**29**	**–**	**40**	**–**	**–**	**69**
At 31 December 2015							
Derivative financial liabilities	6	1	–	5	–	–	6

7 Borrowed funds

	£m	
	At 31 December 2016	At 31 December 2015
Senior debt securities and term loans	**–**	114
Subordinated debt securities	**1,023**	988
Total borrowed funds	**1,023**	1,102

	£m	
	At 31 December 2016	At 31 December 2015
Fair valued through income statement	**570**	535
Amortised cost	**453**	567
Total borrowed funds	**1,023**	1,102

The following table is a maturity analysis of liability cash flows based on contractual maturity dates for borrowed funds. Maturity analysis is undiscounted and based on year end exchange rates. In addition to the contractual cash flows detailed below, the Company is obligated to make interest payments on borrowed funds, details of which are in the Group consolidated financial statements in note G7.

	£m	
	At 31 December 2016	At 31 December 2015
Less than 1 year	**–**	112
Greater than 1 year and less than 5 years	**500**	500
Greater than 5 years	**450**	450
Borrowed funds	**950**	1,062

Additional details of these borrowings and undrawn facilities are included in Group consolidated financial statements in note G7.

8 Provisions

		£m	
	Notes	**At 31 December 2016**	At 31 December 2015
Post-employment benefits	10	**7**	–
Total provisions		**7**	–

9 Trade, other payables and other liabilities

	£m	
	At 31 December 2016	At 31 December 2015
Accruals and deferred income	**15**	21
Corporation tax	**21**	35
Amounts owed to Group undertakings:		
Amount falling due within one year	**1,263**	679
Amount falling due after one year	**2,645**	3,691
Total other liabilities	**3,944**	4,426

FINANCIAL STATEMENTS OF THE COMPANY
NOTES TO THE COMPANY
FINANCIAL STATEMENTS CONTINUED

10 Post-employment benefits

The Company holds a provision in respect of the Old Mutual Staff Pension Fund Defined Benefit pension scheme, which provides benefits based on final pensionable pay for members within the Group. The assets of the scheme are held in separate trustee administered funds. Pension costs and contributions relating to the scheme are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to the scheme, together with existing assets, are adequate to secure members' benefits over the remaining lives of participating employees. The scheme is reviewed on a triennial basis. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. During the year two employees (2015: two) were directly employed by the Company. The costs for these Directors and ex-Directors are disclosed within the Remuneration Report on pages 104 to 139.

Liability for defined benefit obligation		£m
	Pension plans	
	At 31 December 2016	At 31 December 2015
Change in projected benefit obligation		
Projected benefit obligation at beginning of the year	**79**	77
Past service cost	**–**	4
Interest cost on benefit obligation	**3**	3
Benefits paid	**(3)**	(2)
Actuarial losses/(gains)	**23**	(3)
Projected benefit obligation at end of the year	**102**	79
Change in plan assets		
Plan assets at fair value at beginning of the year	**79**	77
Benefits paid	**(3)**	(2)
Company contributions	**4**	4
Actuarial losses/(gains)	**15**	–
Plan assets at fair value at end of the year	**95**	79
Net liability recognised in balance sheet	**(7)**	–
Expense recognised in the income statement	**–**	**(4)**

Actuarial assumptions used in calculating the projected benefit obligation are based on relevant mortality estimates, with a specific allowance made for future improvements in mortality which is broadly in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries. The expected returns on plan assets have been determined on the basis of long-term expectations, the carrying value of the assets and the market conditions at the balance sheet date specific to the relevant locations. The detailed actuarial assumptions can viewed on the Group's website at www.oldmutual.com.

Plan asset allocation		£m
	Pension plans	
	At 31 December 2016	At 31 December 2015
Equity securities	**26**	34
Debt securities	**65**	65
Cash	**8**	–
Other investments	**1**	1

11 Contingent liabilities

In February 2008, the Company issued a guarantee to a third party over Beechwood OMNIA obligations under the reinsurance contracts relating to the offshore investment products sold by a third party. The maximum payment under this guarantee is $250 million. This guarantee is accounted for as an insurance contract and payments will only arise should Beechwood OMNIA be unable to meet its obligations under the relevant reinsurance contracts as they fall due.

Beechwood OMNIA was formerly known as Old Mutual Bermuda and currently complies with all capital requirements of the Bermuda Monetary Authority.

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

12 Related parties

Old Mutual plc enters into transactions with its subsidiaries in the normal course of business. These are principally related to funding of the Group's businesses and head office functions. Details of loans, including balances due from/to the Company, are set out below. Disclosures in respect of the key management personnel of the Company are included in the Group's related parties disclosures in note J3.

There are no transactions entered into by the Company with associated undertakings.

		£m
	At 31 December 2016	At 31 December 2015
Balances due from subsidiaries	**4,070**	4,940
Balances due to subsidiaries	**(3,908)**	(4,368)
Balances due from other related parties – Nedgroup Trust Limited	**16**	2

Income statement information

At 31 December						£m
	Year ended 31 December 2016			Year ended 31 December 2015		
	Interest received	**Ordinary dividends received**	**Other amounts paid**	Interest received	Ordinary dividends received	Other amounts paid
Subsidiaries	**74**	**95**	**(108)**	60	321	(97)

13 Events after the reporting date

On 3 February 2017 the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities and paid cash from the Group's existing resources. A £29 million loss, including accrued interest and the costs incurred of acquiring the instruments, will be recognised directly in equity in the 2017 financial statements of the Company.

SHAREHOLDER INFORMATION

Listings and shares in issue

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Limited (JSE). The primary listing, which is known as a premium listing, is on the London Stock Exchange and the other listings are all secondary listings. The Company's shares are also traded on the external list of the Nasdaq Nordic Exchange.

The ISIN number of the Company's ordinary shares of 11 3⁄7p each is GB00B77J0862 and the SEDOL is B77J086.

The 11 3⁄7p nominal value of the Company's shares reflects the seven-for-eight share consolidation that took place in April 2012. If your shareholding is certificated and you have not yet surrendered your old certificate for shares of 10p each for replacement by a certificate representing your consolidated shareholding, please contact our share registrars, whose details are set out later in this section.

The high and low closing prices of the Company's shares during 2016 and 2015 on the two main markets on which they are listed were as follows:

		2016		2015
	High	**Low**	High	Low
London Stock Exchange	**225.5p**	**148.1p**	241.4p	154.7p
JSE	**R44.60**	**R31.20**	R47.15	R32.09

At 31 December 2016, the Company had approximately 490,085 underlying shareholders. Many of our retail shareholders hold their shares through Company-sponsored nominee arrangements, as described in the footnote to the second table below.

In more detail, the geographical analysis and shareholder profile of our share register at 31 December 2016 were as follows:

Register	Total shares	% of whole	Number of holders
UK	1,817,169,392	36.86	9,374
South Africa	3,043,119,821	61.73	26,559
Zimbabwe	53,245,276	1.08	26,690
Namibia	11,748,906	0.24	497
Malawi	4,652,783	0.09	4,459
Total	4,929,936,178	100	67,579

Source: Equiniti/Link Market Services

Register	Total shares	% of whole	Number of holders
1-1,000	18,352,003	0.37	59,161
1,001-10,000	18,438,480	0.37	7,188
10,001-100,000	20,394,372	0.41	700
100,001-250,000	28,902,168	0.59	177
250,001+	4,843,849,155	98.25	353
Total	4,929,936,178	100	67,579

Source: Equiniti/Link Market Services

Note

The registered shareholdings on the South African branch register included PLC Nominees (Pty) Limited, which held a total of 3,025,996,761 shares, including 237,328,336 shares held for the Company's sponsored nominee, Old Mutual (South Africa) Nominees (Pty) Limited, for the benefit of 364,943 underlying beneficial owners. The registered shareholdings on the Zimbabwean branch register included Old Mutual Zimbabwe Nominees (Pvt) Limited, which held a total of 671,412 shares as nominee for 3,438 underlying beneficial owners. The registered shareholdings on the Namibian section of the principal register included Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 5,055,039 shares as nominee for 6,433 underlying beneficial owners. The registered shareholdings on the Malawian branch register included Old Mutual (Blantyre) Nominees Limited, which held a total of 35,393 shares as nominee for 132 underlying beneficial owners.

Registrars

The Company's share register is administered by the Global Share Alliance (comprising Equiniti Limited in the UK and Link Market Services South Africa (Pty) Ltd in South Africa) in conjunction with local representatives in the other territories where the Company's shares are listed. The following are the relevant contact details:

UK

Equiniti Limited
Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA
Tel no: 0371 384 2878 (if calling from the UK)
Tel no: +44 121 415 0833 (from overseas)
Website for shareholder information and queries:
www.shareview.co.uk

South Africa

Link Market Services South Africa (Pty) Ltd
13th Floor Rennie House, 19 Ameshoff Street
Braamfontein, Johannesburg 2001
PO Box 10462, Johannesburg, 2000
Tel no: +27 (0)86 140 0110/ +27(0)11 029 0253
Email: oldmutualenquiries@linkmarketservices.co.za
www.investorcentre.linkmarketservices.co.za

Malawi

National Bank of Malawi
Legal Department
Corner of Victoria Avenue & Henderson Street
Blantyre
(PO Box 1438, Blantyre, Malawi)
Email: nbminvestment@natbankmw.com
Tel no: +265 182 0622/0054
Fax no: +265 182 1593

Namibia

Transfer Secretaries (Pty) Limited
4 Robert Mugabe Avenue, Windhoek
(PO Box 2401, Windhoek)
Tel no: +264 (0)61 227647
Fax: +264 (0)61 248531
Email: ts@nsx.com.na

Zimbabwe

Corpserve Registrars (Pvt) Ltd
2nd Floor, ZB Centre
Cnr 1st Street and K. Nkrumah Avenue
Harare
(PO Box 2208, Harare, Zimbabwe)
Tel no: +263 (0)4 751559/61
Fax: +263 (0)4 752629
Email: enquiries@corpserve.co.zw
www.corpserveregistars.com

Dealings in the Company's shares on the JSE

All transactions in the Company's shares on the JSE are required to be settled electronically through Strate, and share certificates are no longer good for delivery in respect of such transactions. Shareholders who have any enquiries about the effect of Strate on their holdings in the Company should contact Link Market Services in Johannesburg on +27 (0)86 140 0110 or +27 (0)11 029 0253

Dealings in the Company's shares on the Zimbabwe Stock Exchange

With effect from March 2015, all transactions in the Company's shares on the Zimbabwe Stock Exchange have been required to be settled in dematerialised form, and share certificates are no longer good for delivery in respect of such transactions. The Company sent a circular to its registered shareholders on the Zimbabwe branch register during the first quarter of 2015 to explain the consequences of this and inviting them to dematerialise their certificated shareholdings through an Issuer-Sponsored Nominee Programme. Shareholders on the Zimbabwe branch register who have any enquiries about dematerialising their holdings in the Company should refer to this circular (which is also available on the Company's website) or, in case of doubt, contact Corpserve Registrars on +263 (0)4 751559/61.

Electronic communications and electronic proxy appointment

The Company wrote to shareholders on its South African branch register and on the principal and Namibian sections of its UK register in November 2012 to inform them that it was moving to e-comms as the default form of communication, in line with provisions in the UK Companies Act 2006 and the Company's Articles of Association. Shareholders who wished to continue to receive physical copies of shareholder communications, rather than accessing these from the Company's website, were required to notify the Company's registrars of their election to do so by 4 January 2013. A similar process was followed, with different applicable dates, for new shareholders who bought shares between November 2012 and 15 August 2014. Such mailings will now take place for new shareholders annually.

Further exercises to extend these arrangements to shareholders on the Malawian and Zimbabwean branch registers took place during 2014 and 2015 respectively.

If you are currently still receiving documents by post, but would like to receive notification of future communications from the Company by email:

- If your shares are on the principal UK register, please log on to our website, www.oldmutual.com, select 'Investor Relations', then 'Shareholder Centre', then click on 'Shareholder investor centre' and follow the instructions to log into the Shareholder Investor Centre. In order to register, you will need your Shareholder Reference Number, which can be found on the payment advice notice or tax voucher accompanying your last dividend payment or notification. Before you register, you will be asked to agree to the Terms and Conditions for Electronic Communications with Shareholders. It is important that you read these Terms and Conditions carefully, as they set out the basis on which electronic communications will be sent to you
- If your shares are on the South African branch register, please call the contact centre of Link Market Services on 086 140 0110 or email them at oldmutualenquiries@linkmarketservices.co.za
- If your shares are on the Zimbabwean or Malawian branch registers or the Namibian section of the principal register, please contact the applicable local share register representatives, whose details are set out above.

Any election to receive documents electronically will generally remain in force until you contact the Company's registrars to terminate or change such election.

Electronic proxy appointment is available for this year's Annual General Meeting. This enables proxy votes to be submitted electronically, as an alternative to filling out and posting a form of proxy. Further details are set out on the form of proxy, which can be accessed in the AGM section of the Shareholder Information part of our website.

SHAREHOLDER
INFORMATION CONTINUED

Second interim dividend for the year ended 31 December 2016 and timetable for payment

The Board has declared a second interim dividend (the 'Second Interim Dividend') for the year ended 31 December 2016 of 3.39p per share, which will be paid on 28 April 2017. Shareholders on the South African, Zimbabwean and Malawian branch registers and the Namibian section of the principal register will be paid local currency cash equivalents of the Second Interim Dividend under dividend access trust or similar arrangements established in each country. Shareholders who hold their shares through Euroclear Sweden AB, the Swedish nominee, will be paid the cash equivalent of the Second Interim Dividend in Swedish kronor.

The currency equivalents of the Second Interim Dividend are as follows:

South Africa	53.55251	South African cents per share
Malawi	30.18	Malawian kwacha per share
Namibia	53.55251	Namibian cents per share
Zimbabwe	4.14	US cents per share
Sweden	0.37	Swedish kronor per share

These currency equivalents have been calculated using the following exchange rates:

South Africa	15.7972	Rand/£
Malawi	890.12	Malawian kwacha/£
Namibia	15.7972	Namibian dollars/£
Zimbabwe	1.2207	US dollars/£
Sweden	10.9843	Swedish kronor/£

Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 53.55251 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After Dividend Tax has been withheld, the net dividend will be 42.84201 South African cents per share. The Company had a total of 4,929,966,574 shares in issue at the date on which the dividend was announced, 9 March 2017. In South Africa, the dividend will be distributed by Old Mutual Dividend Access Company (Pty) Limited, a South African company with tax registration number 9460/144/14/1, in terms of the Company's dividend access share arrangements.

The record date for this dividend payment is the close of business on 31 March 2017 for all the exchanges where the Company's shares are listed. The last day to trade cum-dividend will be 24 March 2017 on the Malawi and Zimbabwe Stock Exchanges, 28 March 2017 on the JSE and on the Namibian Stock Exchange and 29 March 2017 on the London Stock Exchange. The shares will trade ex-dividend from the opening of business on 27 March 2017 on the Malawi and Zimbabwe Stock Exchanges, from the opening of business on 29 March 2017 on the JSE and on the Namibian Stock Exchange and from the opening of business on 30 March 2017 on the London Stock Exchange.

No dematerialisation or rematerialisation within Strate and no transfers between registers may take place in the period from 29 March 2017 to 31 March 2017, both dates inclusive.

Financial calendar for the rest of 2017

The Company's financial calendar for the rest of 2017 is as follows:

Annual General Meeting	25 May 2017
Interim results	11 August 2017
First interim dividend payment date	31 October 2017
Final results for 2017	March 2018

Acknowledgements
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www.merchantcantos.com

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