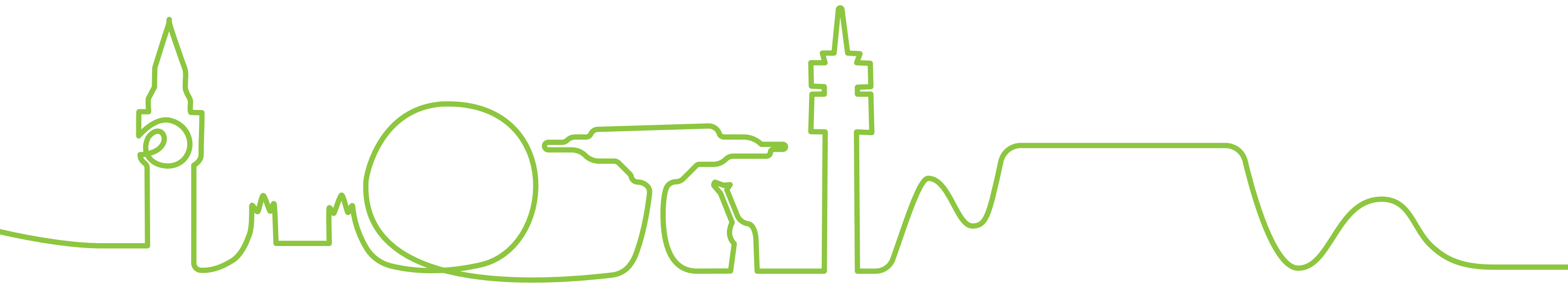
Old Mutual plc

Annual Report & Accounts

2017



OLD MUTUAL
Emerging Markets

NEDBANK

OLD MUTUAL
WEALTH

Our story

Old Mutual plc is an international investment, savings, insurance, and banking group. Old Mutual began in Cape Town in 1845 as South Africa's first mutual life insurance company, offering financial security in uncertain times.

In March 2016, we announced a new strategy for Old Mutual plc, called 'managed separation' which will result in four strong independent businesses. The strategy aims to unlock and create significant long-term value for our shareholders by separating the businesses into standalone entities. OM Asset Management is now an independent business. Our remaining three businesses are Old Mutual Emerging Markets, Nedbank and Old Mutual Wealth.

Our three focus areas

Since announcing the managed separation strategy in March 2016, Old Mutual plc has had three fundamental areas of focus:

1

Executing a number of transactions

2

Winding down the plc Head Office

3

Ensuring the businesses are ready for independent future

We are now running Old Mutual plc as an active portfolio manager of the underlying businesses.

Contents

'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.

For the purposes of this report, references to Old Mutual Emerging Markets (OMEM) and Old Mutual Wealth (OMW) relate to the performance and corporate activity of those businesses prior to the date of this report; references to Old Mutual Limited (OML) and Quilter plc (Quilter) relate to the future actions of those respective independent groups following the completion of Managed Separation.

Find out more about Old Mutual plc:

Annual Report – www.oldmutualplc.com/reportingcentre

Corporate website – www.oldmutualplc.com

Disclaimer information is noted on the inside back cover of this report.

Key performance indicators (KPIs)

Continued momentum across the businesses

Adjusted operating earnings (AOP) per share[1] (p)

	Actual	Growth
2017	**24.3p**	**+25%**
2016	19.4p	+1%
2015	19.3p	+8%
2014	17.9p	-3%
2013	18.4p	+5%

1 Adjusted operating profit (AOP) is an Alternative Performance Measure used alongside 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 IFRS profit for a number of items as detailed in note C1. The definition of AOP is detailed in the basis of preparation on page 145

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

2017	**14.6%**
2016	13.3%
2015	14.2%
2014	13.3%
2013	13.6%

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. The definition of adjusted RoE and basis on which it is calculated is provided on page 23.

Basic earnings per share (p)

	Actual	Growth
2017	**19.3p**	**+61%**
2016	12.0p	-6%
2015	12.7p	+2%
2014	12.4p	-17%
2013	15.0p	-40%

IFRS Return on Equity (%)

2017	**11.3%**
2016	7.9%
2015	8.8%
2014	7.9%
2013	9.3%

Adjusted operating profit by business

(Selected Metrics)

	Old Mutual Emerging Markets[3] (Rm)	Nedbank (Rm)	Old Mutual Wealth (£m)	Plc Head Office[4] (£m)
2017	**13,326**	**16,522**	**363**	**(134)**
2016	12,731	15,925	260	(191)
2015	12,418	14,729	307	(206)
2014	11,457	13,757	227	(187)
2013	9,621	12,026	217	(170)

3 Old Mutual Emerging Markets AOP has been restated to include the long-term investment return (LTIR) on excess assets previously shown as a separate item within plc Head Office

4 Adjusted operating profit before tax and non-controlling interests. Excludes the Institutional Asset Management segment that was sold in 2017. Plc Head Office is shown before recharges to the businesses

Capital strength (£bn)

(The 2017 Group Solvency II information has not been audited)

	Group Solvency II surplus	Group Solvency II ratio	Financial Group Directive surplus	Financial Group Directive ratio
2017[5]	**1.5**	**123%**	**–**	**–**
2016[6]	1.2	122%	–	–
2015	1.7	138%	1.9	166%
2014	–	–	2.1	164%
2013	–	–	2.1	168%

5 Based on preliminary estimates. Formal filing due to the PRA by 29 March 2018

6 As reported to the PRA as part of the Annual 2016 Solvency II submission.

Chairman's message
To shareholders

Patrick O'Sullivan
Chairman

Dear Shareholders
When I wrote to you last year, I indicated that readying our four businesses for separation, while enhancing their underlying performance, would demand exceptional commitment and leadership. I am very pleased to tell you that everyone has risen to the challenge and this is evident, not only in the significant progress on managed separation, but also in the underlying results of the businesses in challenging markets.

Management has made significant progress: completing the sale of OMAM, our US asset management business; agreed to sell our UK single-strategy asset management business to TA Associates; and cleared the way, through reducing debt, for the listings of Old Mutual Limited, the South African-based emerging markets business, and of Quilter plc.

Performance during the year
Our businesses performed ahead of expectations during 2017. Our adjusted operating earnings per share was 24.3 pence per share, 25% higher than in 2016 (basic earnings per share was 19.3 pence per share, 61% higher than 2016). Our Solvency II capital ratio at the end of 2017 was 123%, which is marginally higher than in 2016. The solvency capital position of all our individual businesses remains robust.

Board developments and activity
Dr Nkosana Moyo stepped down from the Board on 29 June 2017, with Dr Alan Gillespie joining the Group Audit Committee in his place. Nonkululeko ('Nku') Nyembezi left the Board on 31 December 2017, having served the Group as a non-executive director in various capacities for over seven years. On behalf of the Board, I would like to express my gratitude for Nkosana's and Nku's valuable contributions to the Group and we wish them well for the future.

In 2017, the workload of your Board has significantly increased as the strategy of Old Mutual has moved forward, and execution has happened at pace. All members of the Board have responded with commitment and cohesion.

Managed Separation
During 2017, the Group has continued to make significant progress towards its goals. In preparation for managed separation, we have taken steps to build strong foundations for the businesses to grow in the future and to ensure our businesses have robust, appropriately capitalised balance sheets and sustainable dividend policies.

At Old Mutual Emerging Markets, Trevor Manuel has been appointed Chairman and, with his support, we have made a number of board and management team appointments bringing strong operational skills and listed financial services company experience.

Old Mutual Wealth has also continued to reshape and strengthen its executive management team and has appointed a new board of directors.

The functional capabilities necessary to operate as an independently listed entity have been put in place for both businesses.

At the Old Mutual plc head office in London, a key focus has been on reducing costs in advance of its eventual closure. We have also reduced Group exposures by de-risking the group pension scheme and mitigating various other contingent exposures. Where necessary, we have engaged with regulators to obtain approvals for the finalisation of managed separation.

Responsible Business
We continue to operate as a responsible business during managed separation. 2017 sees the requirement for companies to report against the EU Non-Financial Reporting Directive, and our response can be found in the Governance section of this report on page 94. The businesses' approach to material risks are covered in their sections. As we complete what we expect to be our last responsible business reports under the current Group structure, we will reference our response to the Taskforce for Climate Related Financial Disclosure recommendations. As I have previously stated, we are supportive of the aims of the recommendations and our businesses are embedding them into their future reporting plans. For more information on our approach please visit the Old Mutual plc corporate website and the businesses' websites.

Outlook
In the nearly 20 years since demutualisation, the Old Mutual Group has witnessed much change and has gained from its international presence. Continuing shareholders will inherit two strong companies following the de-listing of Old Mutual plc's shares – Quilter plc and Old Mutual Limited – and then later a direct holding in Nedbank.

Your Board is confident that these businesses will benefit greatly from separation as they strive for leadership in their respective markets. We thank you for your continued support during the extensive period of preparation for managed separation. Finally, our employees have continued to work exceptionally hard to deliver the new companies for listing. Without this performance, we would not be where we are. On your behalf, the Board is most appreciative of their effort.

Patrick O'Sullivan
Chairman

Chief Executive's review

Bruce Hemphill
Group Chief Executive

Group Review and Business Model

Our strategy of managed separation aims to unlock and create significant long-term value for our shareholders which is currently trapped within the Group structure and to remove the costs arising from it. This structure inhibits the efficient management and funding of future growth plans for the individual businesses, restricting them from reaching their full potential. We intend to unlock value through the separation of the three underlying businesses – Old Mutual Emerging Markets (OMEM), Nedbank and Old Mutual Wealth (OMW), with OM Asset Management having already been separated from the Group.

To effect the managed separation, we intend to list two separate entities, on both the London and Johannesburg stock exchanges. One will consist principally of the OMW operations and on listing will be called Quilter plc (Quilter). The other will be the new South African holding company, Old Mutual Limited (OML), which will consist of OMEM, the Old Mutual holding in Nedbank and the residual Old Mutual plc.

Once the managed separation is complete, each business will: have its local regulator as its lead regulator; continued delivery of enhanced performance and allow the market to value it appropriately; be accountable directly to its shareholders for its level of returns and cash generation from capital employed; and have direct access to its natural shareholder base.

During the period of managed separation, our business model is to actively manage the separation of the underlying businesses to realise their full potential as standalone entities, in a manner that creates value for shareholders over time. Our focus during this period has been on three areas: ensuring the businesses are ready for separation; executing the transactions needed for managed separation and winding down the plc head office.

For the purposes of this report, references to OMEM and OMW relate to the performance and corporate activity of those businesses prior to the date of this report; references to OML and Quilter relate to the future actions of those respective independent groups following the completion of managed separation.

Business Review

Challenging macro conditions continued

The challenging macroeconomic conditions in our largest market of South Africa continued throughout 2017, with weakness in consumer and business confidence creating a tough environment for banking, long-term investment and savings. The South African government's sovereign and local currency credit ratings were downgraded in April and November, but markets rallied strongly in the second half. In February 2018, Cyril Ramaphosa was sworn in as the new President of South Africa. We expect that this will lead to a recovery in sentiment and confidence over time despite stretched public finances and governance challenges. In the UK the macro-environment was characterised by strong equity markets but weak currency, considerable political uncertainty around Brexit and the general election; and legislative and regulatory developments impacting financial services. In this context, our businesses have delivered resilient operational performances demonstrating the underlying strength of their franchises.

During the year, the average rand rate was 14% stronger against sterling compared to 2016, while the average USD rate against sterling was 5% stronger. The average of the FTSE 100 during the year was 14% higher; in the US, the average of the Russell 1000 Value was 14% higher; and the average of the South African JSE All Share was 6% higher.

Old Mutual's operating performance was ahead of our expectations. Adjusted Operating Profit (AOP) in reported currency was up 22% at £2.0 billion, up 7% in constant currency. AOP in 2016 was impacted by £31 million of MS costs which were not included in 2017. The IFRS pre-tax profit was up 102% at £617 million, benefiting from a profit of £164 million from the sale of OM Asset Management (OMAM) and the joint venture with Kotak in India. AOP excluding the Institutional Asset Management segment (consolidated for the first four months of the year until it was sold) was £2.0 billion up 29% on the prior year (£1.5 billion) on a reported basis and up 12% in constant currency.

Old Mutual Emerging Markets

OMEM seeks to become a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key market segments in 17 countries. OMEM primarily operates in seven segments and its lines of business include Life and Savings, Property and Casualty, Asset Management and Banking and Lending. It distributes products and services to customers through a multi-channel distribution network spanning tied and independent advisers, branches, bancassurance, direct and digital channels, and worksites.

Chief Executive's review
continued

IFRS profit after tax of R10.2 billion increased by 46% from R7.0 billion in the prior year. This was driven primarily by higher actual investment returns in South Africa and Zimbabwe. In the context of a tough economic and political landscape across several of OMEM's key markets for much of the year, including South Africa, Zimbabwe and Kenya, the business delivered resilient financial results with pre-tax AOP of R13.3 billion, up 5% on the prior year. The improvement in AOP was driven by good progress at Old Mutual Insure and Rest of Africa, reflecting signs of a turnaround.

Key adjusting items of AOP to IFRS profit include higher short-term fluctuations on the long-term investment return of R2.2 billion (2016: negative R550 million) driven by Zimbabwe's equity market performance and the profit on disposal of our joint venture in India of R1.4 billion. This was partly offset by the one-off managed separation and standalone costs totalling R237 million (2016: Rnil); and goodwill impairments of R1.5 billion (2016: R1.3 billion) relating to East Africa and AIVA in Latin America.

OMEM's underlying IFRS operating and administration expenses of R18.8 billion were up 4% on the prior year below SA inflation in 2017.

Gross flows of R214.4 billion were flat against the prior year, with growth in the Mass and Foundation Cluster and in Wealth and Investments. Life APE sales of R13.1 billion were 3% behind the prior year, mainly due to lower group assurance and annuity sales in Corporate. This was offset by strong corporate flows in the Malawi business.

Net client cash flow (NCCF) of R14.5 billion was R2.5 billion below the prior year, with a significant non-life outflow in Corporate as well as a R3.3 billion outflow from the Namibian government pension fund. NCCF in 2017 benefited from R3.0 billion of the Old Mutual International flows that were previously reported in OMW and comparatives have not been restated. Funds under Management increased to R1.2 trillion, up 10% against the prior year.

The Property & Casualty underwriting margin of 2.5% improved from 1.5% in the prior year. This was driven by a turnaround in OM Insure's underwriting result following an improvement in claims experience despite catastrophe losses as well as an improvement in the claims environment in East Africa following the remediation of the loss-making business.

Nedbank

Nedbank ranks as a top-5 bank by capital on the African continent and Ecobank, in which Nedbank maintains a 21.2% shareholding, ranks within the top-10 banks by assets on the African continent. Nedbank is South Africa's fourth-largest bank by market capitalisation, total assets and headline earnings. It is also a leading corporate bank and a market leader in commercial property and renewable energy finance and has a strong position in household motor finance, household deposits and card acquiring. It operates a unique asset management model as part of an integrated wealth management business. Through its own operations in SADC and Rest of Africa, and through its pan-African banking alliance with Ecobank, Nedbank provides the Group's customers access to Africa's largest banking network.

Nedbank produced a solid performance in a macro and political environment that has proved volatile and challenging. Headline earnings, including losses in associate income from ETI of R744 million, increased by 2.8% to R11.8 billion. This translated into an increase in DHEPS of 2.4% to 2,406 cents and an increase in HEPS of 2.2% to 2,452 cents.

As in prior periods, results are highlighted both including and excluding ETI (referred to as managed operations) to provide a better understanding of the performance of the business given the volatility in ETI's results in 2016 and 2017. Managed operations produced headline earnings growth of 7.8% to R12.8 billion, with slower than expected revenue growth, more than offset by reduced impairments and good cost management.

ROE (excluding goodwill) and ROE remained flat at 16.4% and 15.3%, respectively. ROE in managed operations (excluding goodwill and ETI) also remained stable at 18.1%. ROA decreased 0.01% to 1.22% and excluding ETI, ROA in managed operations improved from 1.29% to 1.33%. Return on RWA increased from 2.23% to 2.30%.

Nedbank's CET1 and Tier 1 capital ratios of 12.6% and 13.4% respectively, average LCR for the fourth quarter of 116.2% and an NSFR of above 100%, are all Basel III compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in managed operations and a strong capital position, a final dividend of 675 cents was declared, an increase of 7.1%. The total dividend per share increased 7.1% to 1,285 cents, ahead of HEPS growth of 2.2%.

Old Mutual Wealth

Old Mutual Wealth is a leader in the UK and in selected offshore markets in wealth management, providing advice-led investment solutions and investment platforms to over 900,000 customers, principally in the affluent market segment. At the core of its proposition is a multi-channel wealth offering driving Integrated NCCF with leading advice and investment solutions.

OMW's IFRS post-tax profit was £99 million for 2017, compared to a loss of £4 million in 2016, principally due to the exceptional net performance fees in Single Strategy.

Reported OMW AOP of £363 million for 2017 was 40% higher than prior year (2016: £260 million), and includes net performance fees of £101 million in 2017 (2016: £26 million). Pre-tax AOP on a standalone basis (reflecting the perimeter of the business post-listing which excludes the results from the Single Strategy business) was up 18% to £209 million (2016: £177 million, which included a £27 million charge for restructuring Heritage fees).

Key reconciling items between the IFRS profit and pre-tax Adjusted Operating Profit (AOP) were UK Platform transformation costs of £74 million (2016: £102 million), one-off costs in 2017 relating to Managed Separation of £32 million (in 2016, these one-off costs were included within AOP), costs of £69 million associated with voluntary customer remediation in legacy products, the combined effects of goodwill amortisation and the impact of acquisition accounting totalling £103 million (2016: £140 million), and movements in policyholder tax.

Reported NCCF performance was strong at £10.9 billion, up 110% on prior year (2016: £5.2 billion) driven by buoyant market conditions and robust investor confidence. Excluding the flows for the Single Strategy business, the NCCF for the standalone business was also strong, increasing 91% to £6.3 billion (2016: £3.3 billion).

Reported Assets under Management/Administration (AuMA) was £138.5 billion, up 20% from the end of 2016 (31 December 2016: £115.3 billion excluding our divested Italian business (£6.2 billion) and South African branches (£2.0 billion) which have been transferred to OMEM). Of the 20% increase in AuMA, 10% (£11.0 billion) is due to positive market performance, 9% (£10.9 billion) resulted from positive NCCF and 1% (£1.3 billion) came from the acquisition of Caerus and Attivo.

The unaudited 31 December 2017 Solvency II ratio was 155%. Adjusting for the £200m subordinated debt security issued in February 2018 and the new term loan would result in a pro forma Solvency II ratio of 171% at 31 December 2017 (before any impact of the sale of Single Strategy).

We believe this includes sufficient free cash to complete all committed strategic investments (including the UK Platform Transformation Programme) and to allow for any further potential costs associated with the FCA's Thematic Review, including for any potential fine which may be levied by the FCA, in respect of which no provision has yet been made. The impact of this prudent policy is that Quilter expects to maintain a solvency position in excess of its policy in the near-term.

Managed Separation

Delivery on schedule

When we unveiled the managed separation strategy in March 2016, we said that we aimed for it to be materially complete by the end of 2018. Subject to addressing the remaining issues, we are on track to deliver the managed separation as planned.

As part of the listing of Quilter, we intend to hold a secondary offering of up to 9.6% with the proceeds to be retained by Old Mutual plc and its subsidiaries.

Work to wind-down the plc head office and remove circa £95 million of central costs is on track and progressing well. We continue to expect managed separation one-off costs to remain in line with our previous guidance. The quality of NAV has been materially improved as we have converted uncertainties within the assets into certain cash and continue to manage contingent liabilities and unwind complex arrangements which existed within the Group structure. Subject to addressing the remaining issues we have estimated a cash cost of £130 million for this work.

Progress

The managed separation of the Group is complex. However, the process has gained momentum and we achieved significant further progress in the second half of 2017 through the conclusion of numerous transactions and other actions to reduce the Group's liabilities and exposures. Since reporting our 2017 interim results, we have achieved a number of meaningful steps:

- In October 2017, the sale of the Indian joint venture with Kotak Mahindra was completed for net proceeds of £138 million
- In November 2017, we sold the second tranche of shares of OMAM to HNA Capital and the remaining 5.5% stake for combined proceeds of $345 million
- In November 2017, we reduced holding company debt by a further £548 million
- In December 2017, we agreed the sale of Old Mutual Wealth's UK Single Strategy Asset Management business to TA Associates and Single Strategy management for a consideration of c. £600 million
- In January 2018, we received approval from the Competition Tribunal for OML to acquire Old Mutual plc – one of the key regulatory approvals for the process to be successful

We have spent much of the past two years preparing the underlying businesses for independence and working with the management teams on improving the business performance. We have taken steps to build strong foundations for the future OML and Quilter entities and both of these businesses have good momentum, competitive strategies and excellent future growth prospects. New governance structures fit for listed companies have been established at both businesses.

Their standalone balance sheets have now been finalised so as to ensure both businesses are well capitalised to fund growth plans and sustainable future dividend policies.

Chief Executive's review
continued

A strong Board has been formed for OML, under the Chairmanship of Trevor Manuel. Eight new appointments have been made to complement members of the OMEM and Old Mutual Group Holdings Board (the holding company for OMEM and Nedbank which will be replaced by OML) who will also serve on the OML Board. The OML Board will bring a range of operational skills and listed financial services company experience that will be invaluable once the business is listed. We appointed a new Chief Executive, Peter Moyo, in June 2017 and the new Finance Director (and OML Finance Director designate), Casper Troskie, will take up his role on 1 April 2018. Until Casper Troskie joins, Ingrid Johnson, Group Finance Director, has also been acting as interim Chief Financial Officer of OMEM (and acting OML Finance Director designate). We have improved the governance structures of the business and worked with the business to ensure it has appropriate functions to operate as an independently listed entity.

OMEM conducted a review of its business strategy and geographical footprint. It now has a much more focused strategy. Going forward, OML has committed to improving the sustainable returns from its cash generative businesses in sub-Saharan Africa and creating value from its recently deployed capital in East and West Africa. The new management team's initial focus will be on three areas: consolidating and growing its positions in the South African segments where it is already a leader; improving the underperforming businesses of Old Mutual Insure, East Africa and the Wealth and Investment cluster in South Africa; and building a long term competitive advantage through winning the war for talent, refreshing its technology offering and becoming a cost leader. There has been good progress on these three areas already and OML is committing to deliver R1 billion of pre-tax run rate cost savings by the end of 2019, net of costs to achieve this.

In respect of Quilter, the executive management team and Board have been reshaped and strengthened in preparation for life as a listed standalone entity. Tim Tookey was appointed as Chief Financial Officer in May 2017, Mark Satchel was appointed as Corporate Finance Director in May 2017, and new appointments were made in 2016 and 2017 to the roles of Chief Operating Officer, Chief Risk Officer, Chief Information Officer and a new HR Director. Glyn Jones was appointed Chairman of the Board in 2016 and a further six new non-executive directors have also been appointed during late 2016 and 2017.

Quilter's business model is to be a modern, integrated wealth manager. In September 2017, operations were restructured to create a separate distinct multi-asset capability at the core of the offering. In December 2017, agreement was reached to sell its Single Strategy asset management business to the Single Strategy management team and funds managed by TA Associates for approximately £600 million. This value is subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. This transaction is expected to close in the second half of 2018. Following completion of the disposal of the Single Strategy business, Quilter will consider a distribution from the surplus proceeds to its shareholders.

The functions needed for the business to be operating as a standalone listed entity are now fully functional.

We are prepared for the final wind-down of the plc head office in London. As part of this process, we expect around half of the remaining c.130 head office staff to leave by the end of June, with a further 40 by September and a skeleton staff remaining into 2019. We are on track to achieve the stated operational cost savings of c. £95 million per annum by the end of 2018. We have also reduced Group exposures by de-risking the group pension scheme, mitigating various contingent exposures and converting assets to cash. Following the demerger, Old Mutual plc will become a subsidiary of Old Mutual Limited alongside other operating subsidiaries. Old Mutual plc will need to satisfy the UK Court that it will continue to hold sufficient liquid, high quality assets to meet its liabilities and deal with any contingencies, plus adequate headroom, taking into account relevant insurances.

Next steps

After addressing the remaining issues, we expect that the legal process of separation will include, inter alia, the issuance of shareholder documentation in relation to managed separation a UK Court approved scheme of arrangement process – which will facilitate the demerger of Quilter, the creation of Old Mutual Limited as the holding company of Old Mutual plc, including its residual assets and liabilities, and a reduction in the capital of Old Mutual plc. Old Mutual plc will become a subsidiary of OML, alongside the operating businesses. Quilter and OML will also hold capital markets events.

The final step of the managed separation will be the anticipated distribution of the majority of OML's holding in Nedbank Group to its shareholders. The timing of the distribution will be determined by the OML Board but it is expected to be within approximately six months of the listing of OML. OML will maintain a holding of 19.9% in Nedbank, forming part of Old Mutual Life Assurance Company of South Africa's capital base. The 19.9% shareholding was determined through negotiations with Nedbank and discussions with the South African Reserve Bank in order to provide stability to the broader financial system and the Nedbank and OML investor base during managed separation, whilst also supporting our ongoing commercial arrangements.

OML is committed to being a significant holder of Nedbank while retaining a right to review its precise holding as appropriate from time to time, in accordance with the terms outlined in a new Nedbank Relationship Agreement, which is expected to be finalised and executed in the coming weeks.

Capital management policy

In March 2016 we announced a new capital management policy for the period of the managed separation. This policy has provided the flexibility to balance the requirements of our multiple stakeholders and our businesses as they prepare for managed separation by enabling them to both continue to invest in order to drive enhanced performance and strengthen their balance sheets in preparation for being standalone businesses. In line with this policy we have today announced a second interim dividend of 3.57p, the rand equivalent is 66.50 cents. This will be paid on 30 April 2018. The total full year dividend for 2017 is 7.10p (2016: 6.06p).

The proposed future Capital Management Policy of the independent Old Mutual Limited and Quilter businesses are presented in their respective Business Reviews on pages 26 and 48.

The capital management policy is intended to remain in place until Old Mutual plc shares are no longer listed.

Adjusted plc NAV per ordinary share

The Adjusted Net Asset Value (ANAV) of Old Mutual plc was £11,952 million at 31 December 2017 (31 December 2016: £11,271 million), equivalent to 242.3 pence per share (31 December 2016: 228.6 pence per share). The increase in the ANAV per share largely reflects the OMEM covered business MCEV earnings (12.8p); the impact of the constant currency change in the share price of Nedbank (5.6p), reduced by the Old Mutual plc cash dividends paid in the year (-6.9p).

Board changes

On 29 June 2017, we announced that Dr Nkosana Moyo was stepping down from the Board of Old Mutual plc in order to pursue his political interests. As a result, Dr Alan Gillespie, the Senior Independent Director, joined the Group Audit Committee with effect from 1 August 2017. Nonkululeko Nyembezi stepped down from the Old Mutual plc Board on 31 December 2017. Ms Nyembezi joined the Old Mutual plc Board in 2012 and had also served on the Board Risk and Nomination and Governance Committees since 2013.

Following the finalisation of the managed separation, including approval by shareholders and the court, the Boards of OML and Quilter will have the primary responsibility for the governance of their respective groups. Accordingly, the current governance structure of Old Mutual plc will be replaced and the Board will have fewer members. Until the managed separation transactions are completed, the current Board will continue as presently constituted, with the appropriate resolutions regarding the Directors' annual reappointment being proposed at the Company's AGM.

Outlook

The global economy is recovering which provides a positive backdrop for all of our businesses. In our key market of South Africa, we expect sentiment and confidence to improve following the appointment of the new South African president and we expect improved GDP growth in the coming year. In the UK, while there remains uncertainty over the outcome of the Brexit negotiations, the economy continues to grow. Global markets have performed strongly which combined with geopolitical developments means that there are downside risks to our businesses.

Full outlooks for the three underlying businesses are given in their respective business review sections of the annual report and accounts. The following are extracts of current trading commentaries from each:

OML's outlook: The OML Group's continuing operations have started the year on a positive note. Results from operations are trading in line with expectations since the 2017 year end. Nedbank reported its annual results on Friday 2 March 2018, and further details are available on its website.

Quilter: Quilter has continued to trade in line with expectations since the year end. Overall, we continue to remain confident in Quilter's prospects and it is anticipated that the next trading update will be for the first quarter of 2018, which is expected to be published in April 2018.

The managed separation process has already delivered significant value through the reduction in plc debt and in central costs. We believe that further value will be delivered once the managed separation is completed through the following developments:

- The removal of the conglomerate discount
- c.£95 million of savings in central costs
- Continued improvement in the performance of underlying businesses
- Each business accessing its natural shareholder base and achieving appropriate valuations
- Each business accountable to its shareholders for returns and cash generation from capital employed
- And will have its local regulator as its lead regulator

Old Mutual plc's next update will be at our Annual General Meeting on 30 April 2018.

Bruce Hemphill
Group Chief Executive

Review of financial performance

Ingrid Johnson
Group Finance Director

Analysis of performance for the year ended 31 December 2017

2017 IFRS results

IFRS profit after tax attributable to equity holders was £909 million in 2017 compared to £570 million in 2016. This result includes the £107 million benefit from the weakness in sterling compared to the prior year. Excluding this impact, the IFRS profit attributable to ordinary equity holders is up 34% reflecting higher profits in Old Mutual Wealth, as a result of exceptional net performance fees in its Single Strategy business and higher investment returns in OMEM due to Zimbabwe's significant equity market performance. Zimbabwean equity markets have fallen by more than 10% in the first two months of 2018.

An overview of the financial performance of Old Mutual Emerging Markets (OMEM), Nedbank and Old Mutual Wealth (OMW) is set out in the Chief Executive Review. Detailed financial reviews of these businesses are set out later in this document and an overview of plc Head Office, taxation and non-controlling interests (NCI) is included on page 12.

Alternative performance measures

In addition to IFRS profit, the consolidated Group uses a number of Alternative Performance Measures (APMs) to assess the performance of the business. Some are applicable to the Group as a whole, such as Adjusted Operating Profit (AOP). Others are more specific to the business lines within the component businesses, for example Net Client Cash Flows (NCCF) 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 on pages 23 to 25.

The Group Finance Director's review includes a reconciliation between AOP and IFRS profit for each of the Group's businesses. Further details of the adjusting items between IFRS and AOP are provided in the basis of preparation and Note C1 of the Old Mutual plc Financial Statements.

2017 AOP Results

The 2017 pre-tax AOP for the year of £2,037 million was 22% above the prior year (2016: £1,667 million).

The weakness in sterling during the year was responsible for £241 million of this increase. During 2017 the average sterling to rand exchange rate reduced to R17.15 (2016: R19.93). This had the effect of increasing the sterling reported results of both OMEM and Nedbank, which source the majority of their earnings from South Africa.

During 2017, Old Mutual plc sold its shareholding in OMAM. As a result, OMAM was consolidated in the Group's results for only four months of 2017 (2016: consolidated for 12 months). Accordingly the AOP of the Institutional Asset Management segment, which included OMAM, reduced from £141 million in 2016 to £64 million in 2017.

Excluding Institutional Asset Management and the impact of the weakness in sterling, pre-tax AOP was 12% higher than 2016. This compares favourably with the nominal GDP growth of 6.6%[1] in South Africa and 4.4%[2] in the UK.

Changes to the presentation between segments of AOP

The following changes have been made in 2017 to the presentation within AOP.

- 2017 OMEM AOP now includes the long-term investment return (LTIR) on excess assets previously shown as a separate item within plc Head Office AOP. The LTIR on excess assets was £20 million in 2017 (2016: £20 million)
- Corporate costs are now shown before recharges to the businesses, with the recharges included within other net shareholders income/expenses (OSIE). The recharge in 2017 was £4 million (2016: £19 million).

Comparative information has been re-presented to be consistent with the treatment of the items described above and does not alter the consolidated AOP result as previously reported.

Old Mutual Wealth, Nedbank and Institutional Asset Management are classified as core operations in determining the Group's AOP. For the IFRS consolidated income statement these businesses are classified as discontinued operations, and are therefore excluded from IFRS profit before tax.

1 The South Africa nominal GDP rate is calculated as the average Consumer Price Index rate of inflation during 2017 of 5.3% plus the 2017 real GDP growth rate in South Africa of 1.3%.
2 The UK nominal GDP rate is calculated as the average Consumer Price Index rate of inflation during 2017 of 2.7% plus the 2017 real GDP growth rate in the UK of 1.7%.

The tables below summarise the AOP and IFRS results of the Group in 2017 and 2016:

AOP analysis (£m)	2017	2016 Re-presented[1]	% change
Old Mutual Emerging Markets	**777**	639	22%
Nedbank	**963**	799	21%
Old Mutual Wealth	**363**	260	40%
	2,103	1,698	24%
Institutional Asset Management (OMAM and Rogge)	**64**	141	(55%)
plc Head Office[2]:			
Old Mutual plc finance costs	**(66)**	(88)	25%
Corporate costs (before recharges)	**(58)**	(79)	27%
Other net shareholder income/(expenses) (OSIE)	**(6)**	(5)	(20%)
Adjusted operating profit before tax	**2,037**	1,667	22%
Tax on adjusted operating profit	**(477)**	(398)	(20%)
Adjusted operating profit after tax	**1,560**	1,269	23%
Non-controlling interests – ordinary shares	**(364)**	(319)	(14%)
Non-controlling interests – preferred securities	**(34)**	(22)	(55%)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	**1,162**	928	25%
Adjusted weighted average number of shares (millions)	**4,776**	4,773	–
Adjusted operating earnings per share (pence)	**24.3**	19.4	25%

IFRS profit analysis (£m)	2017	2016 Re-presented[3]	% change
Core operations:			
Old Mutual Emerging Markets	**909**	547	66%
Nedbank	**967**	737	31%
Old Mutual Wealth	**173**	113	53%
	2,049	1,398	47%
Institutional Asset Management (OMAM and Rogge)	**29**	133	(78%)
plc Head Office[2]	**(242)**	(176)	(38%)
Non-core operations	**26**	(5)	620%
Consolidation adjustments	**(24)**	–	n/a
Discontinued operations excluded from profit before tax[3]	**(1,221)**	(1,043)	(17%)
IFRS profit from continuing items before tax	**617**	306	102%
Income tax expense	**(240)**	(142)	(69%)
IFRS profit from continuing operations after tax	**377**	164	130%
IFRS profit from discontinued operations after tax	**881**	681	29%
IFRS profit after tax for the financial year	**1,258**	845	49%
Attributable to:			
Equity holders of the parent	**909**	570	59%
Non-controlling interests	**315**	253	25%
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	**34**	22	55%
Profit after tax for the financial year	**1,258**	845	49%
Weighted average number of shares (millions)	**4,633**	4,635	–
Basic earnings per share (pence)	**19.3**	12.0	61%

1 AOP has been re-presented to report LTIR on excess assets, which was previously reported as a separate item in plc Head Office, within OMEM. In addition, corporate costs are now shown before recharges to the businesses, with the recharges included within other net shareholders income/expenses (OSIE).
2 Plc Head Office includes the Old Mutual plc parent company and other centre companies.
3 Old Mutual Wealth, Nedbank and Institutional Asset Management are classified as core operations in determining the Group's adjusted operating profit. For the IFRS consolidated income statement these businesses are classified as discontinued operations, and are therefore excluded from IFRS profit before tax.

Review of financial performance
continued

Reconciliation of AOP to IFRS profit attributable to equity holders of the parent:

Year ended December 2017 (£m)	OMEM	Nedbank	OMW	IAM	plc Head Office	Non-core	Con-solidation adjustments[1]	Dis-continued[2]	Total
Adjusted operating profit before tax	**777**	**963**	**363**	**64**	**(130)**	**–**	**-**	**–**	**2,037**
Goodwill, intangible and associate charges	(88)	7	(103)	(2)	–	–	-	–	**(186)**
Profit on business disposals	81	–	24	–	92	–	-	–	**197**
Short-term fluctuations in investment return	127	–	(2)	–	–	–	-	–	**125**
Returns on own debt and equity	(55)	–	–	–	–	–	(24)	–	**(79)**
Institutional Asset Management equity plans	–	–	–	(33)	–	–	-	–	**(33)**
Dividends on preferred securities	–	–	–	–	2	–	-	–	**2**
Credit-related fair value losses on Group debt	–	–	–	–	(128)	–	-	–	**(128)**
One-off managed separation and business standalone costs	(14)	(3)	(32)	–	(51)	–	-	–	**(100)**
Resolution of plc pre-existing items	–	–	–	–	(27)	–	-	–	**(27)**
OMW UK Platform transformation costs	–	–	(74)	–	–	–	-	–	**(74)**
Voluntary customer remediation provision	–	–	(69)	–	–	–	-	–	**(69)**
Total adjusting items	51	4	(256)	(35)	(112)	–	(24)	–	**(372)**
Non-core operations	–	–	–	–	–	26	-	–	**26**
Income tax attributable to policyholder returns	81	–	66	–	–	–	-	–	**147**
Discontinued operations included in AOP[2]	–	–	–	–	–	–	-	(1,221)	**(1,221)**
IFRS profit from continuing operations before tax	**909**	**967**	**173**	**29**	**(242)**	**26**	**(24)**	**(1,221)**	**617**
Tax on adjusted operating profit	(214)	(244)	(44)	(18)	43	–	-	–	**(477)**
Tax on adjusting items	(19)	(2)	36	12	19	–	-	–	**46**
Income tax attributable to policyholder returns	(81)	–	(66)	–	–	–	-	–	**(147)**
Tax on discontinued and non-core operations[1]	–	–	–		–	(2)	-	340	**338**
IFRS profit from continuing operations after tax	**595**	**720**	**99**	**23**	**(180)**	**24**	**(24)**	**(881)**	**377**
NCI in adjusted operating profit	(27)	(351)	–	(20)	–	–	-	–	**(398)**
NCI in adjusting items	26	5	–	9	9	–	-	–	**49**
Discontinued operations[1]	–	–	–	–	–	–	-	881	**881**
IFRS profit attributable to equity holders after tax	**594**	**375**	**99**	**12**	**(171)**	**24**	**(24)**	**–**	**909**

Year ended December 2016 (£m)	OMEM	Nedbank	OMW	IAM	plc Head Office	Non-core	Consolidation adjustments[1]	Discontinued[2]	Total
Adjusted operating profit before tax	639	799	260	141	(172)	–	-	–	1,667
Goodwill, intangible and associate charges	(75)	(50)	(140)	(6)	(7)	–	-	–	(278)
Profit on business disposals	3	(12)	–	18	10	–	-	–	19
Short-term fluctuations in investment return	(27)	–	1	–	–	–	-	–	(26)
Returns on own debt and equity	(43)	–	–	–	–	–	-	–	(43)
Institutional Asset Management equity plans	–	–	–	(20)	–	–	-	–	(20)
Dividends on preferred securities	–	–	–	–	17	–	-	–	17
Credit-related fair value losses on Group debt	–	–	–	–	(24)	–	-	–	(24)
OMW UK Platform transformation costs	–	–	(102)	–	–	–	-	–	(102)
Total adjusting items	(142)	(62)	(241)	(8)	(4)	–	-	–	(457)
Non-core operations	–	–	–	–	–	(5)	-	–	(5)
Income tax attributable to policyholder returns	50	–	94	–	–	–	-	–	144
Discontinued operations included in AOP[2]	–	–	–	–	–	–	-	(1,043)	(1,043)
IFRS profit from continuing operations before tax	547	737	113	133	(176)	(5)	-	(1,043)	306
Tax on adjusted operating profit	(170)	(199)	(47)	(36)	54	–	-	–	(398)
Tax on adjusting items	13	–	24	5	(4)	–	-	–	38
Income tax attributable to policyholder returns	(50)	–	(94)	–	–	–	-	–	(144)
Tax on discontinued operations[1]	–	–	–	–	–	–	-	362	362
IFRS profit from continuing operations after tax	340	538	(4)	102	(126)	(5)	-	(681)	164
NCI in adjusted operating profit	(17)	(288)	–	(36)	–	–	-	–	(341)
NCI in adjusting items	30	32	–	4	–	–	-	–	66
Discontinued operations[1]	–	–	–	–	–	–	-	681	681
IFRS profit attributable to equity holders after tax	353	282	(4)	70	(126)	(5)	-	–	570

1 Consolidation adjustments reflects Old Mutual plc shares held by consolidated investment funds, which are treated as treasury shares within IFRS.
2 Discontinued operations relate to Nedbank, OMW and Institutional Asset Management earnings included within AOP; but reported as discontinued operations within IFRS.

Explanation of adjusting items between AOP and IFRS

In determining the AOP of the Group for core operations, certain adjustments are made to IFRS profit before tax to reflect the Directors' view of the Group's long-term performance. Details of these adjustments are provided in Note C1 of the Consolidated Financial Statements, and in respect of tax in note D1. A summary of significant adjustments is provided below.

Goodwill, intangible and associate charges were £186 million in 2017 (2016: £278 million). In OMEM the charges for 2017 include goodwill impairment of £71 million recognised in the first half of 2017 relating to the UAP-Old Mutual Group entity in East Africa. This followed the simplification of the operating structure of the Rest of Africa portfolio and the consequential alignment of the routine goodwill valuation review in accordance with accounting requirements. A further goodwill impairment of £14 million was recognised in the second half of the year relating to the AIVA business in Uruguay, as a result of weaker than anticipated performance at the time of the impairment review.

In OMW, goodwill, intangible and associate charges were £103 million (2016: £140 million). The charge was lower due to an additional £46 million impairment of goodwill and intangibles in 2016 as a result of the anticipated sale of OMW Italy.

Profit on business disposals includes a £81 million profit in OMEM on disposal of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak) and a £24 million profit in OMW on disposal of OMW Italy. In the plc Head Office, the £92 million profit on disposal results largely from the sale of our holding in OMAM.

Within AOP the investment return on shareholder funds is calculated using a Long Term Investment Return (LTIR) rate. Any short-term fluctuations between the LTIR in AOP and actual returns are included in adjusting items. In 2017, the actual investment return was higher than the LTIR assumed in AOP by £125 million (2016: £26 million lower). This reflects the impact of the significant growth in Zimbabwe's equity markets which resulted in a short term fluctuation of positive £106 million. Following recent political developments in Zimbabwe, the current macro-economic situation remains fluid, and the market reaction remains volatile. Zimbabwean equity markets have fallen by more than 10% in the first two months of 2018.

Adjusting items include a £33 million expense (2016: £20 million) due to the revaluation of Institutional Asset Management equity plans held by Affiliate key employees, and Landmark acquisition related expenses.

Credit-related fair value losses on Group debt were £128 million in 2017 (2016: £24 million loss). In 2017 this includes £102 million to reflect the difference between the cash paid to repurchase and redeem debt securities during the year and the IFRS book value of those debt securities at the date of repurchase.

In 2017, OMW UK Platform transformation costs were £74 million (2016: £102 million). These costs relate to both the closure of the previous programme and costs associated with the new proposition supplied by FNZ.

New adjusting items between AOP and IFRS 2017

An expense of £27 million related to the resolution of plc Head Office pre-existing items includes expenses of £20 million for insuring and de-risking certain indemnities associated with businesses previously owned by the Group. In addition costs of £7 million were incurred in disposing of the Group's captive insurance entity which covered plc Head Office and subsidiary companies. Further details of costs related to addressing plc Head Office pre-existing items is provided on page 18.

One-off managed separation and business standalone costs were £100 million in 2017. In 2016 these costs, which were included within AOP, totalled £31 million. If the 2016 costs were excluded from AOP, the growth in AOP pre-tax would reduce from 22% to 20%.

As part of OMW's ongoing work to promote fair customer outcomes, product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance 'FG16/8 Fair Treatment of long-standing customers in the life insurance sector' have been conducted. Following these reviews, it has been decided to commence voluntary remediation to customers in certain legacy products within the Heritage book. As part of this, OMW have decided to cap early encashment charges at 5% for pension customers under 55, to refund all early encashment charges over 5% on pensions products applied since 1 January 2009 and to refund certain paid-up charges also since 1 January 2009.

A provision of £69 million has been made within the 2017 results for the aggregate of these remediation costs, and this has been reported outside of AOP because it does not reflect the 2017 operating performance of Old Mutual Wealth and reflects operations in the past.

In 2016 the AOP of Old Mutual Wealth included a £27 million charge for the restructuring of Heritage fees. This was largely related to changes to future charges for certain continuing customers of the Heritage business. On the basis of the forward looking nature of these charges the 2016 AOP was not adjusted for this impact.

Discontinued and non-core operations

For IFRS reporting the results of Nedbank, Old Mutual Wealth and Institutional Asset Management are discontinued operations because they have been classified as held for distribution. These businesses remain within AOP in 2017 reflecting our continued management of these businesses, their contribution to the Group result for the year and to aid comparability.

Non-core operations relates to Old Mutual Bermuda IFRS pre-tax profit of £26 million (2016: £5 million loss). The increase in profit largely reflects the favourable developments in the run-off of this closed book of business.

Review of financial performance
continued

Plc Head Office AOP

The plc Head Office represents the plc Parent Company and the other centre companies of the Group, which typically own and manage the Group's interests. The AOP of the plc Head Office is detailed below:

Plc Head Office (£m)	2017	2016
Old Mutual plc finance costs	**(66)**	(88)
Corporate costs (before recharges)	**(58)**	(79)
Other net shareholder income/ (expenses) (OSIE)	**(6)**	(5)
Total plc Head Office AOP	**(130)**	(172)

Old Mutual plc finance costs

Old Mutual plc finance costs reduced from £88 million in 2016 to £66 million in 2017, in-line with the guidance communicated at our 2016 Preliminary Results. The reduction in finance costs largely reflects the repayment of £112 million of senior debt in October 2016 and the repurchase and redemption of £273 million of perpetual preferred callable securities in February 2017.

Corporate costs before recharges

Corporate costs before recharges of £58 million in 2017 are £21 million below the prior period (2016: £79 million).

The reduction in corporate costs reflects savings of £11 million as a result of retrenchment activity in 2016 and 2017 and wider repurposing of the plc Head Office, including an over 50% reduction in headcount compared with January 2016. These reductions are in-line with our guidance provided at the 2016 Preliminary Results announcement.

The reduction in corporate costs also includes the impact of property and insurance costs of £10 million which were previously incurred by plc, and therefore reflected in corporate costs, but which are now directly incurred by the businesses.

Other net shareholder income / (expenses) (OSIE)

The table below sets out other net shareholder expenses of £6 million in 2017 (2016: £5 million):

OSIE (£m)	2017	2016
Share based payment charges	**(9)**	(10)
Solvency II costs and other projects	**–**	(5)
Brand costs	**–**	(8)
Other net expenses	**(7)**	(7)
Recharge of plc Head Office costs	**4**	19
OSIE, excluding fx, seed capital gains and one-off MS cost	**(12)**	(11)
One-off managed separation costs	**–**	(22)
FX (losses)/gains	**(1)**	20
Seed capital gains	**7**	8
Total other net shareholder income/(expenses) (OSIE)	**(6)**	(5)

In 2017 OSIE includes expenses related to share based payment charges of £9 million (2016: £10 million). In 2016 Solvency II and other project costs of £5 million and OMW brand costs of £8 million were also incurred. The on-going brand costs are now incurred directly by OMW. The recharge of plc Head Office costs has reduced significantly to £4 million (2016: £19 million) as costs previously incurred by the plc and recharged to OMEM and OMW are now incurred directly by these businesses.

One-off plc Head Office costs of managed separation were £22 million in 2016. These costs have been excluded from AOP in 2017. Foreign exchange losses in 2017 of £1 million (2016: £20 million gain) were incurred on US dollar denominated cash and seed investments.

In 2017 seed capital gains were £7 million (2016: £8 million), largely on funds managed by OMAM. The plc Head Office has substantially reduced its seed portfolio as part of the managed separation. At 31 December 2017 the plc Head Office held seed investments of £6 million (31 December 2016: £148 million).

Tax

The AOP effective tax rate (ETR) for the Group is 23% (2016: 24%). 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 AOP ETR for OMEM, calculated in sterling, has increased slightly to the statutory rate of 28% (2016: 27%). The Nedbank AOP ETR remained constant at 25%.

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

AOP attributable to non-controlling interests increased from £341 million to £398 million. The proportion of Group AOP attributable to non-controlling interests has reduced from 27% in 2016 to 26% in 2017. This reflects the sell-down of OMAM during 2017.

Managed separation and business standalone one-off and incremental recurring costs

The section below summarises the one-off and recurring costs associated with managed separation and includes forward looking estimates of these costs. These estimates are sensitive to how we execute the managed separation, including the timing of execution and are subject to stakeholder and market dependencies. By their nature, forward-looking estimates involve risk and uncertainty because they relate to future events and circumstances which may be beyond Old Mutual plc's control. Following the managed separation each business may adopt cost definitions different from the Group-wide definition that is currently applied.

The tables below include the one-off costs related to plc wind-down and business standalone costs and advisory costs. They compare the costs incurred to date against the original estimates. Costs are likely to be at the upper end of our estimates leaving limited contingency remaining.

Removal and transition of plc Head Office operational costs

The managed separation will lead to the eventual closure of the plc Head Office and elimination of its operational costs, which totalled £123 million before recharges in 2015, the year before the managed separation began. The table below shows the evolution of these plc Head Office operating costs since 2015:

Plc Head Office operational costs before recharges[1] (£m)	2015	2016	**2017**	Estimated by 2019
Corporate costs before plc recharge	80	79	**58**	–
OSIE before plc recharge	43	24[2]	**10**	–
	123	103	**68**	–

1. Plc Head Office operational costs are stated before recharges of £23 million in 2015; £19 million in 2016 and £4 million in 2017.
2. One-off plc wind down costs of £8 million and transaction advisory costs of £14 million are included in AOP in 2016. From 2017 these costs have been excluded from AOP.

An estimated £29 million per annum of plc Head Office operational costs previously incurred by the plc Head Office will ultimately be borne directly by OMEM and OMW. Given the 2015 cost base of £123 million set out above, this will result in an estimated net saving of £94 million per annum. The table below shows the development in the costs of OMW and OMEM as they begin to incur the plc Head Office operational costs directly:

Plc Head Office operational costs absorbed by OMW and OMEM (£m)	2016	**2017**	Estimated after MS
Costs previously recharged and listing related costs now incurred directly by OMEM	–	**4**	7
Costs previously recharged now incurred directly by OMW	–	**6**	7
Listing related costs not recharged now incurred directly by OMW	–	**1**	7
Brand costs not recharged now incurred directly by OMW	–	**7**	8
	–	**18**	29

Incremental recurring business standalone costs

In addition to the £29 million above, we estimate OMW and OMEM will incur a combined incremental cost of £20 million per annum as a result of being standalone businesses. The table below illustrates the costs incurred to date.

Recurring business standalone costs (£m)	2016	**2017**	Estimated after MS (annualised)
Old Mutual Emerging Markets	–	**4**	8
Old Mutual Wealth	–	**8**	12
	–	**12**	20

One-off plc wind down and business standalone costs

As communicated at the 2016 Preliminary Results announcement, we estimate the one-off costs to unlock the £94 million of plc Head Office run-rate savings to be in the region of £130 million. This includes costs at the plc Head Office, which we expect to be at the upper end of our £50 million to £65 million range, with the balance to be incurred by OMEM and OMW. The table below sets out the one-off costs that have been incurred to date:

One-off plc wind down and business standalone costs[1] (£m)	2016	**2017**	Total to date	Total estimated over MS
Plc Head Office	8	**31**	39	
Old Mutual Emerging Markets	1	**12**	13	
Old Mutual Wealth	4	**20**	24	
	13	**63**	76	130

1. One-off plc wind down and business standalone costs are included in AOP in 2016. From 2017 these costs have been excluded from AOP. Comparatives have not been restated.

Review of financial performance
continued

One-off advisory costs

We estimate one-off advisory costs of at least £100 million during the period of implementing the managed separation. This estimate is sensitive to how we execute the managed separation and subject to stakeholder and market dependencies. These costs will facilitate unlocking the current conglomerate discount to the Group's value. The table below sets out the one-off advisory costs that have been incurred to date:

One-off advisory costs[1] (£m)	2016	2017	Total to date	Total estimated over MS
Plc Head Office[2]	14	**19**	33	
Old Mutual Emerging Markets	1	**1**	2	
Old Mutual Wealth	3	**11**	14	
Nedbank	–	**3**	3	
	18	**34**	52	at least 100

1. One-off advisory costs were included in AOP in 2016. From 2017 these costs have been excluded from AOP. Comparatives have not been restated.
2. Includes costs related to Old Mutual Limited.

One-off transaction costs

Transaction costs incurred as at 31 December totalled £19 million. This includes £16 million of costs related to the sell-down of OMAM during 2016 and 2017, which were deducted from proceeds in line with accounting policies and costs which were not deductible from proceeds related to OMEM (£1 million); OMW (£1 million) and plc Head Office (£1 million). Further transaction costs of £20 million to £25 million are estimated to be incurred by the plc Head Office and the businesses, excluding any costs associated with the intended secondary offering of Quilter.

Return on Equity (ROE)

2017 (£m)	**AOP (post-tax & NCI)**	**Average shareholder equity excl. intangibles[1]**	**Return on shareholder equity excl. intangibles**	**Average shareholder equity incl. intangibles**	**Return on shareholder equity incl. intangibles**
Adjusted ROE[2]:					
Old Mutual Emerging Markets	536	2,293	23.4%	2,639	20.3%
Nedbank	368	2,222	16.6%	2,558	14.4%
Old Mutual Wealth[3]	319	990	32.2%	2,414	13.2%
	1,223	5,505	22.2%	7,611	16.1%
Residual plc[4]	(61)	2,430[1,5]	n/a	324	n/a
Adjusted ROE	**1,162**	**7,935**	**14.6%**	**7,935**	**14.6%**
IFRS ROE	**909**			**8,019**	**11.3%**

2016 (£m)	AOP (post-tax & NCI)	Average shareholder equity excl. intangibles[1]	Return on shareholder equity excl. intangibles	Average shareholder equity incl. intangibles	Return on shareholder equity incl. intangibles
Adjusted ROE[2]:					
Old Mutual Emerging Markets[6]	452	1,805	25.0%	2,150	21.0%
Nedbank	312	1,834	17.0%	2,094	14.9%
Old Mutual Wealth[3]	213	974	21.9%	2,475	8.6%
	977	4,613	21.2%	6,719	14.5%
Residual plc[4]	(49)	2,374[1,5]	n/a	268	n/a
Adjusted ROE	928	6,987	13.3%	6,987	13.3%
IFRS ROE	570			7,237	7.9%

1 The businesses figures exclude the plc share of 'Goodwill and other intangible assets' as reported in the segmental balance sheet; and these assets are included in Residual plc
2 Group Adjusted ROE is calculated as AOP (post-tax and NCI) divided by average ordinary shareholders equity. Ordinary shareholders equity excludes the perpetual preferred callable securities, non-core operations and the decrease in value of equity due to treasury shares held within consolidated investment funds.
3 The intercompany loan of £566 million provided to Old Mutual Wealth to acquire Quilter Cheviot has been equitised for the purposes of calculating the average equity of Old Mutual Wealth. The average shareholders equity including intangibles includes £0.7 billion of goodwill on the acquisition of Skandia which is allocated to Old Mutual Wealth. Excluding this goodwill the return on equity of Old Mutual Wealth is 19%.
4 Residual plc includes the plc Head Office and the Institutional Asset Management segments.
5 Includes plc portion of 'Goodwill and other intangible assets' and excludes the perpetual preferred callable securities (31 December 2017: nil; 31 December 2016: £273 million) that were repurchased and redeemed in February 2017 and non-core operations (31 December 2017: £124 million; 31 December 2016: £68 million).
6 2016 OMEM AOP (post-tax and NCI) now includes the LTIR on excess assets previously reported within the plc Head Office.

Adjusted ROE by business has been calculated in sterling in order to give a shareholder view of returns in the reported currency.

Old Mutual plc adjusted ROE increased from 13.3% in 2016 to 14.6% in 2017. This largely reflects a higher ROE in OMW, which benefited from exceptional net performance fees in the Single Strategy business in 2017.

The IFRS ROE of 11.3% (2016: 7.9%) has increased as a result of the significant increase in IFRS profit attributable to equity holders which benefited from higher profits in Old Mutual Wealth, as a result of exceptional net performance fees in the Single Strategy business and higher investment returns in OMEM due to Zimbabwe's significant equity market performance.

Plc cash flows and liquidity

The plc Head Office cash position was £540 million as at 31 December 2017 (£743 million as at 31 December 2016). This is invested in cash and near cash instruments, including money market funds. The plc Head Office also has access to an undrawn committed facility of £800 million (as at 31 December 2016: £800 million).

The table below summarises plc Head Office cash flows in 2017 and 2016:

Plc cash flows (£m)	2017	2016
Opening cash and liquid assets at holding company at 1 January	**743**	750
Operational flows		
Operational receipts from OMAM and OMW	**74**	84
Impact of foreign currency hedging	**(3)**	(6)
Operational receipts from OMAM and OMW after hedging	**71**	78
Operational receipts from OMEM and Nedbank	**345**	410
Impact of foreign currency hedging	**(14)**	(37)
Operational receipts from OMEM and Nedbank after hedging	**331**	373
Corporate costs before recharges	**(58)**	(79)
Other operational flows	**34**	(27)
Total operational flows	**378**	345
Servicing of capital		
Interest paid	**(64)**	(72)
Preference dividends	**(15)**	(17)
Ordinary cash dividends	**(339)**	(451)
Paid to northern hemisphere shareholders	**(128)**	(160)
Paid to southern hemisphere shareholders	**(211)**	(291)
Total servicing of capital	**(418)**	(540)
Capital movements		
Debt repaid in the period	**(955)**	(112)
Capital contribution to OMW	**(200)**	–
Net proceeds from the sell-down of OMAM[1]	**664**	230
Net proceeds from the sale of OMW Italy[1]	**210**	–
Net proceeds from the sale of Kotak[1]	**138**	–
Return of seed capital	**69**	31
Resolution of plc Head Office pre-existing items	**(62)**	–
Plc wind-down and advisory costs	**(26)**	(9)
Other capital movements	**(1)**	48
Total capital movements	**(163)**	188
Closing cash and liquid assets at holding company at 31 December	**540**	743

1 Proceeds from the sell-down of OMAM and sales of OMW Italy and Kotak are stated net of costs and foreign currency hedging

Review of financial performance
continued

Operational flows
Our conservative capital management policy has provided the flexibility to pay an appropriate dividend to shareholders during the managed separation and enabled the unlisted OMEM and OMW businesses to prepare for independence with strong standalone balance sheets, improved quality of capital and future dividend paying capacity.

Operational receipts from OMW and OMAM, after foreign currency hedging, were £71 million in 2017 (2016: £78 million). For OMAM, remittances of £7 million were received in 2017 (2016: £19 million) and payments of £35 million were received pursuant to the Deferred Tax Asset Agreement (2016: £32 million).

OMEM and Nedbank dividend receipts are available to meet the plc dividend, consistent with the original terms of demutualisation and in line with plc's capital management policy.

Other operational flows in 2017 include the impact of collateral movements on foreign currency hedging of both operational and capital inflows of £29 million (2016: £28 million outflow).

Servicing of capital
Dividend payments to ordinary shareholders of £339 million (2016: £451 million) have been made in the year in relation to the second interim dividend for 2016 of 3.39 pence per share (second interim dividend for 2015: 6.25 pence per share) and first interim dividend for 2017 of 3.53 pence per share (first interim dividend for 2016: 2.67 pence per share). Of this, £211 million was paid to shareholders on the South African and other African registers (2016: £291 million).

Preference dividend payments in 2017 reflect interest on the £273 million of perpetual preferred callable securities, which were repurchased and fully redeemed on 3 February 2017. The payment represents 11 months of the interest accrued up to the point the security was redeemed.

Interest paid in 2017 was £8 million lower than 2016, due largely to the repayment of £112 million of senior debt in October 2016.

Capital movements
Debt repaid in 2017 includes £273 million of perpetual preferred callable securities that were repurchased and fully redeemed at a cost of £288 million in February 2017. In addition, in November 2017 we repurchased and redeemed £389 million of Tier 2 subordinated 2025 securities, and £159 million nominal of Tier 2 subordinated 2021 securities for a total cost of £667 million, net of interest rate hedging.

Old Mutual Wealth received £200 million of capital in May 2017 from Old Mutual plc with a consequential reduction in the RCF provided by Old Mutual plc to Old Mutual Wealth from £200 million to £70 million.

Cash flows from corporate activity in 2017 include proceeds net of costs and foreign currency hedging of £664 million from the sell-down of OMAM during the period, £210 million from the sale of Old Mutual Wealth Italy and £138 million from the sale of Kotak.

Costs to address plc Head Office pre-existing items largely reflects £27 million paid into two legacy defined benefit pension schemes to effect the buy-out of the benefits of the two schemes and £20 million related to the costs of insuring and de-risking certain indemnities associated with businesses previously owned by the Group. In addition cash of £12 million to fund contingent liabilities in the businesses; which was held on deposit at the plc Head Office, was returned.

During 2017 £69 million (2016: £31 million) of seed capital was returned to the plc, primarily from Rogge and OMAM.

Plc wind-down and advisory costs of £26 million were paid in 2017 (2016: £9 million). The amounts included within the IFRS income statement also include accruals and provisions primarily related to the wind-down of the plc Head Office.

IFRS balance sheet review
The analysis below summarises how 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 sourced from segmental analysis of the Group's IFRS Balance Sheet in note B4 of the financial statements.

(£m)	2017	2016 Restated[1]
Equity attributable to equity holders of the parent	8,128	7,909
Plc perpetual preferred callable securities	–	(273)
Equity attributable to ordinary shareholders of the parent	8,128	7,636
OMEM	2,768	2,484
Nedbank	2,679	2,476
OMW	1,818	1,868
Total operating businesses	7,265	6,828
Residual plc NAV:		
OMAM	–	527
OM Bermuda	124	68
plc Head Office	902	358
Total Residual plc NAV	1,026	953
Consolidation adjustments[1]	(163)	(145)
Equity attributable to ordinary shareholders of the parent	8,128	7,636

1 Consolidation adjustments reflects Old Mutual plc shares held by consolidated investment funds, which are treated as treasury shares within IFRS. Comparative information in the consolidated statement of financial position has been restated for this treatment.

At 31 December 2017 equity attributable to ordinary shareholders of the parent was £8,128 million (2016: £7,636 million). The £492 million increase in equity attributable to ordinary shareholders of the parent is principally due to £894 million of IFRS profit after tax attributable to ordinary equity holders, offset by dividends paid of £330 million and the impact of translating the Group's non-UK operations to sterling of £87 million.

At 31 December 2017, of the total equity attributable to ordinary shareholders, the equity of Old Mutual plc as a stand-alone company was £6,509 million (2016: £5,369 million), of which distributable reserves were £2,943 million (2016: £2,059 million).

The Group is required to adopt two new accounting standards with effect from 1 January 2018, IFRS 9: Financial Instruments ('IFRS 9') and IFRS 15: Revenue from Contracts with Customers (IFRS 15). The estimated impact on the Groups' opening reserves (after tax) of adopting IFRS 9 is £203 million, principally due to impact of the adoption of the expected credit loss for impairments of £176 million and other items relating to classification and measurement. IFRS 15 principally impacts the timing of the recognition of revenue and the current estimated impact on opening reserves is expected to be immaterial. All of these estimates represents managements best estimate of the potential impact of adopting the standards and this could change when the standards are implemented by the Group. Further details are provided in Note A7 of the Old Mutual plc Financial Statements.

Equity invested in OMEM, Nedbank and OMW

Over 80% of the Group's equity is invested in OMEM, Nedbank and OMW. Under managed separation these businesses are expected to be largely distributed to shareholders. This IFRS equity is shown after deduction of intercompany funding of £782 million to OMW from the plc Head Office.

Within OMEM, as at 31 December 2017, there was R5.9 billion (2016: R9.7 billion) of outstanding intercompany indebtedness between OMLAC(SA), Old Mutual Group Holdings (OMGH) and its subsidiary Old Mutual Portfolio Holdings (OMPH). During the year, R3.8 billion of this intercompany indebtedness was repaid to OMLAC(SA), funded through greater cash retention.

We anticipate that the settlement of the remaining intercompany indebtedness will largely be repaid with the transfer of Nedbank shares to OMLAC(SA) up to the desired shareholding of 19.9%. Any residual indebtedness will be settled in cash.

Residual plc NAV

Residual plc NAV consists of OM Bermuda, plc Head Office and until its sale in November 2017, the value of its remaining shares in OMAM. The Residual plc NAV has increased to £1,026 million in 2017 (2016: £953 million).

As part of the process of managed separation we have converted Residual plc into certain cash, reduced contingent liabilities and unwound complex arrangements which existed within the Group structure.

Details of the component parts of the Residual plc NAV are discussed below.

OMAM

The process of reducing our stake in OMAM completed in November 2017, following a number of market sell-downs and the sale of a 24.95% stake to HNA Capital. The gross proceeds from these share sales totalled $879 million. Net of costs of £16 million and a £3 million loss on foreign currency hedging, the proceeds were £664 million.

OM Bermuda

OM Bermuda continues to execute its run-off strategy. Approximately 50% of its Guaranteed Minimum Accumulation Benefit (GMAB) reinsurance obligations matured in 2017 and the bulk of the remaining maturities take place during H1 2018.

Downside risk associated with guarantee top-up payments is managed using a put option programme. This was restructured to lock in market gains to the end of October 2017 and therefore further reduce downside market risks. Residual risks include basis risk and a small portion of market and currency risks that remain unhedged.

The reinsurance business remains well capitalised, with a statutory capital coverage ratio of 6.2 times (31 December 2016: 1.8 times).

IFRS NAV increased to £124 million ($168 million) at 31 December 2017 (31 December 2016: £68 million), benefiting from the £71 million ($92 million) reduction in GMAB reserves largely as a result of favourable global equity market and currency movements and the run-off of GMAB obligations over the period. This is partly offset by the establishment of a liquidation provision of £13 million ($18 million) to capitalise all anticipated future operational losses as the business is no longer considered a going concern.

Within the 31 December 2017 OM Bermuda IFRS NAV are £23 million ($31 million) of loan notes outstanding from the plc Head Office to OM Bermuda.

Old Mutual plc Head Office

We continue to make progress with the financial wind down and de-risking of the plc Head Office. The crystallisation of plc Head Office NAV into cash allows us to maintain appropriate buffers to manage risks and obligations during the period as a result of the execution of managed separation and the wind down of the plc Head Office. However, there are still actual and potential demands on our cash and liquidity during this period. Cash utilisation will continue not only as a result of the current plc structure, but also to manage the resolution of and meet the remaining managed separation and business standalone costs across the plc Head Office and the underlying businesses.

The table below shows the composition of the plc Head Office NAV:

plc Head Office NAV (£m)	2017	2016
Cash	**540**	743
Seed investments	**6**	148
Net intercompany funding	**759**	816
Third party debt[1]	**(461)**	(1,290)
Net sundry debtors/(creditors)	**58**	(59)
plc Head Office NAV	**902**	358

1 Includes plc preferred perpetual callable securities of £273 million in 2016.

Cash

The plc Head Office had cash balances of £540 million at 31 December 2017 (31 December 2016: £743 million).

At our 2016 preliminary results in March 2017, we highlighted that we hold cash and liquidity buffers centrally to support the plc under both normal and stressed conditions. These liquidity buffers and cash will transition from plc Head Office where appropriate as part of the preparations for the independence of the relevant subsidiaries as part of managed separation. In an initial step in preparing OMW's capital structure and in light of regulatory changes, we contributed £200 million of capital into OMW with a consequential reduction in plc's liquidity support and centrally held liquidity buffers for OMW of £130 million to £70 million.

The plc early warning liquidity threshold ("EWT") is set dynamically, in line with our underlying obligations to ensure adequate liquidity resources are maintained and stood at circa £330 million at 31 December 2017 (31 December 2016: circa £520 million).

Review of financial performance
continued

The lower EWT reflects the reduction in plc's liquidity support for OMW and lower levels of plc Head Office debt.

Seed investments

At 31 December 2017 the plc Head Office held seed investments of £6 million (31 December 2016: £148 million).

The plc Head Office has substantially reduced its seed portfolio as part of the managed separation. During 2017 the plc redeemed its remaining funds in OMAM and Rogge. The remaining seed investments are held in OMEM funds.

Net intercompany funding

Other non-cash plc Head office assets includes net intercompany funding of £759 million (31 December 2016: £816 million). Intercompany funding to OMW is £782 million (31 December 2016: £785 million), most of which was provided to support the acquisitions of Quilter Cheviot and Intrinsic. Intragroup payables represent £23 million of loan notes outstanding at 31 December 2017 from Old Mutual plc to OM Bermuda (31 December 2016: £58 million).

Intercompany funding in 2016 also included £85 million due from OMAM, principally relating to the Deferred Tax Asset Deed. Following cash receipts in 2017 and the uncertainty arising from US tax reform the Deferred Tax Asset Deed is now a provision of £9 million. As a result of the sale of OMAM during 2017 this provision is included in net sundry debtors and creditors.

Plc debt

The total IFRS book value of debt (excluding banking related debt) of £903 million comprises plc holding company debt of £461 million and emerging markets non-banking debt of £442 million.

Plc debt summary [1]	2017	2016
Total gearing (gross of holding company cash) – IFRS basis[4]	**7.4%**	16.1%
plc holding company book value of debt – IFRS basis (£m)	**461**	1,290
Subsidiary book value of debt (non-banking)[2] – IFRS basis (£m)	**442**	801
Total book value of debt – IFRS basis (£m)	**903**	2,091
Total interest cover[3]	**15.0 times**	11.1 times
Hard interest cover[3]	**4.5 times**	3.4 times

1 Excludes all banking-related debt
2 For the purposes of calculating gearing, subsidiary debt includes OMAM debt classified as non-current liabilities held for sale (31 December 2017: nil; 31 December 2016: £319 million) and non-banking inter-company borrowings (31 December 2017: £23 million; 31 December 2016: £25 million)
3 Interest cover is calculated based on the number of times AOP before finance costs and tax covers finance costs
4 2016 gearing has been recalculated to include the restatement of Group equity

As at 31 December 2017, Old Mutual plc holding company debt comprised of £341 million of Tier 2 debt maturing in June 2021 and £61 million of Tier 2 debt maturing in November 2025. The IFRS book value of these was £400 million and £61 million respectively leading to an aggregate IFRS value of Old Mutual plc debt of £461 million. This excludes a derivative asset of £33 million, related to the remaining £341 million of Tier 2 debt issued in June 2011.

The aggregate IFRS value of Old Mutual plc debt at 31 December 2017 is £829 million lower than at 31 December 2016 due to the repurchase and redemption of the £273 million Preferred Callable Securities on 3 February 2017. In addition £389 million of the Tier 2 subordinated 2025 securities and £159 million nominal of the Tier 2 subordinated 2021 securities were repurchased and redeemed on 24 November 2017. Fair value movements account for the remaining difference.

Gearing as at 31 December 2017

Gross gearing is based on non-banking debt of £870 million (2016: £2,060 million), which is the IFRS book value of non-banking debt net of the derivative asset of £33 million (2016: £31 million) referred to above. Gross gearing of 7.4% is calculated as the percentage of non-banking debt (£870 million) over total Group equity plus non-banking debt (£11,817 million). This has reduced since 31 December 2016, due largely to a decrease in total debt arising principally from the sale of OMAM, the repurchase and redemption of the plc £273 million Preferred Perpetual Callable Securities, £389 million of Tier 2 subordinated 2025 securities and £159 million of nominal of Tier 2 subordinated 2021 securities. This has been partially offset by the issue of R500 million of Subordinated securities by Old Mutual Insure in November 2017. Net gearing reduces to 2.8% when taking into account cash at the holding company.

Net sundry debtors / (creditors)

Net sundry debtors and creditors include both third party and intercompany debtors and creditors that are not related to long term funding. At 31 December 2017 net sundry debtors were £58 million (31 December 2006: £59 million creditor). The movement is due mainly to the reduction in intercompany creditors in preparation for the finalisation of managed separation.

Costs to resolve plc Head Office pre-existing items

At the 2016 Preliminary results announcement we estimated £130 million would be incurred to accelerate the resolution of pre-existing Head Office items over the duration of the managed separation. This estimate is subject to addressing any remaining issues.

During the period, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements resulted in the full buy-out of the schemes into individual annuity policies in October and wind-up of both schemes completed on 30 November 2017. Old Mutual plc no longer has any liability in respect of these two schemes, including administration and funding. Old Mutual plc had previously been contributing £7 million of cash annually to fund the two schemes.

In order to effect the transaction, Old Mutual plc made a one-off contribution of £27 million into the two schemes. In addition the IAS 19 surplus for the schemes of £24 million was written off during the year and is recognised in the consolidated statement of changes in equity.

Expenses of £20 million were incurred for the costs of insuring and de-risking certain indemnities associated with businesses previously owned by the Group. In addition cash of £12 million to fund contingent liabilities in the businesses, which was held on deposit at the plc Head Office, was returned.

Costs of £7 million were incurred in disposing of the Group's captive insurance entity which covered plc Head Office and subsidiary companies.

Adjusted Net Asset Value

Adjusted Net Asset Value (ANAV) provides an alternative measure to indicate the value of Old Mutual plc. The ANAV of Old Mutual plc was £11,952 million at 31 December 2017 (31 December 2016: £11,271 million), equivalent to 242.3 pence per share (31 December 2016: 228.6 pence per share). The increase in ANAV per share largely reflects the OMEM covered business MCEV earnings (12.8 pence) and the impact of the constant currency change in the share price of Nedbank (5.6 pence), offset by the Old Mutual plc cash dividends paid in the year (6.9 pence).

The ANAV uses an MCEV valuation basis for OMEM covered business and the UK Heritage business in OMW as well as the market value of listed subsidiaries and plc Head Office debt. Other businesses and other assets are generally included at IFRS net asset value. A reconciliation of the IFRS NAV to ANAV is provided in the tables below:

				Residual plc NAV				
2017 (£m)	**OMEM**	**Nedbank**	**Old Mutual Wealth**	**IAM**	**plc Head Office**	**OM Bermuda**	**Other[2]**	**Total**
IFRS equity attributable to equity holders of the parent	**2,768**	**2,679**	**1,818[1]**	**–**	**902**	**124**	**(163)**	**8,128**
Life Fund investments in OM plc[3]	270	–	–	–	–	–	163	433
MV adjustments for listed businesses and quoted debt[4]	–	1,268	–	–	(15)	–	–	1,253
Uplift for excess shares held in Trust, ESOP and BEE schemes[5]	–	–	–	–	–	–	86	86
Life Insurance – MCEV uplift[6]	1,921	–	146	–	–	–	–	2,067
Other adjustments	(16)	–	–	–	–	1	–	(15)
Intercompany transfers[7]	–	–	566	–	(566)	–	–	–
Adjusted Group NAV attributable to ordinary shareholders	**4,943**	**3,947**	**2,530**	**–**	**321**	**125**	**86**	**11,952**
Adjusted Group NAV per share (pence)	**100.2**	**80.0**	**51.3**	**–**	**6.5**	**2.5**	**1.8**	**242.3**

				Residual plc NAV				
2016 (£m) Re-presented [2,8]	OMEM[8]	Nedbank	Old Mutual Wealth[8]	IAM	plc Head Office	OM Bermuda	Other[2]	Total
IFRS equity attributable to equity holders of the parent	2,484	2,476	1,868	527	631	68	(145)	7,909
Perpetual preferred callable securities[9]	–	–	–	–	(273)	–	-	(273)
Life Fund investments in OM plc[3]	258	–	–	–	–	–	145	403
Market value adjustments for listed businesses and quoted debt[4]	–	1,151		158	(60)	–	-	1,249
Uplift for excess shares held in Trust, ESOP and BEE schemes[5]	–	–	–	–	–	–	101	101
Life Insurance – MCEV uplift[6]	1,780	–	146	–	–	–	–	1,926
Other adjustments	(19)	–	–	–	–	(25)	–	(44)
Intercompany transfers[7]	–	–	566	–	(641)	75	–	–
Adjusted Group NAV attributable to ordinary shareholders	4,503	3,627	2,580	685	(343)	118	101	11,271
Adjusted Group NAV per share (pence)	91.3	73.6	52.3	13.9	(6.9)	2.4	2.0	228.6

1 The Old Mutual Wealth IFRS equity of £1,818 million includes goodwill of £663 million, held by Old Mutual plc and associated with the Old Mutual Wealth business. This will cease to be recognised on the de-merger of Old Mutual Wealth from the Old Mutual plc Group.
2 Reduction to IFRS NAV of £163 million at 31 December 2017 and a corresponding restatement of £145 million at 31 December 2016, on identification in 2017 of Old Mutual plc shares held by consolidated investment funds. These are treated as treasury shares and eliminated on consolidation in IFRS
3 Inclusion of group equity and debt instruments held in the life funds (not included in IFRS equity)
4 Adjustment from IFRS to market value for listed subsidiaries and listed debt
5 An uplift related to excess Old Mutual plc shares held in Trusts, ESOP and BEE schemes in OMEM which are eliminated on consolidation in IFRS
6 Remaining adjustment from an IFRS to MCEV basis for the Life covered business
7 Intercompany loan of £566 million provided to Old Mutual Wealth to acquire Quilter Cheviot
8 £29 million of net assets previously reported in the Old Mutual Wealth segment have been re-presented within Emerging Markets to reflect the transfer of management of Old Mutual Life Assurance Company (South Africa) Limited offshore branches and OMI-Guernsey to Emerging Markets
9 Deduct the book value of the perpetual preferred callable securities.

Review of financial performance
continued

Capital management policy

In March 2016 we announced a new capital management policy for the period of the managed separation. This policy has provided the flexibility to balance the requirements of our multiple stakeholders and our businesses as they prepare for managed separation by enabling them to both continue to invest in order to drive enhanced performance and strengthen their balance sheets in preparation for being standalone businesses. In line with this policy we have today announced a second interim dividend for the second half of 2017 of 3.57p, the rand equivalent is 66.50 cents. This will be paid on 30 April 2018. The total full year dividend for 2017 is 7.10p (2016: 6.06p).

The 2017 second interim dividend will be the final dividend paid by plc if the Managed Separation is delivered in line with our expected timetable. The proposed future Capital Management Policy of the independent Old Mutual Limited and Quilter businesses are presented in their respective Business Reviews on pages 36 and 57.

The capital management policy is intended to remain in place until Old Mutual plc shares are no longer listed.

Capital

Regulatory capital in accordance with Solvency II rules

The Group Solvency II surplus is £1.45 billion at 31 December 2017 (31 December 2016: £1.25 billion as reported to the Prudential Regulation Authority (PRA)), representing a Solvency II ratio of 123% (31 December 2016: 122%) calculated under the standard formula.

The Group Solvency II ratio continues to be resilient as the Group surplus excludes £1.6 billion of surplus from the South African businesses (that remains 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 2017[1]	31 December 2016[2]
Own funds	**7.67**	6.84
Solvency capital requirements (SCR)	**6.22**	5.59
Solvency II surplus	**1.45**	1.25
Group Solvency II ratio	**123%**	122%

1 Based on preliminary estimates. Formal filing due to the PRA by 29 March 2018
2 As reported to the PRA as part of the Annual 2016 Solvency II submission.

During the year the Group Solvency II ratio increased due to the impact of corporate activity, in particular the sale of OM Wealth Italy (+2pps), OMAM (+14pps) and Kotak (+3pps), and reduced due to the redemption and repayment of qualifying debt during the year (-13pps). Increased capital requirements in the South African businesses and Old Mutual Wealth, including the impact of the rating agency downgrade of South African sovereign debt during the year reduced the Group Solvency II ratio. Other impacts were largely offsetting and included the receipt of South African remittances in lieu of the payments of the 2016 second interim dividend and 2017 first interim dividend payments to UK shareholders.

As we have previously guided, we will continue to manage the Group regulatory capital position in line with our solvency risk appetite, recognising that there is a trade-off to be considered where we could accept the possibility of going below our early warning threshold of 120% on a Solvency II basis as a result of cash and capital demands arising from the plc wind down.

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 (mainly relating to the South African businesses). The Group own funds include the Old Mutual plc issued subordinated debt instruments that 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 2017	31 December 2016[1]
Tier 1[2]	**7.3**	5.7
Tier 2[3]	**0.4**	1.1
Total Group Solvency II own funds	**7.7**	6.8

1 As reported to the PRA as part of the Annual 2016 Solvency II submission.
2 All Tier 1 capital is unrestricted for tiering purposes
3 Comprises subordinated debt grandfathered under Solvency II and, at 31 December 2016, Solvency II compliant subordinated debt.

The Group SCR is covered by Tier 1 capital, which represents 117% of the Group SCR of £6.2 billion. Tier 1 capital represents 95% of Group Solvency II own funds. Tier 2 capital, comprising plc holding company debt, represents 5% of Group Solvency II own funds and 26% of Group surplus.

Solvency II capital in comparison to IFRS equity

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

IFRS compared to Solvency II own funds (£bn)	31 December 2017	31 December 2016
IFRS equity attributable to equity holders of the parent[1]	**8.1**	7.9
Removal of goodwill and other intangibles (net of NCI)[2]	**(2.2)**	(2.9)
Restatement of technical provisions[3]	**2.7**	2.6
Inclusion of Old Mutual plc subordinated debt[4]	**0.4**	1.1
Other[5]	**0.3**	(0.1)
Fungibility restriction[6]	**(1.6)**	(1.8)
Total Group Solvency II own funds	**7.7**	6.8

1 Refer to note 2 on page 19.
2 Goodwill and other intangibles are recognised under IFRS, however, they are deemed inadmissible for regulatory purposes.
3 Solvency II uses a best estimate liability basis to measure insurance liabilities which recognises future earnings within the liabilities and results in an increase in own funds. This is partially offset by the recognition of the risk margin which replaces prudential margins allowed for in IFRS insurance liabilities and deferred tax adjustments.
4 Old Mutual plc subordinated debt comprises Tier 2 debt instruments in Old Mutual plc that qualify towards the Group's Solvency II capital position.
5 Includes removal of IFRS deferred acquisition costs and deferred revenue, sectoral adjustments for non-insurance entities, out of scope entity adjustments and inclusion of OMEM subordinated debt and Old Mutual plc shares held on behalf of policyholder funds. At 31 December 2016 includes the de-recognition of the Perpetual Preferred Callable Securities.
6 Restriction of Nedbank and OMEM's surplus when applying Solvency II fungibility and transferability rules, restricting entirely the surplus available from these businesses as a result of the exchange controls and demutualisation agreement that apply to remitting capital from South Africa, plus small amounts relating to OMW and OMB. There has been a presentation change relating to the OMW asset management entities at 31 December 2017, with the previous fungibility restriction now incorporated in the SCR.

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 lapses immediately.

Group Solvency II capital ratio at 31 December 2017 (£bn)	Capital Requirements	Surplus	Group ratio	Restricted surplus
Base Solvency II position	**6.2**	**1.5**	**123%**	**1.6**
Equity markets fall by 25%	6.0	1.4	124%	1.4
Impact of 10% of business lapsing immediately[1]	6.0	1.4	123%	1.6
Interest rates rise by 100 basis points	6.2	1.4	123%	1.6
Credit spreads increase by 100 basis points	6.2	1.4	123%	1.5
ZAR:GBP exchange rate increases by 30% (R22:£1)	5.1	1.5	129%	1.3
ZAR:GBP exchange rate decreases by 10% (R15:£1)	6.8	1.5	121%	1.8

1 Insurance business lapse sensitivity for OMW and OMEM only.

Solvency of individual businesses

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. The balance sheets, including action undertaken after 31 December 2017, will deliver appropriately capitalised standalone businesses to the market. The individual entity balance sheets are described in their respective Business Reviews.

Post year end transactions and development of Residual plc

The narrative within this section includes forward looking estimates of the Residual plc and future potential developments of other Group companies. These estimates are based on assumptions regarding the steps employed for and timing of the managed separation strategy which may change in the future. By their nature, forward-looking estimates involve risk and uncertainty because they relate to future events and circumstances which may be beyond Old Mutual plc's control.

When we unveiled the managed separation strategy in March 2016, we said that we aimed for it to be materially complete by the end of 2018. We are on track to deliver the managed separation as planned. These processes are, by their nature, unpredictable and therefore the outcome and timing cannot be guaranteed.

On 13 March 2018, Old Mutual plc announced that The Travelers Companies Inc. and St Pauls Fire and Marine Insurance Company have lodged a claim in the United States District Court for the Southern District of New York in relation to pre-existing plc Head Office legacy items relating to previously disposed businesses.

The Group believes that this action is without merit and it will be resisted accordingly.

Details of events after the reporting date are provided in Note J8 of the Old Mutual plc Financial Statements.

Proforma 31 December 2017 Residual plc IFRS Net Asset Value

As part of the allocation of assets and liabilities of the current Old Mutual plc holding company a number of transactions have taken place since 31 December 2017.

On 31 January 2018 Old Mutual Wealth acquired the Skandia UK Ltd group of entities from Old Mutual plc. As part of this transaction £566 million of intercompany indebtedness between Old Mutual Wealth and Old Mutual plc has been equitised.

On 28 February 2018, £200 million of intercompany indebtedness between Old Mutual Wealth and Old Mutual plc was repaid from new financing arrangements from Old Mutual Wealth. On the same date, the existing £70 million revolving credit facility provided by Old Mutual plc to Old Mutual Wealth was cancelled.

Outstanding Old Mutual plc Discount Notes held by Old Mutual Bermuda at 31 December 2017 of £23 million ($31 million) were cancelled on the 28 February 2018. In addition, cash of £44 million ($60 million) was repatriated from the business on the 7 March 2018 following approval from the Bermuda Monetary Authority.

Review of financial performance
continued

The table below illustrates the impact of these transactions on the 31 December 2017 IFRS net asset value:

(£m)	31 December 2017	Acquisition of Skandia UK Ltd by OMW and equitizing i/co loan	Repayment of £200m OMW intercompany loan	Distribution of OM Bermuda surplus	Proforma 31 December 2017
Cash	540	(11)	200	44	773
Seed investments	6				6
Net intercompany funding	759	(582)	(200)	23	–
Third party debt	(461)				(461)
Net sundry debtors	58	19			77
Plc Head Office NAV	902	(574)	–	67	395
OM Bermuda	124			(67)	57
Residual plc NAV	**1,026**	**(574)**	**–**	**–**	**452**

Impact of managed separation on Residual plc

As part of the managed separation it is proposed that certain remaining operating subsidiaries of Old Mutual plc are transferred to a new South African holding company of the group, Old Mutual Limited. The steps implementing this transfer are anticipated to include a court approved reduction in capital of Old Mutual plc which will augment distributable reserves for Old Mutual plc. After these steps Old Mutual plc will have no on-going businesses and none of the operating companies in the current Old Mutual group will be direct or indirect subsidiaries. Old Mutual plc will need to satisfy the court that it will continue to hold sufficient high quality liquid assets to meet its liabilities and deal with any contingencies, plus adequate headroom, taking into account relevant insurances. The assets within Old Mutual plc are expected to largely consist of sterling denominated high quality fixed income securities and cash or near cash instruments to match the maturity profile of the debt obligations. The speed of release of any surplus from Old Mutual plc is anticipated to be at the discretion of the UK court in the context of the reduction of capital.

The separation of Quilter is expected to involve the listing and the distribution of 86.6% of the total issued share capital of Quilter to Old Mutual plc Shareholders, as well as the expected divestment of up to 9.6% of its total issued share capital. The remaining 3.8% of the total issued share capital of Quilter is held by a JSOP Trustee and will continue to be held by a JSOP Trustee after such distribution. The proceeds from the expected divestment, or residual shares owned if any, would be retained within Residual plc.

Future Development of Residual plc NAV

As part of the managed separation the Residual plc, which had an IFRS net asset value of £452 million on a proforma basis at 31 December 2017, will become a subsidiary of Old Mutual Limited.

As at 31 December 2017 the Old Mutual plc holding company debt obligations comprised two fixed interest debt instruments. The first is a Tier 2 debt maturing in June 2021 paying a coupon of 8%, with an IFRS book value of £400 million and nominal value of £341 million. The coupon on the debt is circa £27 million per annum on the current outstanding amount. The second is Tier 2 debt maturing in November 2025 paying a coupon of 7.875%, with an IFRS book value and nominal value of £61 million. The coupon on the debt is circa £5 million per annum on the current outstanding amount. On the adoption of IFRS 9, effective from 1 January 2018, the Group has elected to designate this bond as Fair Value through Profit and Loss.

We will continue to evaluate the merits of repurchasing and redeeming outstanding Old Mutual plc debt, taking account of our risk appetite, regulatory constraints and other stakeholders.

Old Mutual plc will continue to incur corporate costs in 2018 until the existing plc Head Office closes. Corporate costs before recharges are estimated to be circa £50 million in 2018. Significantly reduced recurring plc Head Office corporate costs are anticipated beyond 2018, on the basis that the majority of plc Head Office operations are expected to have ceased by December 2018.

The total one-off costs associated with the wind-down of the plc Head Office are expected to be at the upper end of the £50 million to £65 million range that we originally estimated in the 2016 Preliminary Results announcement. At 31 December 2017 the plc Head Office had incurred £39 million of these wind down costs. We expect the majority of the remaining costs to be incurred in 2018.

Total one-off advisory costs are estimated to be at least £100 million, as communicated at the 2016 Preliminary Results. Total costs incurred as at 31 December 2017 were £52 million. Of the estimated £48 million still to be incurred, approximately £40 million will be incurred by the plc Head Office, largely during 2018.

In addition to the wind-down and advisory costs referred to above, one-off transaction costs will be incurred by the plc Head Office in relation to the managed separation. We estimate these costs to be in the range of £15 million to £20 million, excluding any additional costs associated with the intended secondary offering of Quilter. Transaction costs will be deducted from proceeds, where possible, in line with accounting policies and past practices.

At the 2016 Preliminary Results announcement we estimated £130 million would be incurred to accelerate the resolution of pre-existing Head Office items over the duration of the managed separation. This estimate is subject to addressing any remaining issues. As at 31 December 2017 £90 million had been incurred.

The obligations of OM Bermuda are running off, with the majority of the policies underlying the reinsurance obligations due to mature in the first half of 2018. The business will wind-up activities during 2018 with the remittance of surplus to Old Mutual plc, subject to the relevant regulatory approvals.

The second interim dividend of 3.57 pence per share will be paid on 30 April 2018. The cost of this dividend will be £175 million, of which circa £120 million will be funded from dividends received from OMEM and Nedbank during 2018, net of our hedging activities.

Performance measures

In line with statutory reporting requirements we report profits assessed on an IFRS basis. Consistent with last year, we complement IFRS reporting with additional disclosure on various alternative performance measures (APMs).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial positions and cash flows of the Group and the way it is managed.

Old Mutual plc

Summary information about the key APMs used by the consolidated Group in our financial review is provided in the following table.

APM	Definition
Adjusted 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 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 Operating Earnings per Share (EPS)	Adjusted Operating EPS is calculated as post-tax adjusted operating profit divided by the adjusted weighted average number of shares (WANS) held by our investors. The calculation of Adjusted EPS is detailed in note C2 in the financial statements. Adjusted Operating EPS is an indicator of our profitability that measures how much we earn for each share held.
Adjusted Return on Equity (ROE)	Adjusted ROE is calculated as AOP (post-tax and NCI) divided by average ordinary shareholders' equity excluding the perpetual preferred callable securities, non-core operations and the decrease in value of equity due to treasury shares held within consolidated investment funds. It is a measure of the return generated for shareholders over the reporting period.
Adjusted Plc NAV per ordinary share (ANAV)	The 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 and plc Head Office debt. Other businesses and other assets are generally included at IFRS net asset value. ANAV provides an alternative measure to indicate the value of Old Mutual plc.
Constant currency	Constant currency figures are calculated by translating local currency prior-period figures at the prevailing exchange rates for the period under review. The exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to pounds sterling are provided in note A1 in the financial statement. This measure eliminates the effects of exchange rate fluctuations when calculating financial performance numbers for various periods.

Review of financial performance
continued

Old Mutual Emerging Markets

The following APMs are used by OMEM to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed. Metrics to be used by Old Mutual Limited following the completion of the managed separation are detailed in the OMEM business review.

APM	Definition
Free surplus generation	OMEM's free surplus generation provides additional information on the cash generation of the business that is available for reinvestment or distribution to shareholders. It is calculated in respect of covered business using the free surplus component of MCEV earnings and for non-covered business as AOP post-tax and NCI adjusted for short-term fluctuations in investment return and movements in required capital for Property and Casualty business.
Gross flows	Gross cash flows received from customers during the period by Group businesses engaged in Life and Savings and Asset Management.
Life APE sales	The sum of new business recurring premiums (annualised) and 10% of the new single premiums written in an annual reporting period. It is a standardised measure of the volume of new life insurance business written.
Net client cash flows (NCCF)	The difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period.
Funds Under Management	The total market value of funds managed by OMEM at the point at which funds flow into OMEM.
VNB	The discounted value of expected future profits arising from new life insurance business sold in the reporting period.
VNB margin	VNB divided by present value of new business premiums ("PVNBP"), where PVNBP is the discounted value of expected future life insurance premiums from new recurring premium business, plus 100% of new single premiums. It reflects how much future profit is expected from each future life insurance premium and therefore measures the profitability of new business sold.
Gross written premiums (GWP)	The value of premiums that a property and casualty insurer is entitled to receive from its insurance business in a period before adjustments for reinsurance premiums. It is a measure of sales performance in Group businesses engaged in Property and Casualty
Underwriting margin	Underwriting result as a percentage of net premiums earned. It is calculated for the property and casualty insurance businesses across OMEM.
Loans and advances	The balance of gross loans and advances for Group businesses engaged in Banking and Lending. The amounts are gross of impairments on all performing, arrears and default loans.
Net lending margin	Net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period

Nedbank

The key APMs used by Nedbank within their business review are detailed below:

APM	Definition
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 re-measurements 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	Calculated as total expenses divided by the sum of net interest income and non-interest revenue. The Efficiency Ratio measures the expense efficiency of the business.
Liquidity Coverage Ratio	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.

Detail on Nedbank's results and their APMs are available on the website: www.nedbankgroup.co.za

Old Mutual Wealth

The key APMs used by Old Mutual Wealth within the financial review are:

Normalised operating profit pre-tax	The difference between total income and total operating costs. Excludes non-operational items, such as one-off gains or losses from the sale of assets or acquisition costs as per Operating profit with additional normalisation adjustments. It 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.
Revenue Margin	Represents net management fee, including policyholder tax divided by average Assets under Management & Administration (AUMA).
Operating margin	Represents reported operating profit from continuing operations divided by total revenue, including policyholder tax and adviser fees. Operating margin excludes financing costs. An efficiency measure that allows users of our financial statements to assess what percentage of net revenues that become operating profit.
Net Client Cash Flows (NCCF)	The difference between money received from and returned to customers during the relevant period for the Group (excluding Quilter Life Assurance) or for the business indicated. This measure is a lead indicator of reported net revenue.
Integrated net inflows	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.
Assets under Management & Administration (AUMA)	Represents the total market value of all financial assets managed and administered on behalf of customers as at 31 December of the financial year.
Average AuMA	Represents the average total market value of all financial assets managed and administrated on behalf of customers during the financial year ended 31 December. Average AuMA is calculated using a 13-point average of monthly closing AuMA.
Net Management Fee	Consists of revenue generated from AuMA, fixed fee revenues and policyholder tax contributions, netted off by trail commissions payable.
Other Revenue	Represents revenue not directly linked to AuMA (e.g. encashment charges, risk result, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)).

Old Mutual Emerging Markets review

Peter Moyo
OMEM CEO, and OML CEO-designate

A resilient performance in a tough environment

I am very pleased with how well our business has performed despite the tough economic and political environment. Consumer spending in South Africa has been constrained by both modest increases in disposable income and consumer efforts to address their level of indebtedness. Further, business confidence was dampened by the foreign and local currency credit rating downgrade and political uncertainty.

Over the year, we focused on executing on our strategic priorities and on the eight battlegrounds underpinning them to drive sustainable profit growth and tight management of our expenses. We are also re-engineering our businesses to meet changing customer demands and developing new forms of distribution.

We delivered pre-tax AOP of R13.3 billion, up 5% on the prior year, following exceptional growth in Old Mutual Insure and our Rest of Africa segment. IFRS profits (post-tax and non-controlling interest) of R10.2 billion were up 46% due to profits arising from the disposal of our joint venture with Kotak Mahindra Bank in India of R1.4 billion and higher actual investment returns of R5.2 billion (2016: R2.4 billion) mainly in South Africa and Zimbabwe. Zimbabwean equity markets remain volatile, having fallen by more than 10% in the first two months of 2018.

The 2017 financial year was a tale of two halves for our business, with good growth in gross flows in the Mass and Foundation Cluster, Wealth and Investments and in Latin America during the second half of 2017. We delivered full year NCCF of R14.5 billion. Particularly pleasing was the Wealth and Investments NCCF of R14.1 billion, compared to R1.8 billion at the half year. This contributed to our funds under management closing at an impressive R1.2 trillion.

Our business remains highly cash generative, with a robust balance sheet and liquidity position, as well as a high quality capital base. The estimated OMLAC(SA) SAM solvency ratio for 2017 was strong at 243%, subject to regulatory approval. We are well-positioned in the right markets to drive added value from our franchises, deliver sustainable profit growth and returns for our shareholders as well as creating economic value for all our stakeholders.

It has been a busy period as we prepare for the listing of Old Mutual Limited (OML). As it relates to Nedbank, we have agreed the heads of terms in the new relationship agreement with Nedbank, which is expected to be finalised and executed in the coming weeks. OML will be retaining a shareholding of 19.9% in its shareholder funds, and it intends to distribute the remaining shareholding in Nedbank to its future OML shareholders within approximately six months of the listing. We also reached agreement with the Economic Development Department regarding three critical public interest issues: enterprise and supplier development, employment within our ecosystem and BEE ownership.

Our Pre-Listing Statement will provide more information about the OML Group, including its investment case, historic performance and associated risks.

OML will be targeting compounded annual growth (CAGR) in our Results from Operations of Nominal GDP + 2% over the three years to 2020 and a sustainable Return on Net Asset Value at our average cost of equity (CoE) + 4%. To support this, we have also launched a cost efficiency leadership programme designed to deliver R1.0 billion of pre-tax run-rate cost savings by the end of 2019, net of costs to achieve this.

Exciting opportunities lie ahead for us as an independently listed business and we look forward to contributing to the societies in which we operate.

Peter Moyo
OMEM CEO, and OML CEO-designate
March 2018

Key financial indicators (Rm)	2017	2016 Restated	% change
IFRS profit (post-tax and NCI)[1]	**10,210**	6,999	46%
AOP (pre-tax and NCI)[1]	**13,326**	12,731	5%
Adjusted Return on Equity (%)[2]	**20.6%**	21.6%	(1.0%)
Free surplus conversion (%)[3]	**74%**	56%	18%
OMLAC(SA) SAM solvency ratio (%)[4]	**243%**	n/a	–

1 IFRS profit and AOP for 2016 were restated to include the actual and long-term investment return (LTIR) on shareholder assets above the capital requirement previously reflected in the Old Mutual plc. The impacts on AOP and IFRS profit were R398 million and R173 million respectively
2 Adjusted return on equity is AOP (post-tax and NCI) divided by average IFRS shareholder equity
3 Free surplus conversion is free surplus generated divided by AOP (post tax and NCI). Free surplus generated now reflects changes in the capital requirements of non-insurance businesses as well as fungibility considerations. Comparatives have therefore been restated
4 Pro-forma at 31 December 2017. The Standard Formula allows for, subject to regulatory approval, certain methodology elections to be made. The estimated SAM solvency positions are presented on the basis of the Group's preferred methodology which will, once the SAM framework is implemented, be formally presented for Regulatory approval. This is based on our current shareholding in Nedbank.

Strategic overview

Our vision is to become our customers' most trusted partner and to help them reach their financial goals. This is underpinned by our ambition to become a premium financial services group in sub-Saharan Africa.

To deliver value in the medium term, our priorities are focused on consolidating and growing our position in markets in which we operate; improving key underperforming businesses; and building long-term competitive advantage. These priorities are defined through our eight battlegrounds:

- Defend South African market share in mass market and corporate
- Defend and grow in the South African personal finance market
- Improve the competitiveness of Wealth and Investments
- Continued turnaround of Old Mutual Insure
- Turnaround East African business and improve returns across the Rest of Africa
- Win the war for talent
- Refresh the technology offering
- Cost efficiency leadership

OMEM operates through seven operational segments that collaborate to serve our customers. We also manage a number of central activities, assets and liabilities, collectively referred to as "Other Group Activities".

We are well-positioned in key sub-Saharan African geographies across multiple lines of business. Our business has an extensive product and service offering delivered through our multi-channel distribution network, with the largest reach compared to our traditional South African peers.

Key business developments

We have commenced our journey in fundamentally shifting from being a product-led business to becoming a customer-driven organisation. To support this change, we have restructured our leadership and reporting lines by ensuring that all customer-facing managing directors form part of the Executive Committee. This has sharpened our operational focus as we improve our customer service and experience to meet their evolving needs.

The new operating model and fundamental multi-year transformation of the finance function will commence with the introduction of new cost, customer and capital allocation methodologies from 2018. We believe that this will better reflect the economics of each of the operational segments going forward. However, year-on-year comparability of segmental performance in 2018 and 2019 will be affected, albeit with no impact on the overall Group results.

We also announced the appointment of Casper Troskie as the Finance Director of OMEM (and Finance Director-designate of OML) effective 1 April 2018. His broad financial services expertise and experience in the listed environment will be crucial to the business as we prepare for the listing of OML.

During the year, a new Wealth & Investments segment was established. This segment comprises Old Mutual Investment Group and Old Mutual Wealth (South Africa), which previously formed part of the Retail Affluent segment. Personal Finance, which was the other part of Retail Affluent, is now managed as a standalone segment.

We completed the sale of the 26% shareholding in Kotak Mahindra Old Mutual Life Insurance in India, for net proceeds to Old Mutual plc of circa.R2.4 billion (£138 million). We also completed the transfer of the international branches of OMLAC(SA) that were previously reported in Old Mutual Wealth (United Kingdom) to align the reporting with the ownership structure.

We successfully completed our collaboration work with Nedbank to unlock synergies in excess of R1.0 billion by the end of 2017. Of this, circa.R0.6 billion accrued to OMEM, and we are fully committed to working with Nedbank in delivering ongoing synergistic benefits on an arm's length basis. Future synergies will be underpinned by OML's 19.9% shareholding in Nedbank.

Performance highlights

OMEM delivered resilient earnings growth of 5% in pre-tax adjusted operating profit (AOP) of R13,326 million. This result reflects the momentum over the second half of the year as we continued to make progress on our battlegrounds, despite the tough macroeconomic environment.

Operating segments contributed R10,974 million to AOP, up 6% on the prior year. This was driven by the significant improvement in the underwriting result at Old Mutual Insure (up 290%) and growth in the Rest of Africa (up 33%). We continued to allocate central operating costs directly to the segments, such that only costs incurred for the holding company would be reported centrally. This resulted in R229 million being allocated directly to the segments. Consequently, year-on-year segmental performance is not comparable.

We delivered adjusted Return on Equity (RoE) of 20.6% compared to 21.6% in the prior year. The decline largely reflects a 10% increase in the IFRS shareholders' equity to R46.4 billion following higher actual investment gains in South Africa and Zimbabwe, and the profit on disposal of our 26% stake in Kotak. This was partially offset by the higher income tax expense in the current period. The OMEM AOP effective tax rate of 27.4% was marginally higher than 26.4% in the prior year, mainly due to an increase in non-deductible expenditure incurred. This contributed to AOP (post-tax and NCI) of R9,199 million, which was 2% above the prior year.

Old Mutual Emerging Markets review
continued

Cost efficiency leadership

We continue to focus our efforts on cost optimisation initiatives across the business. A cost base review was undertaken in the second half of 2017 in order to identify opportunities that enable the business to run more efficiently. We are therefore targeting pre-tax run-rate cost savings of R1.0 billion by the end of 2019, net of costs to achieve this. This will be based on the 2017 underlying IFRS run-rate cost base, and adjusted for inflation and foreign exchange movements over 2018 and 2019.

The 2017 underlying run-rate cost base of R18.4 billion, is adjusted for one-off project costs (e.g. regulatory and IFRS-related projects) and recurring standalone and listing costs. Below is the reconciliation from underlying IFRS operating and administrative expenses:

Rbn	2017
Underlying IFRS operating and administrative expenses[1]	**18.8**
One-off project costs (e.g. regulatory, IFRS-related, etc.)	**(0.3)**
Incremental recurring standalone and listing costs	**(0.1)**
Underlying IFRS operating and administrative expenses on a run-rate basis	**18.4**

1 Refer to Note D9 of the Old Mutual plc Group Financial Statements for further detail.

OMEM's underlying IFRS operating and administrative expenses of R18.8 billion were up 4% on the prior year, below South African inflation. The growth in expenses largely reflects higher operating costs associated with the expansion of MFCs branch footprint and higher remuneration costs in Old Mutual Insure off a low base in the prior year. This was partially offset by the tight cost management initiatives across the business.

As previously indicated, we expect to spend up to R100 million per annum in incremental recurring listing costs and between R100 million and R180 million per annum on other incremental recurring standalone costs. During the year, we incurred R142 million of recurring standalone and listing costs, including corporate insurance and costs associated with setting up capabilities for a listed company that previously did not exist, such as Investor Relations. The reported 2017 level of costs do not yet fully reflect the run-rate of these costs.

Win the war for talent

Our people strategy is focused on attracting, developing and retaining the best talent available in the market. Our commitment to ensuring diversity and inclusion across the workplace is partly evidenced through having the most transformed executive leadership team in South Africa's insurance industry in terms of gender and race.

Our efforts to establish OMEM as the employer of choice were recognised by the Top Employers Institute. OMEM was awarded the accolade of Number 1 Top Employer in South Africa and Ghana, and the industry leader in financial services and insurance for the seventh consecutive year in South Africa. Our businesses in all thirteen countries in which we operate throughout sub-Saharan Africa were also certified as a Top Employer.

Refresh the technology offering

We are continually investing in our technology platforms so as to maintain the relevance of our customer propositions and to continue to meet evolving customer's needs. The primary focus of recent initiatives has been on building protection solutions in the Mass and Foundation Cluster (MFC) and Personal Finance segments which are expected to be activated during 2019.

To date R1.9 billion has been spent on these initiatives; the incremental income statement expense has been in the region of R300 million per annum, and the remainder has been capitalised.

As this technology comes on line in 2019, the commencement of depreciation charges, together with continued IT investment in further enhancing customer value propositions and developing digital and analytics capability, is expected to lead to an increase in the incremental recurring income statement expense. This will however be tightly managed consistent with our targeted growth and RoNAV objectives.

Operating environment

Global markets continued on their recovery in 2017, with the US Federal Reserve signalling its intention to tighten monetary policy and a weakening of the US dollar. Emerging markets continued to grow faster than developed markets despite economic and political challenges.

In South Africa, political uncertainty throughout the year contributed to weaker business and consumer confidence. In November, Standard & Poor's downgraded South Africa's local government bonds to sub-investment grade following the Medium-Term Budget Policy Statement. However, the year ended on an optimistic note following the election of a new ANC president at the December elective conference.

Equity markets rallied in the second half of the year, having been relatively flat in the first half, with the JSE SWIX closing 17.7% ahead of 2016 at 13,292. Average JSE SWIX market levels were up 5.7% on the prior year. The rand closed the year 9.8% up against the dollar at 12.39, while bond yields eased back to below 9.2%, albeit above 8.5% before the medium-term budget review. In this context, our customers remain under significant financial strain, which has constrained our top-line growth.

In our other key markets, economic growth was also adversely impacted by political instability. In Zimbabwe, this culminated in a change in government with Robert Mugabe stepping down as president. Following an increase in cash shortages, the Zimbabwe Stock Exchange closed 130.4% ahead of the prior year as a result of investors moving funds into the equity market as an investment alternative. The current macroeconomic situation in Zimbabwe continued to be fluid, and the market reaction remains volatile. During the first two months of 2018, Zimbabwe's equity markets had declined by more than 10% since the 2017 year-end position.

On 9 March 2018, the Zimbabwean Government published its report on the inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation of the economy in 2009. This is subject to review by the president and cabinet.

We are reviewing the full report and its recommendations, and we remain committed to treating our customers fairly. We are preparing a preliminary evaluation of the potential impact on our operations. However we are not yet able to establish whether the commission's findings will have any impact on Old Mutual Zimbabwe.

In Kenya, economic growth was impacted by the protracted presidential elections and drought conditions. However, economic growth in 2017 remained strong at 5.0%.

IFRS profit (post-tax)

Reconciliation of AOP to IFRS (Rm)	2017	2016 Restated	% change
AOP (pre-tax and NCI)	**13,326**	12,731	5%
Total adjusting items	**892**	(2,855)	131%
Goodwill, intangible and associate charges	**(1,502)**	(1,504)	
Profit on business disposals	**1,390**	63	
Short-term fluctuations in investment return	**2,176**	(550)	
Returns on own debt and equity	**(935)**	(864)	
Managed separation and standalone costs	**(237)**	–	
Income tax attributable to policyholder returns	**1,391**	1,005	38%
IFRS profit (pre-tax and NCI)	**15,609**	10,881	43%
Income tax expense	**(5,377)**	(4,133)	(30%)
Non-controlling interests	**(22)**	251	(109%)
IFRS profit attributable to equity holders after tax[1]	**10,210**	6,999	46%

1 IFRS profit for 2016 was restated to include R173 million of the actual investment return on shareholder assets above the capital requirement previously reflected in the Old Mutual plc.

IFRS profit after tax of R10,210 million increased by 46% from R6,999 million in the prior year. Key adjusting items of AOP to IFRS profit include positive short-term fluctuations on LTIR of R2,176 million (2016: negative R550 million). These were largely driven by the significant growth in Zimbabwe's equity markets which resulted in positive short-term fluctuations of R1,815 million (2016: R312 million).

Profit on business disposals of R1,390 million relates to the disposal of our 26% stake in Kotak Mahindra Old Mutual Life Insurance Limited, which completed in October 2017.

In line with previous guidance, we expect to incur total one-off costs of up to R300 million in 2017 and 2018 to establish local standalone capabilities. During the year, we incurred R211 million of one-off standalone costs. Further, we incurred R26 million of one-off advisory and transaction costs.

'Goodwill, intangible and associate charges' includes goodwill impairments of R1.5 billion (2016: R1.3 billion) relating to East Africa and AIVA within LatAm & Asia. In the first half of 2017, a goodwill impairment of R1.2 billion was recognised relating to UAP-Old Mutual Group in East Africa. This followed the simplification of the operating structure of the Rest of Africa portfolio and the consequential change in operating segment. This resulted in a change in the cash generating units to which goodwill is allocated to and monitored for valuation purposes. Further, a goodwill impairment of R0.3 billion was recognised in the second half of the year relating to the AIVA business in Uruguay, as a result of the tough business environment and the exit by Old Mutual Wealth (UK) from the single strategy business.

Segmental performance

Adjusted operating profit (pre-tax, Rm)	2017	2016 Restated	% change
Mass and Foundation Cluster (MFC)	**3,165**	3,058	3%
Personal Finance	**3,151**	3,421	(8%)
Wealth and Investments[1]	**1,623**	1,592	2%
Old Mutual Corporate	**1,576**	1,403	12%
Old Mutual Insure	**312**	80	290%
Rest of Africa	**1,074**	806	33%
LatAm and Asia[2]	**609**	611	–
Central expenses and administration costs	**(536)**	(662)	19%
AOP (pre-LTIR and finance costs)	**10,974**	10,309	6%
LTIR[3]	**2,974**	2,951	1%
Finance costs	**(622)**	(529)	(18%)
Total AOP (pre-tax and NCI)	**13,326**	12,731	5%

1 From 2017, Wealth and Investments AOP includes Old Mutual International AOP of R60 million, previously reported in Old Mutual Wealth (UK). Comparatives have not been restated

2 LatAm & Asia AOP includes India profits of R181 million (2016: R177 million). India was sold during the 2017 financial year, and included in the results for nine months to 30 September 2017

3 LTIR on assets in excess of regulatory required capital is now reported in OMEM, previously reported in Old Mutual plc. Comparatives have been restated (2016: R398 million).

Mass and Foundation Cluster

MFC continues to retain its leading position in the South African mass market. We remain focused on evolving our customer value proposition by investing in growing the branch network, enhancing Money Account (our transactional offering), and rolling out ATMs, whilst we also improve the efficiency of the channels.

AOP of R3,165 million was 3% up on the prior year primarily driven by higher new business profits, better cost management and a more favourable product mix towards risk business. This was partly offset by lower net positive actuarial provision releases compared to the prior year.

Old Mutual Finance (OMF) AOP of R828 million was up 3% on the prior year. This was due to growth in loan sales supported by an increase in the number of branches, and better collections experience as a result of an improvement in the risk profile of the loan book.

Life APE sales grew by 3% to R4,091 million, which contributed to good NCCF of R6.1 billion, which was up 9%. This was driven by the growth in risk sales from higher adviser manpower and better productivity in the second half of the year. The branch network now contributes 29% to total MFC life APE sales (2016: 28%). VNB of R1,236 million was up 17% following pricing reviews on risk business, which led to a VNB margin of 10.6% (2016: 9.4%).

MFC grew its branch footprint by 31 to 323 branches and rolled out 22 pilot ATMs. Free Wi-Fi was rolled out to all branches allowing customers access to data connectivity, which has increased the level of activation for Money Account holders. The branch network, which remains key to providing seamless customer experience, continues to deliver better persistency experience and higher productivity than other channels.

Old Mutual Emerging Markets review
continued

Loans and advances of R12.1 billion declined by 20%, following the write-off of long outstanding loans deemed to have low recoverability (net of balance sheet impairment provisions), in line with management's decision to review the credit quality assessment used for calculating provisions within OMF. This now takes into account recent payment behaviour in preparation for IFRS 9 – Financial Instruments, effective for annual periods beginning on or after 1 January 2018.

This was partly offset by the reclassification of loans where payment behaviour had improved. This treatment is in line with the principles of the SARB directive 7/2015 and has resulted in a net positive AOP impact of R113 million. This further contributed to a lower net lending margin of 16.2% compared to 16.6% in the prior year.

We allocated R470 million in additional funeral cover to our existing MFC customers, at no extra cost to them. This was the remainder of the R624 million that we had set aside for customers from our 2014 mortality reserve release, to be allocated over a 5-year period. The release followed consistent positive mortality experience, mainly due to effective anti-retroviral roll-out by the South African government. Accelerating the remaining allocation had a R20 million cost impact on MFC's 2017 AOP, while improving the value to customers.

Personal Finance

Personal Finance remains focused on strengthening its position in the middle income market, and driving growth through digitally-enabled and innovative customer propositions. In particular, we are targeting the black middle income markets and refocusing our adviser footprint towards the Gauteng region. We also continued to invest in alternative distribution channels over the current period to meet evolving customer needs.

AOP of R3,151 million declined by 8% relative to the prior year, with the legacy book contributing circa.38% (2016: 20%). The decline in AOP was due primarily to significantly lower net positive provision releases compared to the prior year.

Life APE sales of R2,502 million were 4% behind the prior year largely due to lower Greenlight and conventional annuity sales. VNB grew significantly by 35% to R366 million. This was attributable to the change in methodology relating to the allocation of distribution costs to life products and the annual rate increases in Greenlight. As a result, the VNB margin improved to 2.4% (2016: 1.7%).

Personal Finance's open book recorded positive NCCF of R6.6 billion, offset by net outflows of R(9.4) billion from the legacy book. Total NCCF of R(2.8) billion was R0.3 billion better than the prior year due to lower maturities and disinvestments than experienced in the prior period.

We expanded our digital offering through the successful launch of iWYZE life, a direct channel providing underwritten life cover. We also increased the number of digital offerings that are available on the Old Mutual website, such as funeral cover, stockbroking and retirement annuities. This resulted in an increased contribution from these alternative channels to Personal Finance's life APE sales from 6% to 9% in 2017.

In response to the level of indebtedness of middle income customers, we continued to develop our online financial education tool, Moneyversity, which helps users make the most of their money. We also launched Find-an-Adviser, which helps customers in finding a nearby adviser that is best placed to meet their investment needs, using their geo-location. As at the year-end, over 700 advisers had registered on the platform.

In collaboration with OMF, there was a significant increase in the take up of Money Accounts and debt consolidations. We have also started working with Corporate to offer Home Solutions to Personal Finance customers, resulting in a wider range of the customers' needs being met.

Wealth and Investments

Wealth and Investments continues to capitalise on its focus in the asset management boutique model, in accelerating global capabilities and margin, leveraging the OMSFIN proprietary risk and investment capability, and building an African alternatives mega-manager in the unlisted space. It also seeks to maximise its market leading capabilities in future fit areas of passive, smart beta, alternatives and liability driven investments. Core to the strategy is to refocus on the retail Independent Financial Adviser market, growing in the wealth market, and further enhancing Old Mutual's presence in the high net worth market.

In the context of relatively flat markets in the first half of 2017, the segment recorded 2% growth in AOP to R1,623 million. The growth was largely attributable to base fee income on higher assets under management, positive investment returns in Alternatives, and the first time inclusion of profits from Old Mutual International of R60 million. This was partly offset by lower origination income and deal flow activity in both the specialised finance and the renewables businesses, as well as higher operating expenses in the asset management business.

The strong growth in gross flows in the second half of 2017 contributed to the NCCF of R14.1 billion for the year, which was significantly up from R1.8 billion in H1 2017. This was due to strong inflows into Wealth (SA), the Liability Driven Investment boutique and a large mandate into the Alternatives boutique in Q4 2017.

Assets under management (AuM) grew 17% to R736.6 billion, supported by better market performance in the second half of 2017 and the first time inclusion of R39 billion previously reported in OMAM, which was sold by Old Mutual plc during the year. Included in Wealth and Investment's AuM is R340.4 billion of funds that are managed on behalf of other OMEM group entities.

The asset management business recorded strong investment performance in 2017. In our core retail range, seven out of our ten funds were top quartile over one year, with the flagship retail Balanced Fund now top quartile over one, three, and five years, and all four of the core retail Multi-asset funds attained 4-star Morningstar ratings. The multi-manager multi asset funds are top quartile over one, three, five, seven and ten years. The asset management business remains focused on achieving long-term investment growth for its clients.

In January 2018, Khaya Gobodo was appointed as the Managing Director of the Asset Management business. Khaya brings a broad depth of investment experience in running an independent investment boutique as well as his global investment experience and perspectives on aligning asset management, platforms and distribution in South Africa.

During the year, a major Flexcube platform upgrade was completed on time and within budget, with no material disruptions to the Wealth business. The upgrade resulted in significant improvement in the administrative capability, which is necessary to enhance adviser and customer experience.

Old Mutual Corporate

Corporate remains well-positioned to retain its position as industry leader in South Africa as it improves customer and intermediary experience, continues to innovate its offering and delivers sustainable growth.

AOP of R1,576 million was 12% ahead of the prior year largely due to growth in asset-based fees and improved investment performance. Group risk underwriting experience deteriorated in the second half of 2017, despite the price remediation and process improvements that took place throughout the year. Management continues to drive actions to deliver improved group risk underwriting experience.

Life APE sales of R2,719 million were 10% down on prior year mainly due to lower group risk assurance, retail platform and annuity sales. VNB of R254 million was lower than the prior year as a result of expense allocation changes and lower sales volumes. As a result, the VNB margin declined by 80 bps to 1.0%.

Negative NCCF of R(7.1) billion, R10.8 billion lower than the prior year, was driven by higher outflows which included a significant non-life outflow during the fourth quarter, albeit at a low margin.

During the year, we launched the SuperFund annuity, underpinned by member education, advice and communication. We also launched the Nucleus Index Fund range on SuperFund, an enhancement to the passive investment offering to provide increased investment choice to customers. Further, we successfully completed the Compass upgrade, which will provide us with improved stability of our administration platform.

Corporate continued to drive its collaboration initiatives with the retail segments. We established adviser presence at 65 additional worksites during the year, whilst retail segments acquired circa.23,000 customers through the corporate worksites. This is a key lever in order to improve retention of benefits and funds under management as well as to provide cross-sell opportunities for the retail channels.

OM Insure (previously Mutual & Federal)

OM Insure's turnaround strategy has been focused on the commercial business. The turnaround of the retail business has now been completed and we have made considerable progress in restoring the quality of the commercial lines book. This was achieved through the strengthening of skills to support disciplined underwriting and claims management. Significant progress has also been made to deliver on the growth strategy in iWYZE.

As a result, we recorded exceptional growth in the underwriting result of R312 million, a 290% improvement, in a year of unprecedented catastrophe events. The underwriting margin of 3.7% (2016: 0.9%), reflects favourable claims experience (net of reinsurance) in the Commercial and Personal Lines businesses and the growth in iWYZE, which delivered underwriting profit of R20 million (2016: loss of R39 million). We continue to target an underwriting margin of 4% − 6% in the near term.

P&C gross written premiums (GWP) of R12,481 million were 3% ahead of the prior year. The constrained growth was attributable to stricter underwriting criteria, lower policy volume growth following the continued remediation of loss making business, whilst generating strong premium growth of 15% in iWYZE. Net earned premiums of R8,409 million were down 2% against the prior year primarily due to changes in the reinsurance agreements at Credit Guarantee Insurance Corporation (CGIC) in 2017.

The business strengthened its senior management team following several key appointments during the year, including Nokuthula Manyoha as Finance Director, Franklin Sibanda as Rest of Africa General Insurance Executive, and Thabile Nyaba as Chief Risk Officer. Further, Old Mutual Insure completed the sale of a 25% equity interest in CGIC, the specialist corporate credit insurer, to Atradius.

Rest of Africa

Our Rest of Africa operations span 12 countries across three regions. The SADC region remains the largest contributor to Rest of Africa profits, where the business seeks to retain its leading market positions while capitalising on pockets of growth.

In East Africa, encouraging progress has been made in the P&C turnaround, whilst further work remains in respect of the property portfolio to alleviate the impact on adjusted RoE.
In West Africa, we continue to pursue a capital light strategy leveraging our bancassurance partnerships. However, delays in bancassurance regulations in Nigeria have adversely impacted our growth ambitions.

The Rest of Africa segment delivered AOP (pre-LTIR) of R1,074 million which was 33% above the prior year (up 38% in constant currency). This excellent result was primarily driven by higher profits in Zimbabwe, East Africa, and Malawi.

Old Mutual Emerging Markets review
continued

SADC
AOP (pre-LTIR) of R1,520 million grew 6% against the prior period (up 14% in constant currency). This was driven by higher asset based fee income in Zimbabwe due to equity market performance, growth in Malawi's group life underwriting results, as well as good investment contract profits in Namibia.

Gross flows of R17.3 billion were up 11% driven by good non-life sales in Zimbabwe and Namibia, whilst Malawi recorded exceptional growth in the group life sales of its corporate business, albeit off a low base. NCCF of R1.0 billion, was adversely impacted by a R3.3 billion outflow from the government pension fund in Namibia due to regulatory rebalancing requirements.

The P&C underwriting margin of 7.2% (2016: 12.5%) declined primarily as a result of higher weather-related claims in the region and the impact of higher central cost allocations. P&C GWP increased by 1% in constant currency to R1,361 million driven by growth in new business in Zimbabwe, despite clients reducing the sums they have insured in the current macroeconomic environment.

Loans and advances of R9.2 billion, were up 23% in constant currency, reflecting growth in the mortgage and business loans books in CABS (Zimbabwe). OMF (Namibia) loans and advances of R0.6 billion were consolidated into the results the first time during the year. The lending margin of 11% declined by 55bps and was further impacted by the introduction of interest rate caps in Zimbabwe.

East Africa
Whilst we reported a loss (pre-LTIR) of R61 million, this was a significant improvement from a loss (pre-LTIR) of R167 million in the prior year. It followed good mortality experience on the Group Life Assurance book and an improvement in the underwriting experience in the P&C business.

Occupancy levels in our property portfolio continue to be low given the political environment in both Kenya and South Sudan. Consequently, property income remains under pressure in these markets. However, management is focused on initiatives to improve the occupancy levels.

The P&C underwriting margin (excluding the impact central cost allocations) improved 320 bps to 4.4% following the remediation on loss-making business and better claims experience. P&C GWP declined by 31% in constant currency to R2,145 million, as a result of our decision to exit loss making accounts in the health business and a loss of government schemes in Tanzania following regulatory changes.

Life APE sales of R100 million were 14% below the prior year in constant currency as a result of the non-renewal of a few corporate schemes, a slowdown of sales due to reduced manpower and lower new business during the election period in Kenya.

Faulu loans and advances of R2.1 billion declined by 6% in constant currency, largely reflecting stricter lending criteria following the introduction of interest rate caps in 2016. The net lending margin improved marginally to 12.8% (2016: 12.6%) due to a reduction in funding costs. During the year, a new Faulu core banking platform was implemented which is expected to improve business transactional capabilities.

West Africa
The reported AOP loss (pre-LTIR) of R182 million, was broadly in line with the prior year. In Ghana, growth was driven by increased sales volumes, better retention and new corporate business. This was offset by higher reinsurance costs in the P&C business and weaker life underwriting experience in Nigeria.

Life APE sales of R116 million were up 7% on the prior year driven by better corporate sales in Nigeria and good new business growth in Ghana.

LatAm and Asia
LatAm AOP of R469 million was 1% lower than the prior year. In constant currency, AOP was up 6% largely driven by higher investment returns in Colombia.

Despite the goodwill impairment in AIVA due to the overall underperformance, AIVA is making good progress in its transformation from regular premium business to private wealth management and is already delivering good sales.

Life APE sales of R570 million were 5% above the prior year in constant currency mainly due to higher Crea Patrimonio sales in Colombia. Funds under management grew 7% to R126.6 billion during the period.

NCCF of R24.9 billion was R15.3 billion higher than the prior year due to a few large Private Wealth flows towards the end of the year, and good Old Mutual Global Investors flows through AIVA. These are eliminated at an OMEM level as they are reported by Old Mutual Wealth (UK) at an Old Mutual plc Group level.

In China, our joint venture is focused on distributing higher margin risk products, which have lower regulatory capital requirements following regulatory changes. As a result, life APE sales of R300 million declined by 50%. Negative NCCF of R(1.3) billion, was R1.0 billion better than the prior year due to lower surrenders from the Universal Life products.

Central expenses and Other Group Activities

Central expenses and administration costs of R536 million were 19% better than the prior year. This was largely driven by the impact of the ongoing refinement of the expense allocation methodology to segments, mainly impacting the life operations in the retail and corporate segments.

LTIR of R2,974 million was up 1% on the prior year. Rest of Africa LTIR of R996 million, up 17%, was driven by a higher shareholder asset base following exceptional equity market performance in Zimbabwe. This was offset by a 7% decline in OMLAC(SA)'s LTIR to R1,573 million due to a reduced shareholder asset base. This followed the alignment of the Statutory Valuation Methodology for investment contracts to the IFRS basis.

Finance costs of R622 million were up 18% on the prior year. This follows the higher overall interest rates experienced in South Africa over the last twelve months, given OMLAC(SA) has both fixed rate and floating rate bonds in issue. The sovereign downgrade of South Africa's credit ratings by Standard & Poor's, which occurred late in 2017, did not have a material impact on finance costs.

Embedded Value

OMEM reported a slight improvement in the VNB margin to 3.3% (2016: 3.2%), despite a 3% decline in life APE sales. VNB increased by 4% to R2,256 million mainly as a result of a more profitable mix of business and the pricing reviews of the Personal Finance and MFC protection books.

Boosted by the strong VNB, the Return on Embedded Value remained strong at 13.8%. MCEV operating earnings (post-tax) declined by 3% on the prior year to R8,133 million, mainly due to the positive one-off impact of the elective transfer of the South African protection book to the new tax fund in South Africa in the prior year.

Experience variances remained positive at R146 million driven by expense and risk experience, albeit lower than R452 million in the prior year. Expense profits reflect tighter expense management across the business in response to the challenging economic environment. Lower experience profits on the prior year were due to adverse persistency experience driven by higher benefit payments in Corporate, which is indicative of the financial strain currently faced by these customers.

Investment returns were higher than expected, particularly in Zimbabwe, following the significant increase in the equity market levels. The steepening of the South African bond curve over the period had a further positive impact on earnings.

Cash and capital

OMEM adopts a disciplined approach to capital allocation decisions and manages risks within its financial management framework and related risk appetite. We continue to be a highly cash generative business, with high solvency and a strong, well-diversified and resilient balance sheet that is able to withstand a number of economic shocks.

Free surplus generation and utilisation

Free surplus generated represents the available cash, after allowing for capital invested into the business.

As we prepare for the implementation of SAM, we have undertaken a review of the methodology used in calculating the free surplus generation. Below is a reconciliation of the free surplus generated:

Free surplus generation (Rbn)	2017	2016	% change
OMEM free surplus – as previously calculated	**8.9**	6.3	41%
Capital requirements of non-insurance business and other[1]	**(0.1)**	(0.4)	(75)%
Fungibility constraints	**(2.0)**	(0.9)	(122)%
OMEM free surplus – restated	**6.8**	5.0	36%

1 Other adjustments include the removal of Kotak and adjustments relating to the shift from AOP to Adjusted Headline Earnings.

The OMEM free surplus generation calculation now reflects changes in the capital requirements of non-insurance businesses as well as fungibility considerations where there are constraints in remitting profits to the holding company. Local free surplus generated reflects the cash available prior to fungibility considerations

During the year, OMEM generated free surplus of R6.8 billion (2016: R5.0 billion), after any fungibility considerations. This represents a conversion rate of 74% of post-tax AOP (2016: 56%). This was largely attributable to higher investment returns particularly in South Africa and the significant improvement in Old Mutual Insure's underwriting result together with the lower capital requirements from a reduction in net earned premiums.

Currently, fungibility constraints primarily impact our Zimbabwean operations, where profits are retained and reinvested to grow the local businesses. The increase reflects abnormally high investment returns particularly in Zimbabwe during the year. Equity market performance in Zimbabwe remains volatile and as such we do not expect to sustain the current level of returns.

The mature life business in South Africa, which has traditionally generated strong returns, is the main contributor to the strong free surplus generation. OMEM currently reinvests circa.25% of the free surplus generation into new business initiatives, the majority of which relate to the life business in South Africa. We see this as sound investment in a market where we have continued to demonstrate good returns and robust VNB margins.

During the 2017 financial year, OMEM remitted R2.7 billion of the free surplus generated to its shareholder (2016: R4.7 billion). The lower dividend compared to the prior year enabled the business to further strengthen its liquidity and solvency position in preparation for Solvency Assessment and Management (SAM) and standalone capital requirements as well as the repayment of intercompany debt.

As at 31 December 2017, there was R5.9 billion (2016: R9.7 billion) of outstanding intercompany indebtedness between OMLAC(SA), Old Mutual Group Holdings (OMGH) and its subsidiary Old Mutual Portfolio Holdings (OMPH). During the year, R3.8 billion of this intercompany indebtedness was repaid to OMLAC(SA), funded through greater cash retention as mentioned above.

Old Mutual Emerging Markets review
continued

We anticipate that the remaining intercompany indebtedness will largely be repaid with the transfer of Nedbank shares to OMLAC(SA) up to the desired shareholding of 19.9%. Any residual indebtedness will be settled in cash.

OMLAC(SA) solvency position

OMEM discloses solvency capital under the current regulatory capital rules (South African statutory valuation method). As at 31 December 2017, OMLAC(SA)'s capital coverage was 3.0 times (2016: 3.2 times). The decline in the OMLAC(SA) solvency position was largely driven by the increase in statutory capital requirement as a result of new business book growth and year-end assumption changes relating to expenses and morbidity.

We have adopted the provisional SAM basis for how we manage capital, which is expected to become effective in mid-2018, upon the implementation of the Insurance Act. It will impose more stringent regulatory requirements on both long-term and short-term insurers, requiring them to maintain adequate solvency capital based on risks faced on a day-to-day basis. Based on our preferred methodology which will be formally presented for regulatory approval once the SAM framework is implemented, the OMLAC(SA) SAM solvency ratio for 2017 was estimated at 243%.

Debt as part of the capital structure

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. The Revolving Credit Facility of R5,250 million was undrawn at the year-end. The facility term runs until mid-2020, and we intend to negotiate a roll-over of the facility leading up to the maturity date.

In November 2017, Old Mutual Insure issued a R500 million in floating rate Tier 2 bonds, with a coupon rate of 9.157% (JIBAR + 2.09%). The first call date is 2022. The issuance will provide the segment with an enhanced regulatory solvency position while also producing economic benefits that will help the continued turnaround of the segment.

Following Standard and Poor's rating action on the South Africa local currency credit rating, effective 30 November 2017, OMLAC(SA)'s Global Scale Rating was lowered to 'BB+ Stable' from 'BBB- Negative' and its long-term South African National Scale Rating was lowered to 'zaAA+' from 'zaAAA'. Its short-term rating was affirmed at 'zaA-1+' whilst its Issuer Credit Rating on the Subordinated Deferrable Debt was lowered to 'zaA' from 'zaAA'.

Managed Separation update

We have made good progress to date on the managed separation process and we remain on track for independence in 2018.

Since the appointment of Trevor Manuel as the Chairman of OMGH (and Chairman-designate of OML), the governance structures above senior management have been strengthened. The non-executive membership of the reconstituted OMGH Board comprises nine directors from the board of directors of OMEM and seven new non-executive directors. This repositioning of the board has brought together strong operational skills and listed financial services company experience.

As a key step in the preparation for the listing of OML, we will be publishing a Pre-Listing Statement. The Pre-Listing Statement will include more detailed information in relation to the OML Group, including its strengths, strategy and outlook. It will also contain detailed risk factors and other key information relevant to the business.

In line with our vision, and in accordance with our Responsible Business principles, BEE ownership remains a priority as part of our broader commitment to transformation. Under the Amended Financial Services Charter (FSC), OMEM reported a Level 3 B-BBEE contributor status and a reduced B-BBEE shareholding of 21.5% as at 31 December 2017, due to a change in the methodology used to determine the value of the South African businesses. Subsequent to the implementation of the Managed Separation, we anticipate an increase in the effective B-BBEE shareholding (which will be measured for the first time as at 31 December 2018), but may be marginally below the current Amended FSC target of 25%. We will have greater clarity on this once the OML Group's share register has settled.

On 9 January 2018, we entered into a Framework Agreement with the South African Economic Development Department in relation to the South African aspects of the Managed Separation. Under this agreement, we have committed to restore the B-BBEE shareholding, if required, to at least 25% in 3 years from the listing date and to be best in class when measured against comparable competitors within 5 years (measured on the listing date). OML will consider the form and extent of any appropriate B-BBEE transactions, should they be required, to achieve these targets.

We have also undertaken to allocate an incremental amount of R500 million to a ring-fenced Enterprise Supplier Development Fund. It is envisaged that the fund will provide loan funding to small enterprises on behalf of OML to promote enterprise and supplier development, with the principal aim of creating additional jobs in the OML ecosystem.

In January 2018, the Competition Tribunal in South Africa approved the acquisition of Old Mutual plc by the newly incorporated OML, subject to the commitments that OMGH has made in the Framework Agreement.

Post the anticipated unbundling of Nedbank (within approximately 6 months of listing), the OML Group will principally consist of OMEM and a 19.9% shareholding in Nedbank. The 19.9% shareholding was determined through negotiations with Nedbank and discussions with the South African Reserve Bank in order to provide stability to the broader financial system and the Nedbank and OML investor base during managed separation, whilst also supporting our ongoing commercial arrangements.

OML is committed to being a significant holder of Nedbank while retaining a right to review its precise holding as appropriate from time to time, in accordance with the heads of terms outlined in the new Nedbank Relationship Agreement, which is expected to be finalised and executed in the coming weeks.

Other group activities of the OML Group will include the positive net asset value Residual of Old Mutual plc, which largely comprise the wind down of the plc Head Office and the remaining operations in Bermuda that are expected to run off by mid-2018.

OML as a standalone business

This section summarises certain information on OML's operations, including certain forward looking statements in relation to operating performance expectations and targets. These should be read in conjunction with all the information in the Pre-Listing Statement when it is published.

Key financial indicators (Rm)	2017	2016 Restated	% change
Adjusted Headline Earnings	**13,409**	10,765	25%
Return on Net Asset Value (%)	**22.3%**	18.9%	3.4%
Free surplus conversion (%)	**60%**	57%	3%
SAM solvency ratio (%)[1]	**167%**	n/a	–

1 Pro-forma at 31 December 2017. The Standard Formula allows for, subject to regulatory approval, certain methodology elections to be made. The estimated SAM solvency positions are presented on the basis of the Group's preferred methodology which will, once the SAM framework is implemented, be formally presented for regulatory approval.

Pro-forma Adjusted Headline Earnings

Going forward, the OML Group's primary profit measure will be Adjusted Headline Earnings. Results from Operations will be the primary performance measure of the OML Group's operating segments, which represents the segments' contribution to the OML Group's results. Adjusted Headline Earnings excludes Residual plc and discontinued operations.

Adjusted Headline Earnings is calculated as Headline Earnings as defined by the SAICA Circular 2/2015 adjusted for items that are not reflective of the economic performance of the OML Group. "Results from Operations" is calculated as Adjusted Headline Earnings before shareholder tax and minority interest, excluding net investment return on shareholder assets.

Below is a reconciliation of AOP, Old Mutual plc's primary profit measure, to Adjusted Headline Earnings, the future profit measure:

Adjusted Headline Earnings (Rm)	2017	2016	% change
AOP (pre-LTIR and finance costs)	**10,974**	10,309	6%
Investment return on insurance funds	**200**	170	18%
Amortisation of acquired intangible assets and acquisition costs	**(221)**	(351)	37%
Impairment of intangible and fixed assets	**23**	67	(66%)
Results from Operations	**10,976**	10,195	8%
Shareholder investment return	**4,920**	2,205	123%
Finance costs	**(622)**	(529)	(18%)
Income from associates (19.9% of Nedbank)	**2,346**	2,282	3%
Adjusted Headline Earnings (pre-tax and NCI)	**17,620**	14,153	24%
Shareholder tax	**(3,723)**	(3,148)	(18%)
Non-controlling interest	**(488)**	(240)	(103%)
Adjusted Headline Earnings	**13,409**	10,765	25%

Investment return on insurance funds of R200 million (2016: R180 million), previously reported as part of LTIR, is now reported in Old Mutual Insure's Results from Operations.

Amortisation of acquired intangible assets and acquisition costs of R221 million (2016: R351 million) relates primarily to intangibles following the acquisition of a controlling stake in OMF in 2014 and African Infrastructure Investment Managers in 2016.

Shareholder investment returns are no longer smoothed. The increase in actual investment returns was driven by both South Africa and Zimbabwe's equity market performance as mentioned earlier.

Detail on Nedbank's results is available on the website: www.nedbankgroup.co.za

Below is a reconciliation of Adjusted Headline Earnings to post-tax IFRS profit:

IFRS profit (post tax and NCI) (Rm)	2017	2016	% change
Adjusted Headline Earnings	**13,409**	10,765	25%
Investment return for Group equity and debt instruments in life funds	**(1,355)**	(864)	(57%)
Impact of restructuring	**(54)**	124	(144%)
Discontinued operations	**8,002**	8,333	(4%)
Income from associates	**(2,346)**	(2,282)	(3%)
Residual plc	**(4,512)**	(3,062)	(47%)
Headline earnings	**13,144**	13,014	1%
Impairment of goodwill and other intangibles	**(1,106)**	(1,783)	38%
Impairment of investments in associates	**2,081**	(557)	474%
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	**–**	399	–
Profit after tax for the financial year attributable to ordinary equity holders of the parent	**14,119**	11,073	28%
Dividends on preferred securities	**253**	278	(9%)
Profit after tax for the financial year attributable to equity holders of the parent	**14,372**	11,351	27%

Old Mutual Emerging Markets review
continued

Investment return for Group equity and debt instruments in life funds relates to investment returns on policyholder investments in group equity and debt instruments held by the OML Group's life funds.

Restructuring costs represents the elimination of material non-recurring expenses, specifically related to business restructuring costs such as Managed Separation costs, the costs or income associated with completed acquisitions and the release of acquisition date provisions. The 2016 financial year includes the release of an acquisition reserve in MFC.

Consistent with our proposed 19.9% shareholding in Nedbank following the anticipated unbundling of Nedbank, income from associates reflects the proportionate headline earnings that would have been earned from the investment in Nedbank. In accordance with IFRS, the Nedbank shareholding of approximately 55% will be classified as held for distribution.

Return on Net Asset Value (RoNAV)

The OML Group RoNAV is defined as Adjusted Headline Earnings divided by average Adjusted IFRS equity. Adjusted IFRS Equity is calculated as total Group equity attributable to ordinary equity shareholders before adjustments related to consolidation of funds. It excludes Residual plc and discontinued operations, and is further adjusted to recognise the equity attributable to the retained 19.9% shareholding in Nedbank. From the time of the anticipated unbundling of Nedbank the equity attributable to Nedbank will be adjusted to remove the one-off fair value adjustment required under IFRS at the time of unbundling and the same adjustment will be applied when calculating RoNAV on an ongoing basis.

As a result, the pro-forma OML RoNAV was 22.3% (2016: 18.9%). This was due primarily to higher actual investment returns in South Africa with abnormally high growth in Zimbabwe, which contributed to a 25% increase in Adjusted Headline Earnings and a corresponding increase of 5% in average Adjusted IFRS equity over the period.

Capital management

The OML Group seeks to maintain a strong solvency and liquidity position through disciplined management of capital resources and risks. The backing of a financially sound group is important given the security and peace of mind that it affords customers, advisors and regulators.

Scenario analysis is undertaken regularly to ensure the regulatory balance sheet could withstand severe and prolonged periods of stress. Our solvency position remains resilient under these stresses.

Solvency Assessment and Management (SAM)

The OML Group solvency position is calculated by aggregating the results of the solvency calculations under SAM across the entities that make up the Group. The estimated SAM solvency positions are presented on the basis of the Group's preferred methodology which will, once the SAM framework is implemented, be formally presented for regulatory approval. This is based on our current Nedbank shareholding.

The material South African insurance entities are aggregated using the accounting consolidation approach which applies the SAM Standard Formula, where capital requirements are calculated assuming a 1-in-200 year event over a one year timeline, to the consolidated balance sheet of these entities.

The remainder of the entities are aggregated using the deduction and aggregation approach which sums the solvency position for each entity after elimination of intercompany positions, with the basis of inclusion depending on the nature of the entity:

- Other insurance businesses are included using the SAM Standard Formula.
- Banks and other financial entities are included on a Basel III basis.
- Other unregulated entities are included at their IFRS NAV.

In the OML Group calculation, the own funds in certain entities, such as Zimbabwe, are restricted to the solvency capital requirement of that entity (calculated on a SAM basis) due to fungibility and transferability restrictions.

Currently, any benefit from Residual plc positive NAV is assumed not to be fungible and therefore the surplus is excluded from the SAM solvency ratio. Further detail on Old Mutual plc NAV is provided in the Old Mutual plc Group Finance Director's report.

Based on the latest draft SAM prudential standards, it is expected that the regulatory solvency will remain strong, with appropriate capitalisation. As at 31 December 2017, the pro-forma OML Group SAM solvency ratio is estimated to be 167%.

The lower 2017 solvency cover ratio at an OML Group level compared to OMLAC(SA)'s regulatory SAM solvency ratio is mostly a function of the elimination from OMLAC(SA)'s regulatory SAM solvency ratio of the contribution made by Nedbank to OMLAC(SA)s capital on a solo basis as it is included on a Basel III basis at the OML Group level. In addition, banking and short term insurance entities, in common with the industry tend to operate at lower regulatory solvency levels compared to life insurers.

We expect the capital ratios to remain within their target ranges under normal economic conditions for both OML and OMLAC(SA).

OMLAC(SA) Insurance Business Solvency

In addition to the OMLAC(SA) SAM solvency ratio, the Group manages the OMLAC(SA) Insurance Business solvency ratio to a target range of 180% to 210%. This ratio excludes OMLAC(SA)'s holding in strategic assets as the Group would not expect to rely on these to support OMLAC(SA)'s solvency in stress conditions. Strategic assets include the holding in Nedbank that will be retained after the anticipated unbundling of Nedbank.

Free surplus generation

Below is a reconciliation of the free surplus generated for OML:

Free surplus generation (Rbn)	2017	2016	% change
OMEM free surplus − restated	**6.8**	5.0	36%
Nedbank at 19.9%	**1.2**	1.2	–
OML free surplus generated	**8.0**	6.2	29%

Nedbank's contribution to the free surplus generated is based on the dividends received by the OML Group on its minority shareholding. Nedbank's dividends represent approximately 50% of its Headline Earnings. This also acts to reduce the reported conversion rate of Adjusted Headline Earnings to free surplus generation.

Based on the above, the pro-forma OML Group free surplus generated was R8.0 billion (2016: R6.2 billion). This represents a conversion rate of 60% of Adjusted Headline Earnings (2016: 57%).

Debt leverage/gearing

Based on pro-forma 2017 financial statements, the leverage of the OML Group was 11.5% with interest cover of 29.3 times. These ratios include only our subordinated debt. The subordinated debt is expected to qualify, based on draft SAM provision, in contributing towards the OML Group's solvency capital and is issued from OMLAC(SA) at R6.0 billion, with a smaller quantum of R500 million from Old Mutual Insure.

Senior debt held in our operating entities, debt raised by Nedbank, and Residual plc debt are not included in the OML Group leverage metrics.

We expect no more than £402 million of debt to be retained in Residual plc. Further detail on Old Mutual plc debt is provided in the Old Mutual plc Group Finance Director's report.

The OML Group also has a Revolving Credit Facility in place of R5.25 billion which was undrawn as at 31 December 2017.

Overall, the current level of gearing on the OML balance sheet is appropriate and we remain within our appetite under stress testing.

Outlook for OML as a standalone business

The International Monetary Fund (IMF) expects global economic growth to improve to 3.9% in 2018, with emerging markets and developing economies growing by 4.9%. Sub-Saharan Africa is expected to accelerate from 2.7% in 2017 to 3.3% in 2018.

In South Africa, economic growth estimates for 2018 have been revised upwards to 1.4%, by the South African Reserve Bank. Following the swearing in of Cyril Ramaphosa, the new President has set out his intentions to restore confidence in the economy, improving the fiscal situation, addressing corruption and reducing the size of the cabinet. This was further reinforced by the messages contained in the recent Budget Speech.

We therefore anticipate a boost in both business and consumer confidence over the medium-term as the rand strengthens, unemployment rates improve and the inflation rate remains within the South African Reserve Bank target range of 3-6%.

In light of this, our targets for the OML Group are as follows:

Returns

RoNAV of average cost of equity + 4%: OML will develop a 12 month weighted average CoE and referenced to where the capital is allocated on a weighted basis. The COE will be published as part of OML's public reporting cycle.

Growth

Results from Operations to grow at a CAGR of Nominal GDP + 2% over the three years to 2020. Nominal GDP growth is defined with reference to South Africa.

Cost efficiencies

R1.0 billion of pre-tax run-rate cost savings by end 2019, net of costs to achieve this. This will be based on the 2017 IFRS administrative cost base (as defined), and adjusted for inflation and foreign exchange movements over 2018 and 2019.

Capital strength

- SAM solvency for OML: 155% − 175% post the anticipated unbundling of Nedbank
- SAM solvency for OMLAC(SA): greater than 200%
- OMLAC(SA) Insurance Business solvency ratio: 180% − 210%

Dividend policy

We target full year ordinary dividends that are covered by Adjusted Headline Earnings between 1.75 and 2.25 times. We target an interim dividend at 40% of the current year interim Adjusted Headline Earnings.

Any dividends will take into account OML's underlying local cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategy needs and market conditions at the time. Dividends will be set using the full flexibility of the range.

OML may, from time to time, distribute additional returns to shareholders outside of the ordinary dividend cover, where it is determined that there is excess permanent capital in the business.

Current year trading

The OML Group's continuing operations have started the year on a positive note. Results from operations have traded in line with expectations since the 2017 year end.

Further, the recurring and one-off cost estimates in preparation for listing remain unchanged from our previous guidance, with incremental recurring standalone and listing costs reaching their run-rate by the end of 2018, up to R280 million.

It is anticipated that the next trading update will be for the first quarter of 2018, which is expected to be published in April 2018.

Nedbank review

Mike Brown
Chief Executive, Nedbank

A solid performance in a volatile and challenging domestic environment.

Mike Brown
Chief Executive, Nedbank

A solid performance in a volatile and challenging domestic environment

"Nedbank continued to create value for all our stakeholders in a challenging political and economic environment. Our headline earnings of R11.8 billion, up 2.8%, reflect a good performance from our managed operations, with headline earnings growth of 7.8% and a ROE (excluding goodwill) of 18.1%. Slower revenue growth was offset by reduced impairments and good cost management, while our share of the loss from our associate ETI following its Q4 2016 results decreased in the second half of the year as the ETI business returned to profitability.

"The achievements of the last few years have provided us with a solid base and we continue delivering on our strategies and building the capabilities that will enable us to meet the 2020 targets we have now set of an ROE (excluding goodwill) of greater than or equal to 18% and an efficiency ratio of less than or equal to 53%. We released exciting digital innovations such as the new Nedbank Money app, the Nedbank Private Wealth app and Karri app, chatbots and UNLOCKED.ME (an exclusive e-commerce marketplace for millennials) and continued to gain share of transactional banking clients in both our retail and wholesale businesses. We are actively optimising our cost base, as reflected in cost growth at 5.1%, and maintained a strong balance sheet as evident in a CET1 ratio of 12.6%, above the top end of our internal target range. Our strategic enablers are making a difference for our operations and for our clients as we create a more agile, competitive and digital Nedbank.

"Looking forward, 2018 started with positive changes to SA's political and socioeconomic landscape and brought renewed prospects for higher levels of inclusive growth. Nedbank is acutely aware of the increased responsibility that we, and indeed all businesses, have to work alongside government, labour and civil society to play our part in improving the lives of all South Africans.

"Reflecting on the impact on the group of the greater levels of business and consumer confidence evident in the early part of 2018, an improving economic outlook, ongoing delivery on our strategy and ETI's returning to sustained levels of profitability, our guidance for growth in diluted headline earnings per share for 2018 is to be in line with our medium-to-long-term target of greater than or equal to GDP plus CPI plus 5%."

Nedbank highlights on a reported basis[1]	2017	2016	% change
IFRS profit after tax attributable to equity holders of the parent (Rm)[2]	**6,411**	5,617	14%
Reported AOP (pre-tax, Rm)[3]	**16,522**	15,925	4%
Headline earnings (Rm)	**11,787**	11,465	3%
Net interest income (Rm)	**27,624**	26,426	5%
Non-interest revenue (Rm)	**24,063**	23,503	2%
Net interest margin	**3.62%**	3.41%	
Credit loss ratio	**0.49%**	0.68%	
Efficiency ratio	**58.6%**	56.9%	
Return on equity	**15.3%**	15.3%	
Return on equity (excluding goodwill)	**16.4%**	16.5%	
Common equity tier 1 ratio	**12.6%**	12.1%	

1 As reported by Nedbank
2 IFRS profit after tax attributable to equity holders of Old Mutual plc
3 As reported by Old Mutual Group.

Banking and economic environment

Economic growth in developed markets improved, despite ongoing geopolitical tensions, supported by accommodative monetary policies and stronger manufacturing production, and reinforced by increased global trade. Emerging and developing economies also improved as a consequence of better-than-expected growth in China and higher global commodity prices. Emerging-market equity and bond markets benefited from increased capital inflows as global investors search for higher yields.

SA's slow economic recovery continued into the second half of the year, with 2017 GDP growth estimated at 0.9%, driven mainly by a recovery in agricultural production following good summer rainfall and some improvement in mining production in response to stronger global demand and firmer international commodity prices. A revival in consumer spending added further momentum in the second half of 2017 as households benefited from lower inflation and the marginal reduction in interest rates in July. Despite this recovery and reflective of weak business and consumer confidence, business volumes in 2017 were generally lower than in the prior year, as evident in client loan applications across multiple products and in slower client trading activity.

The pace of economic activity picked up moderately in sub-Saharan Africa, with agricultural and mining output recovering on the upturn in global demand and international commodity prices, and the prolonged El Niño-induced drought finally broke in many countries. According to the International Monetary Fund (IMF), sub-Saharan Africa is expected to record GDP growth of 2.6% in 2017.

Domestic inflation averaged 5.3% in 2017, significantly lower than the 6.4% recorded in 2016, brought about mainly by sharply lower food inflation given the strong summer harvest. Relatively moderate and selective consumer demand coupled with a resilient rand also helped contain price pressures during the course of the year. After a year of volatile trade the rand ended 2017 2.5% stronger against the trade-weighted basket of currencies. The largest gains occurred near year-end as sentiment surged following the election of Mr Cyril Ramaphosa as the new leader of the ruling ANC in mid-December on expectations of a change in the country's leadership, improved governance and structural reforms that are likely to support investment and higher levels of inclusive growth.

After cutting the repo rate by 25 bps to 6.75% in July, SARB's Monetary Policy Committee left interest rates unchanged at both the September and November 2017 policy meetings. The central bank's more cautious approach was driven by concerns over the upside risk that the rand posed to the inflation outlook at that time. Fears mounted that SA's rand-denominated sovereign debt ratings could be downgraded to sub-investment grade by all three major rating agencies, given the escalation in political uncertainty and the sharp deterioration in the country's fiscal position, as set out in the Medium Term Budget Policy Statement.

In November 2017 Fitch affirmed the country's BB+ rating with a stable outlook (one notch below investment grade). Moody's placed SA's Baa3 foreign and local currency ratings on review for downgrade, with the decision to follow the 2018 National Budget in February. However, S&P Global downgraded SA's local currency rating to BB+ (one notch below investment grade) and our foreign currency rating to BB (two notches below investment grade), while changing the rating outlook to stable. All three rating agencies highlighted similar concerns, including weaker-than-expected public finances, weak economic growth, ineffective government spending and policies as well as the paralysing impact of political infighting and poor governance.

Review of results

Nedbank produced a solid performance in a domestic macro and political environment that has proved volatile and challenging. Headline earnings, including losses in associate income from ETI of R744 million, increased 2.8% to R11,787 million. This translated into an increase in DHEPS of 2.4% to 2,406 cents and an increase in HEPS of 2.2% to 2,452 cents. As in prior periods, we highlight our results both including and excluding ETI (referred to as managed operations) to provide a better understanding of the operational performance of the business given the volatility in ETI's results in 2016 and 2017. However, we will revert to group-level reporting in 2019. Our managed operations produced headline earnings growth of 7.8% to R12,762 million, with slower-than-expected revenue growth more than offset by reduced impairments and good cost management.

ROE (excluding goodwill) and ROE remained flat at 16.4% and 15.3% respectively. ROE (excluding goodwill) in managed operations also remained stable at 18.1%. ROA decreased 0.01% to 1.22% and, excluding ETI, ROA in managed operations improved from 1.29% to 1.33%. Return on RWA increased from 2.23% to 2.30%.

Nedbank review
continued

Our CET1 and tier 1 capital ratios of 12.6% and 13.4% respectively, average LCR for the fourth quarter of 116.2% and an NSFR of above 100%, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in managed operations and a strong capital position, a final dividend of 675 cents was declared, an increase of 7.1%. The total dividend per share increased 7.1% to 1,285 cents.

Cluster financial performance

Nedbank's managed operations generated headline earnings growth of 7.8% to R12,762 million and delivered an ROE (excluding goodwill) of 18.1%. CIB and Wealth were impacted the most by the challenging operating environment, RBB made a strong earnings contribution and RoA subsidiaries delivered an improved performance off a low base.

CIB maintained an attractive ROE of above 20% and produced solid results, driven by lower credit losses and good expense management. Revenue lines were affected by slowing economic activity as clients postponed projects and borrowed and transacted less. Early repayments and managed settlements, together with slower drawdowns resulted in weaker advances growth, although the pipelines remained stable. Credit quality remained strong through proactive risk management as we continued to monitor stressed sectors of the economy, such as certain areas in retail and certain state-owned enterprises, closely.

RBB delivered an improved ROE and good headline earnings growth, underpinned by solid transactional NIR growth, lower impairments and expense growth, and achieved PPOP growth of 4.0%. NII was underpinned by solid growth in advances and strong growth in deposits, offset by a lower NIM due in part to the impact of prime–JIBAR squeeze. Lower expense growth reflects the initial impact of optimising processes and operations, including headcount reductions.

Nedbank Wealth maintained an attractive ROE, although headline earnings were impacted by subdued markets and negative investor sentiment, further compounded by entropic weather conditions and the strengthening rand, as well the once-off profit from the sale of our Visa share in the 2016 base.

RoA headline earnings were negatively impacted by the fourth-quarter 2016 ETI associate loss accounted for quarterly in arrear. The loss was reported on in our interim results and was followed by subsequent quarterly profits from ETI up to 30 September 2017. Our subsidiaries grew headline earnings off a low base, supported by the consolidation of Banco Único (included for three months in 2016), notwithstanding continued investment in infrastructure, systems and skills.

The improvement in the Centre was largely due to the R350 million release from the central provision, of which R150 million was in the first half of the year, and fair-value gains on certain hedging portfolios.

Financial performance

Net interest income

NII increased 4.5% to R27,624 million, ahead of average interest-earning banking asset growth of 2.2% (adjusted for the removal of the liquid-asset portfolio).

NIM expansion of 8 bps to 3.62% (2016: 3.54% rebased) was largely driven by an endowment benefit of 5 bps and improved asset mix changes of 8 bps. Asset pricing pressure, in part due to the NCA interest rate caps, the narrowing of the prime–JIBAR spread and the increased cost associated with enhancing the funding profile each reduced NIM by 2 bps.

Impairments charge on loans and advances

Impairments decreased by 27.5% to R3,304 million. The CLR declined by 0.19% to 0.49%, driven by lower specific impairments mostly from resolutions and settlements in CIB. The decrease in impairments reflects the quality of the portfolio across all our businesses and we have specific coverage ratios levels of 36.2%.

Impairments in CIB declined by 82.4% to R193 million, driven by lower specific impairments relating largely to resolutions of historic client matters. Impairments are individually determined in CIB and 84% of impairments are concentrated in approximately 10 counters. RBB impairments declined by 1.2% to R3.2 billion as a result of ongoing lower risk origination strategies and an improvement in collections. The decrease in unsecured lending and home loan CLRs reflects the benefits of historic selective origination improving the quality of the book over time and the release of additional impairment overlays previously raised for risks and events that did not materialise. Continued proactive collection and resolution strategies within CIB and RBB contributed to group write-offs decreasing 6.0% to R4,675 million and post write-off recoveries increasing 5.8% to R1,224 million.

The group's central provision decreased to R150 million (from R500 million at 31 December 2016 and R350 million in June 2017) as a result of risks that had previously been identified but had not materialised. The balance is retained for prudency in a volatile macroeconomic environment. Excluding the central provision release, the group CLR would have been 0.54%.

All business units successfully applied selective origination strategies that enabled an overall de-risking of the advances portfolio, leading to defaulted advances remaining flat at R19.6 billion. Lower defaulted advances in CIB resulting from positive client resolutions were offset by increased defaulted advances in RBB.

The decrease in specific coverage from 37.4% to 36.2% was primarily due to lower specific coverage in RBB as well as increased resolutions of various client issues in CIB resulting in lower specific impairments. The lower coverage reflects increased performing defaults in RBB and the recovery success in CIB. Nedbank considers the coverage ratios appropriate given the higher proportion of wholesale lending, compared with the mix of its peers, high recovery rates and the collateralised nature of the commercial-mortgages portfolio, with low loan-to-value ratios.

Portfolio coverage increased marginally from 0.69% to 0.70%, reflecting the offsetting effects of higher portfolio impairments due to stronger advances growth in RBB and the reduction of the central provision and RBB overlays.

Non-interest revenue

NIR growth of 2.4% to R24,063 million reflects the impact of weak business and consumer confidence levels.

Commission and fee income grew 4.0% to R17,355 million. RBB reported good transactional NIR growth of 6.0%, notwithstanding an increasing number of clients who are transacting within fixed-rate bundles and spending less. CIB experienced lower corporate activity off a high base the previous year.

Insurance income decreased 9.3% to R1,566 million as a result of an abnormal number of significant weather-related claims, lower homeowner's cover and credit life volumes, and an increase in lapses.

Trading income increased 3.7% to R3,900 million, given muted activity levels among wholesale clients, particularly in the second half of the year, and avoidance of the potential negative impacts in markets around event risks such as political changes and credit rating downgrades.

Private-equity income, including positive realisations in the Commercial Property Finance portfolio, decreased 23.7% to R708 million, given the high base in the comparative period.

Expenses

Expense growth of 5.1% to R29,812 million was below inflation and in line with the guidance we provided for the full 2017 year (being growth of mid-single digits), demonstrating disciplined and careful management of discretionary expenses in an environment of slower revenue growth. The underlying movements included:

- Staff-related costs increasing at a slower rate of 6.5%, following:
  - an average annual salary increase of 6.5% and a 859 reduction in staff numbers since December 2016; and
  - a 0.1% decrease in short-term incentives.
- Computer-processing costs increasing 3.8% to R4,201 million off a higher base the previous year.
- Fees and insurance costs being 7.8% higher at R3,277 million, due mostly to additional regulatory-related costs.

The group's growth in expenses exceeded total revenue growth (including associate loss) of 2.1% (3.2% in managed operations), resulting in a negative JAWS ratio of 3.0% and an efficiency ratio of 58.6%, compared with 56.9% in 2016. Excluding associate income, our efficiency ratio was 57.8%. Expense growth, excluding RoA where we continued to invest in distribution, technology and new-product rollouts, was 4.3%.

Earnings from associates

The loss of R838 million in earnings from associates was attributed largely to ETI's loss of R1,203 million in the fourth quarter of 2016 (announced on 18 April 2017), partly offset by the profit of R459 million reported by ETI for the nine months to 30 September 2017, in line with our policy of accounting for ETI earnings a quarter in arrear. The total effect of ETI on the group's headline earnings was a loss of R975 million, including the R321 million impact of funding costs.

Accounting for this associate loss, together with Nedbank's share of ETI's other comprehensive income and movements in Nedbank's foreign currency translation reserves, resulted in the carrying value of the group's strategic investment in ETI declining from R4.0 billion at 31 December 2016 to R3.3 billion at 31 December 2017. Since the introduction of the new foreign exchange regime by the Central Bank of Nigeria on 21 April 2017, confidence has improved and the Nigerian banking index has increased by 73%. In line with this ETI's quoted share price – albeit illiquid – increased by 65% during 2017 which resulted in the market value of the group's investment in ETI increasing during the year to R3.6 billion at 31 December 2017 and R4.1 billion at 28 February 2018. While risks remain, the actions taken to improve ETI's financial position and governance, along with an improving macroeconomic environment, is expected to drive an improved financial performance from ETI in 2018.

As required by IFRS, the R1 billion impairment provision recognised at 31 December 2016 was reviewed at 31 December 2017 and it was determined that currently no change to the provision was required.

A R96 million associate loss was incurred due to operational losses in an associate, which is the cash-processing supplier to the four large banks.

Statement of financial position

Capital

The group continued to strengthen its capital position, with our CET1 ratio of 12.6% now above the top end of our internal target range of 10.5–12.5%, following organic capital generation through earnings growth, lower asset growth and some RWA optimisation.

In the current environment of slower advances growth, capital generation has been stronger following lower credit RWA growth and continued refinement of Basel models. This was partially offset by the impact of the rand strengthening at the back end of 2017, which adversely impacted foreign currency translation reserves and led to higher credit valuation adjustment RWA. Higher levels of equity exposure resulted in increased equity RWA. As a result overall RWA increased 3.7% to R528.2 billion.

Nedbank review
continued

The group's tier 1 ratio improved to 13.4% and includes the issuance of R600 million of new-style additional tier 1 capital instruments during the year, offsetting the progressive grandfathering of old-style perpetual preference shares as we transition towards end-state Basel III requirements. The group's total capital ratio has improved to 15.5% and includes the issuance of R2.5 billion of new-style tier 2 capital instruments during the year, partially offsetting the redemption of R3.0 billion in old-style tier 2 capital instruments.

Funding and liquidity

Optimising our funding profile and maintaining a strong liquidity position remain a priority for the group, especially in the current environment.

The group's three-month average long-term funding ratio was 27.0% for the fourth quarter of 2017, supported by growth in Nedbank Retail Savings Bonds of R5.7 billion to R24.9 billion and the successful capital market issuances of R3.5 billion senior unsecured debt, R2.5 billion new-style tier 2 debt and R1.0 billion in securitisation notes.

The group's quarterly average LCR of 116.2% exceeded the minimum regulatory requirement of 80% in 2017 and 90% effective from 1 January 2018. The group maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR.

Further details on the LCR are available in the table section of the Securities Exchange News Service (SENS) announcement.

Nedbank's portfolio of LCR-compliant HQLA increased by 0.6% to a quarterly average of R138.2 billion. Notwithstanding the low growth in HQLA, the LCR still increased year-on-year as a result of a decrease in LCR net cash outflows attributable to a positive tilt in our deposit mix towards proportionally more Basel III-friendly deposits in the form of RBB and Wealth deposits together with market share gains in commercial deposits. The HQLA portfolio, taken together with our portfolio of other sources of quick-liquidity, resulted in total available sources of quick liquidity of R195.4 billion, representing 19.9% of total assets.

Nedbank has maintained the NSFR at above 100% on a pro forma basis and is compliant with the minimum regulatory requirements that are effective from 1 January 2018.

Loans and advances

Loans and advances increased by 0.5% to R710.3 billion, driven by solid growth in RBB offset by a decline in term and other loans in CIB.

RBB loans and advances grew 5.3% to R305.2 billion, with MFC (vehicle finance) increasing by 8.6% as new-business volumes improved despite the contracting vehicle sales market. RBB's growth was achieved across all asset classes by increasing the contribution from lower-risk clients in line with risk appetite and prudent origination strategies. We take comfort in the quality and overall performance of the unsecured-lending portfolio based on the conservative rules we apply to consolidation, restructuring and term strategies. Home loans grew at below-inflation levels, but market share was maintained.

CIB loans and advances decreased 3.8% to R356.0 billion due to a combination of unexpected early repayments and managed sell-downs, which allowed for the diversification of risk. Demand for new loans was weak as a result of muted client capital expenditure in a competitive market in the subdued economic climate. Commercial-mortgage loans and advances grew by 6.5% to R161.6 billion, maintaining our leading share of the SA market. The portfolio contains good-quality collateralised assets with low LTVs, underpinned by a large secure asset pool and a strong client base, and is managed by a highly experienced property finance team.

Deposits

Deposits grew 1.3% to R771.6 billion, with total funding-related liabilities increasing 1.2% to R823.2 billion, while the loan-to-deposit ratio improved to 92.1%.

Through the active management of the RBB franchise, deposits grew 8.5% to R295.3 billion, resulting in household deposits market share gains increasing year-on-year to 18.9% from 18.7%, supported by Nedbank's strong market share in household current account deposits of 19.1%. Through the growth in current accounts, savings and fixed deposits and other structured deposits Nedbank has successfully reduced the proportion of funding from negotiable certificates of deposit as well as more expensive foreign currency funding used in the general rand funding pool.

This positive tilt towards more Basel III-friendly deposits achieved across RBB, Nedbank Wealth and RoA and through market share gains in commercial deposits has resulted in lower HQLA and long-term funding requirements as well as a stronger LCR in terms of ensuring cost-effective regulatory compliance and a strong balance sheet position.

Group strategic focus

During 2017 we continued to focus on delivering on our five strategic focus areas designed to make Nedbank a more agile, competitive and digital bank, and underpin sustainable earnings growth and improving returns.

Delivering innovative market-leading client experiences

We launched various market-leading innovations such as the new Nedbank Private Wealth mobile app. This was one of the first products delivered through our Digital Fast Lane capability. It ranked joint sixth in the global Mobile Apps for Wealth Management 2017 survey and was placed third among 600 apps in the Best Enterprise Solution category at the MTN Business App of the Year Awards. The new Nedbank Money app, which makes banking more convenient for our retail clients, was downloaded more than 300,000 times since November 2017. We launched UNLOCKED.ME, an exclusive e-commerce marketplace for millennials.

Karri, our mobile payment app that enables users to make cash-free payments for school activities quickly, securely and hassle-free, has been rolled out to more than 100 schools across the country. In Nedbank Wealth we piloted geyser telemetry, an innovative smart home solution that reduces electricity consumption. As far as our integrated channels are concerned, we have converted 55% of our outlets to new-image branches to date, and our investment in distribution channels over the next three years (until 2020) will result in 73% of our retail clients being exposed to the new-image branch format and self-service offerings.

The introduction of chatbots and robo-advisors will continue to enhance client experiences through our contact centre and web-servicing capabilities. We launched NZone, our digital self-service branch at the Sandton Gautrain station, as well as Africa's first solar-powered branch to enable banking in deep-rural communities. The foundations put in place through Managed Evolution (our core systems and technology platform transformation), digital enhancements and New Ways of Work will lead to ongoing incremental digital benefits and enhanced client service.

In 2018 Nedbank will bring further exciting digital innovations to market to enhance client experiences and drive efficiencies. Some of these include a refreshed internet banking experience in line with our mobile banking apps, the ability to sell an unsecured loan bundled with a transactional account, simplified client on-boarding with convenient, FICA-compliant account opening from your couch, a new and exciting loyalty and rewards solution, and further rollout of chatbots, robo-advisors and software robots (robotic process automation).

Growing our transactional banking franchise faster than the market

Nedbank's RBB franchise grew its total client base 1.6% to 7.5 million, with 6.0 million clients having a transactional account and 2.8 million main-banked clients supporting retail transactional NIR growth of 6.0%. Our main-banked client numbers remained flat as slower transactional activity caused some of our existing clients to fall outside our main-banked definition, particularly in the youth segment, while the middle-market, professional and small business client segments continued to increase. The newly launched Consulta survey estimates Nedbank's share of main-banked clients at 12.7%, up from the 10.1% recorded through the 2015 AMPS survey (using a similar methodology) as we aim to reach a share of more than 15% by 2020. Our integrated model in CIB enabled deeper client penetration and increased cross-sell, resulting in 26 primary-bank client wins in 2017.

Being operationally excellent in all we do

Cost discipline is an imperative in an environment of slower revenue growth. We have ongoing initiatives to ensure this, such as having reduced our core systems from 251 to 129 since inception of the Managed Evolution programme, with us being well on our way to reaching a target end state of less than 60 core systems by 2020; and the reduction of floor space in RBB by more than 30,000 m² by 2020; of which 24,485 m² has been achieved to date. We worked with our sister companies in the Old Mutual Group to deliver synergies of just in excess of R1 billion, R393 million of which accrued to Nedbank. Good progress was also made with our target operating model (TOM) initiatives, which aim at generating R1.0 billion pre-tax benefits for Nedbank by 2019 (and R1.2 billion by 2020) and are linked to our long-term incentive scheme. Most cost initiatives have been identified in RBB and we delivered savings of R621 million in 2017, which includes TOM savings.

During the year we reduced headcount by 859 (mostly through natural attrition), optimised our staffed points of presence by closing 32 in-retailer and 53 personal-loan outlets (while maintaining our coverage of the bankable population at 84%). We achieved efficiencies through the recycling of cash through our increased footprint of Intelligent Depositor devices. Four client-servicing functions, previously only accessible through branches, as well as the new Nedbank Money app were launched during the fourth quarter of 2017, while another 33 are planned for deployment across our digital channels by March 2018. We implemented 50 software robots (robotic process automation) to enhance efficiencies and reduce processing errors in administrative-intense processes, with more than 200 planned for rollout in 2018.

Managing scarce resources to optimise economic outcomes

We maintained our focus on growing activities that generate higher levels of EP, such as growing transactional deposits and increasing transactional banking revenues, with commission and fees in RBB up 5.3%, and achieved earnings growth of 6.9% in RBB and 5.0% in CIB. 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 0.49%, below the bottom end of our TTC target range. At the same time our balance sheet metrics remain strong and we continue to deliver dividend growth above the rate of HEPS growth.

Nedbank review
continued

Providing our clients with access to the best financial services network in Africa

In Central and West Africa ETI remains an important strategic investment for Nedbank, providing our clients with access to a pan-African transactional banking network across 39 countries and Nedbank with access to dealflow in Central and West Africa. We have made good progress in working with ETI's board and other institutional shareholders to strengthen its board and management. We have increased our board representation and our involvement in the group as Brian Kennedy joined Mfundo Nkuhlu on ETI's board. Mfundo was appointed Chair of the ETI Risk Committee and Brian was appointed to the Remuneration and Audit Committees. Risk management practices are being enhanced and the audit of ETI's 2017 interim results provides comfort that the risk of another fourth-quarter loss as in 2015 and 2016 has decreased. We are pleased that ETI reported a profit for the nine months to 30 September 2017. We remain supportive of ETI's endeavours to deliver an ROE in excess of its COE over time. While risk remains, economic conditions in Nigeria and other economies in West Africa are improving and ETI should provide a strong underpin to Nedbank Group's earnings growth in 2018.

In SADC we continue to build scale and optimise costs. Our core banking system, Flexcube, which was successfully rolled out in Namibia in 2016, was also implemented in Lesotho, Malawi and Swaziland in 2017 and we plan to roll it out in Zimbabwe during 2018. We also launched a number of new digital products and we continue to grow our distribution footprint. As a result, clients increased 14% and online digital activations were up 22%. The acquisition of a majority stake in Banco Único in 2016 continued to deliver value and positioned Nedbank well to leverage off higher levels of economic growth in Mozambique. In 2018 we will rebrand MBCA in Zimbabwe to Nedbank while completing the last of our core banking system implementations in our subsidiaries.

Old Mutual plc managed separation

On 1 November 2017 Old Mutual plc announced that the strategic minority shareholding to be retained in Nedbank Group by Old Mutual Limited (OML) to underpin the ongoing commercial relationship between the companies has been agreed at 19.9% of the total Nedbank Group ordinary shares in issue, as held by shareholder funds. This followed the 11 March 2016 announcement by Old Mutual plc about the Old Mutual managed separation, and the subsequent communication on 25 May 2017 in which Old Mutual plc stated that the new SA holding company, to be named OML, would retain a strategic minority shareholding in Nedbank Group after the implementation of the managed separation. The 19.9% shareholding will be held by OML, which will have a primary listing on JSE Limited and a secondary listing on the London Stock Exchange. OML will be listed at the earliest opportunity in 2018, following the publication of Old Mutual plc's 2017 full-year results.

The decrease in OML's shareholding in Nedbank Group will be achieved through the unbundling of Nedbank Group ordinary shares to OML's shareholders. This will result in OML, immediately after the implementation of unbundling, holding a 19.9% strategic minority shareholding in Nedbank Group. The unbundling will occur at an appropriate time and in an orderly manner, after the listing of OML and allowing suitable time for the transition of the OML shareholder register to an investor base with an SA and emerging-market focus and mandate. After the unbundling, Nedbank Group is likely to see an increase in the number of its shares held by emerging-market-mandated index funds, which will adjust according to the improved free float (from about 45% before unbundling to about 80% after unbundling) and a normalisation of SA institutional shareholding (some of which are currently underweight on a straight-market-capitalisation basis given some Nedbank Group holding through the Old Mutual plc shareholding). As part of this process Nedbank Group will continue to market itself as an attractive investment for local and international investors.

Nedbank Group will continue business as usual and the managed separation will have no impact on our strategy, our day-to-day management or operations, our staff and our clients. Our engagements have been at arm's length and overseen by independent board structures. Old Mutual operates predominantly in the investment, savings and insurance industry, which has little overlap with banking, even though we compete in the areas of wealth and asset management and personal loans. Our technology systems, brands and businesses have not been integrated.

As noted before, our collaboration with Old Mutual to unlock synergies by the end of 2017 was successful. Future synergies will continue to be underpinned by OML's strategic shareholding in Nedbank Group. We are fully committed to working with OML to deliver ongoing synergistic benefits at arm's length.

Economic and regulatory outlook

While structural challenges remain, 2018 has started with renewed optimism that these will be addressed and that improving business and consumer confidence should lead to a cyclical upturn off a low base. The SA economy is forecast to grow about 1.6% in 2018 as a resilient world economy and relatively firm international commodity prices are expected to provide further support to domestic production and exports. Business and consumer confidence should also improve from very weak levels in 2017, boosted by newly elected SA President Ramaphosa's promises to restore good governance, take immediate action against corruption and state capture, and make changes to many cabinet portfolios. Moderate growth in consumer spending and credit are forecast for 2018, while fixed investment, as well as government consumption and capital expenditure, is forecast to remain subdued.

The recovery in sub-Saharan Africa is expected to gather pace in 2018, underpinned by the ongoing global commodity price upswing as well as improved government finances and structural reforms in some African countries. The International Monetary Fund expects sub-Saharan Africa to grow faster at 3.4% this year.

Domestic inflation is forecast to recede moderately in the early part of 2018, before edging higher towards the end of the year, averaging about 5.1% over the year as a whole. Early in the year a stronger rand, coupled with easing food and fuel prices, should help contain inflation off the higher base that prevailed at the start of 2017. The rand remains the key risk to the inflation outlook. High expectations of political, policy and fiscal reforms have been built into the rand's recent rally. If the new ANC leadership fails to deliver, especially on the fiscal concerns, SA still runs the risk of being downgraded to universal sub-investment grade status, which could place the rand under pressure and alter the inflation outlook for the year. Given these uncertainties, the anticipated rise in US interest rates, the gradual tapering of quantitative easing programmes by other major central banks and the expected upturn in the domestic inflation cycle towards year-end, the SARB's Monetary Policy Committee is forecast to keep interest rates unchanged at current levels throughout 2018 and into 2019.

Fitch indicated that a failure to implement credible fiscal consolidation and any further economic deterioration could trigger another rating downgrade. S&P will act if both the economy and standards of public governance weaken further, while Moody's will downgrade the country if the measures to address the fiscal funding gap lack credibility or the chosen structural reforms fail to encourage investment and growth.

Overall economic conditions should improve off a low base and, despite the many challenges faced by the SA economy, the SA banking system remains sound, liquid and well capitalised.

Prospects

Our guidance on financial performance for the full year 2018 is currently as follows:

- Average interest-earning banking assets to grow in line with nominal GDP.
- NIM to be slightly above the 2017 level of 3.62%.
- CLR to increase into the bottom half of our target range of 60 to 100 bps (under IFRS 9).
- NIR to grow above mid-single digits.
- Associate income to be positive (ETI associate income reported quarterly in arrear).
- Expenses to increase by mid-single digits.

Given the loss in associate income from ETI in the 2017 base and continued delivery on the Nedbank strategy, our financial guidance is for growth in DHEPS for the full 2018 year to be in line with our medium-to-long-term target of greater than or equal to GDP + the consumer price index + 5%.

The outlook for our medium-to-long-term targets in 2018 is as follows, and we have now set ourselves specific 2020 targets of ROE (excluding goodwill) of greater than or equal to 18% and cost to income of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation.

Nedbank review
continued

Cluster performance	Change	Headline earnings (Rm)		ROE (excluding goodwill)	
		2017	2016	**2017**	2016
CIB	5%	**6,315**	6,014	**20.7%**	21.1%
RBB	7%	**5,302**	4,960	**19.1%**	18.9%
Wealth	(10%)	**1,068**	1,192	**27.5%**	35.2%
RoA subsidiaries	90%	**165**	87	**3.3%**	2.1%
Centre	79%	**(88)**	(414)		
Nedbank managed operations	8%	**12,762**	11,839	**18.1%**	18.0%
ETI	(> 100%)	**(975)**	(374)		
Group	3%	**11,787**	11,465	**16.4%**	16.5%

Credit loss ratio by cluster (%)	% banking adv ances	2017	2016	Through-the-cycle target ranges
CIB	47%	**0.06%**	0.34%	0.15%–0.45%
RBB	46%	**1.06%**	1.12%	1.30%–1.80%
Wealth	4%	**0.09%**	0.08%	0.20%–0.40%
RoA	3%	**1.02%**	0.98%	0.65%–1.00%
Group	100%	**0.49%**	0.68%	0.60%–1.00%

Basel III (%)	2017	2016	Internal target range	Regulatory minimum[1]
CET1 ratio	**12.6%**	12.1%	10.5%–12.5%	7.25%
Tier 1 ratio	**13.4%**	13.0%	> 12.0%	8.75%
Total capital ratio	**15.5%**	15.3%	> 14.0%	10.75%

(Ratios calculated include unappropriated profits.)

1 The Basel III regulatory requirements are being phased in between 2013 and 2019, and exclude any idiosyncratic or systemically important bank minimum requirements.

Nedbank Group LCR	2017	2016
HQLA (Rm)	**138,180**	137,350
Net cash outflows (Rm)	**118,956**	125,692
Liquidity coverage ratio (%)[2]	**116.2%**	109.3%
Regulatory minimum (%)	**80.0%**	70.0%

2 Average for the quarter.

Loans and Advances (Rm)	Change (%)	2017	2016
CIB	(4%)	**356,029**	370,199
Banking activities	(3%)	**324,673**	335,113
Trading activities	(11%)	**31,356**	35,086
RBB	5%	**305,198**	289,882
Wealth	3%	**29,413**	28,577
RoA	5%	**20,541**	19,582
Centre[3]	27%	**(852)**	(1,163)
Group	0%	**710,329**	707,077

3 Intercompany eliminations.

Metric	2017 performance	Full-year 2018 outlook	Medium-to-long-term target
ROE (excluding goodwill)	**16.4%**	Improves, but remains below target	5% above COE[4] (≥ 18% by 2020)
Growth in DHEPS	**2.4%**	≥ consumer price index + GDP growth + 5%, supported by ETI recovery	> consumer price index + GDP growth + 5%
CLR	**0.49%**	Increases into the bottom half of our target range (under IFRS 9)	Between 0.6% and 1.0% of average banking advances
NIR-to-expenses ratio	**80.7%**	Improves, but remains below target	> 85%
Efficiency ratio (including associate income)	**58.6%**	Improves, but remains above target	50–53% (≤ 53% by 2020)
CET1 capital adequacy ratio (Basel III)	**12.6%**	Within or above target	10.5–12.5%
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP):		
	A debt rating, including 10% capital buffer		
Dividend cover	**1.91 times**	Within target range	1.75–2.25 times

4 The COE is forecast at 13.2% in 2018.

Reconciliation of AOP (pre-tax) to Nedbank's headline earnings	**2017**	2016	Change %
Headline earnings[5]	**11,787**	11,465	3%
Exceptional items	**(73)**	2	(3,750%)
Amortisation of Wealth Joint Ventures	**86**	74	16%
Credit spread (profits) / loss	**–**	–	–
Non-capital trading items	**(166)**	(128)	(30%)
Tax as reported by Nedbank	**4,209**	3,986	6%
Non-controlling interests as reported by Nedbank	**679**	526	29%
Adjusted operating profit per Old Mutual (Rm)	**16,522**	15,925	4%
Analysis by cluster			
Corporate & Investment Banking	**7,963**	7,763	3%
Retail & Business Banking	**7,330**	6,903	6%
Wealth	**1,417**	1,614	(12%)
Rest of Africa	**(683)**	(281)	(143%)
Centre	**495**	(74)	769%
Adjusted operating profit (Rm)	**16,522**	15,925	4%
Analysis by line of business			
Banking	**15,361**	14,587	5%
Asset management	**425**	395	8%
Life & Savings	**485**	567	(14%)
Property & Casualty	**251**	376	(33%)
Adjusted operating profit (Rm)	**16,522**	15,925	4%
Adjusted operating profit (£m)	**963**	799	21%

5 As reported by Nedbank.

Strategic report

Old Mutual Wealth review

Paul Feeney
CEO, Old Mutual Wealth

Strong results, good progress and ready to list

"I am delighted with our business performance in 2017. The continuation of sustained strong investment performance and buoyant market conditions is delivering good customer outcomes. We have attracted very high levels of net flows, and our business model is proving a huge success in providing what customers want. I'm particularly pleased that we have been able to maintain profitability and achieve a 29% operating margin for 2017 for the go-forward business, while still investing significantly in the business. All of this makes me confident of our future prospects and growth, with further opportunities to come from the optimisation initiatives which we intend to pursue post-listing.

"During the year, we have implemented a number of important strategic developments towards achieving our goal of becoming the UK's leading wealth manager. We agreed terms for the sale of the Single Strategy business, which simplifies our business and allows us to focus more on our integrated wealth management offering which is serving customers so well. We have further grown our distribution capabilities through the acquisition of Caerus. A key project for us, and one which will significantly enhance our offering to advisers and their customers, is our UK Platform Transformation Programme and I am very pleased that this remains on track and on budget.

"Following comprehensive product reviews of our legacy business, we are starting voluntary remediation to customers in certain legacy products within the Heritage book. Our core business philosophy is to do the right thing by our customers, and this product review is part of putting this into action.

"We have a strong balance sheet, a strong capital and liquidity position and we are financially independent from Old Mutual plc. We have completed our separation activities and we are ready to list as Quilter plc. We expect to publish a Quilter Prospectus in connection with that listing. This will provide shareholders, who will become Quilter shareholders at the time separation completes, with a more detailed overview of the Quilter business and its performance over the last three years. It will also set out what we believe is an attractive investment case for Quilter as a standalone business, and, of course, explain the key risks associated with our business. I would urge you to read that document when it is published.

"2017 was a proving year for our business. 2018 will be a defining one and we are excited about the opportunities ahead."

During the year, we have implemented a number of important strategic developments towards achieving our goal of becoming the UK's leading wealth manager.

Paul Feeney
CEO, Old Mutual Wealth

Old Mutual Wealth highlights on a reported basis	2017	2016	% change
IFRS profit/(loss) after tax attributable to equity holders of the parent (£m)	**99**	(4)	
Reported AOP (pre-tax, £m)[1,2]	**363**	260	40%
NCCF (£bn)	**10.9**	5.2	110%
NCCF, excl. Heritage (£bn)	**12.2**	5.7	114%
NCCF/Opening AuMA (excl. Heritage)[5]	**12%**	6%	
AuMA (£bn)	**138.5**	123.5	12%
Pre-tax operating margin[3]	**36%**	32%	
Revenue margin (bps)[4]	**60**	64	
RoE	**19%**	13%	

1 Reported AOP includes Single Strategy of £152m in 2017 (2016: £60m), of which performance fees were £101m (2016: £26m). From 2017, the SA branches are reported within Old Mutual Emerging Markets and the 2016 profit of the SA branches was £8m
2 In 2016, Head Office costs were allocated to the business. In 2017, these are shown separately and exclude the one-off costs incurred to prepare the business for separation from Old Mutual plc
3 Includes performance fees, all of which arise in Single Strategy
4 This includes the results of Single Strategy but excludes performance fees
5 NCCF as a % of opening AuMA excludes Italy and SA branches for 2016 and 2017.

For the purposes of this report, references to Old Mutual Wealth refer to the reported results above, which include Single Strategy. References to Quilter, including those in the table below, refer to the future standalone business, excluding Single Strategy.

Quilter highlights on a standalone basis	2017	2016	% change
Operating profit as a standalone business (pre-tax, £m)[1]	**209**	177	18%
Normalised operating profit (pre-tax, £m)[1]	**209**	208	–
NCCF (£bn)	**6.3**	3.3	91%
NCCF, excl. Heritage (£bn)	**7.6**	4.2	81%
NCCF/Opening AuMA (excl. Heritage)[2]	**9%**	6%	
AuMA (£bn)	**114.4**	98.2	16%
Pre-tax operating margin	**29%**	32%	
Revenue margin (bps)	**56**	59	
Integrated flows (£bn)	**4.8**	1.8	167%

1 A detailed reconciliation of Reported AOP to operating profit as a standalone business to normalised profit can be found within the Performance highlights section
2 NCCF as a % of opening AuMA excludes Italy and SA branches for 2016 and 2017.

“2018 will be a defining year for our business and we are excited about the opportunities ahead.”

Paul Feeney
CEO, Old Mutual Wealth

Strategy

Our vision is to be the UK’s leading wealth manager. We are a purpose-built, full service wealth manager delivering good customer outcomes. We have leading positions in one of the world’s largest wealth markets, and our multi-channel proposition and investment performance are driving integrated flows and long term customer relationships. Together this has delivered attractive top-line growth and there is the opportunity for improved operating leverage following our intended listing as Quilter plc.

In 2017, alongside sustained strong investment performance, we have attracted very high levels of net flows, and our business model is proving a huge success in providing what customers want. This has enabled us to maintain our profitability while still investing in the business ahead of listing, and we achieved a 29% operating margin for 2017 for the go-forward business. We have further grown our distribution capabilities through the acquisition of Caerus, and we remain on track and on budget with our UK Platform Transformation Programme. We have a strong balance sheet, strong capital and liquidity positions and we are financially independent from Old Mutual plc. We have also now completed our separation activities and we believe that we are ready to list.

Old Mutual Wealth review
continued

Business developments

On 2 September 2017, Old Mutual Wealth announced that it would develop the Multi-Asset and Single Strategy businesses within Old Mutual Global Investors as separate, distinct businesses. On 19 December 2017, we announced that we had agreed to sell our Single Strategy asset management business ('Single Strategy') to the Single Strategy management team and funds managed by TA Associates (together 'the Acquirer') for an expected total consideration of c.£600 million. This value is subject to a number of potential price adjustments depending on the net asset value of the business and a number of other factors at the disposal date. Once the transaction completes, economic ownership of Single Strategy will pass to the Acquirer effective from 1 January 2018 with all profits and performance fees generated up until 31 December 2017 for the account of Old Mutual Wealth.

For the purposes of this report, references to Old Mutual Wealth refer to the reported results, which include Single Strategy. References to Quilter refer to the future standalone business, excluding Single Strategy.

Completion of the transaction is subject to various regulatory approvals (UK FCA, Hong Kong and Switzerland) and it is anticipated that completion will take place in the second half of 2018. In addition to regulatory approvals, there are additional conditions precedent to the completion of the transaction. The conditions to completion of the transaction include certain steps to separate the retained Multi-Asset business. These steps include the reorganisation of the management of certain funds and the transfer of certain assets that form part of the Multi-Asset business into new funds separate from Single Strategy. The completion of these steps depends, in part, upon regulatory approvals and on the speed with which certain third party suppliers are able to take actions required to establish these funds and implement these transfers. Upon completion, Transitional Service Agreements between the Single Strategy and Multi-Asset businesses will be in place. This will allow for the respective provision of services between the two businesses for a period of up to three years on a cost basis.

As previously announced, on listing, we intend to have two operating segments: Advice and Wealth Management, and Wealth Platforms. The Advice and Wealth Management segment will include Intrinsic, which we intend to rebrand to Quilter Financial Planning; the multi-asset solutions business ('Multi-Asset'), which will become Quilter Investors; and, Quilter Cheviot. The Wealth Platforms segment will include the UK Platform business, which will become Quilter Wealth Solutions; our International business, which will become Quilter International; and, our Heritage life assurance business, which will become Quilter Life Assurance.

On 9 January 2017, we completed the sale of Old Mutual Wealth Italy to Phlavia Investimenti. The results for Old Mutual Wealth Italy have been excluded from the 2017 results.

Caerus Capital Group was acquired on 1 June 2017. Throughout 2017, we have continued to acquire advice businesses within Old Mutual Wealth Private Client Advisers, creating 'hubs' around the UK, by careful targeting and acquiring advice businesses that match our target customer profiles and Quilter Cheviot's geographical footprint, where appropriate.

On 15 November 2017, we announced that we were closing our Institutional life business within Heritage to new business. This had AuMA of £4.9 billion at 31 December 2017. It is not core to our strategy and it is very low margin business.

Performance highlights

Net client cash flow (NCCF)

NCCF performance for Old Mutual Wealth was strong at £10.9 billion, up 110% on prior year (2016: £5.2 billion) driven by buoyant market conditions and robust investor confidence. This was 12% of opening AuMA, excluding the Heritage assets (which includes the Institutional life business), demonstrating very strong growth, and well ahead of our annualised target growth of 5% over the medium term.

Within this, Quilter NCCF was also strong, increasing 91% to £6.3 billion (2016: £3.3 billion). Excluding the Heritage assets, Quilter NCCF was £7.6 billion and, on this basis, was 9% of opening AuMA.

The Advice and Wealth Management segment contributed total NCCF before intra-group eliminations of £4.4 billion (2016: £1.6 billion). Our Multi-Asset business, which is a core part of our ongoing proposition and wealth management strategy, received £3.3 billion (2016: £0.8 billion) of these net flows in 2017 driven by robust flows into the Cirilium and WealthSelect fund ranges.

NCCF for the Wealth Platforms segment of £4.3 billion was up 95% from 2016 (£2.2 billion). UK Platform net flows were £4.5 billion, up 61% on 2016 due to strong flows into pension propositions as customers continue to consolidate existing pensions. As a result, sales into the pension propositions accounted for 61% of total UK Platform sales. Transfers by customers from their defined benefit pensions into defined contribution schemes accounted for gross sales of £1.8 billion in 2017, representing 20% of gross platform sales and 6% of total gross sales. Net Heritage outflows were primarily due to expected Institutional business outflows. International flows more than doubled to £1.4 billion with strong net flows from Latin America, the Middle East, UK and Europe. In the International business, we benefited from certain large single premium inflows which, due to their size, have been made at a discount to our usual charging structures.

In total, Quilter integrated flows grew 167% from £1.8 billion in 2016 to £4.8 billion in 2017 (£5.2 billion excluding Heritage outflows). The restricted channel of Intrinsic accounted for £1.2 billion (27%) of UK Platform net inflows in 2017 (2016: £0.9 billion; 32%) and £2.5 billion of net flows into OMGI's Multi-Asset solutions business in 2017, principally into the Cirilium fund ranges. Integrated net inflows from Intrinsic into Quilter Cheviot amounted to £0.2 billion, over half of which was through OMWPCA.

Assets under management/administration (AuMA)

Old Mutual Wealth AuMA was £138.5 billion, up 20% from the end of 2016 (31 December 2016: £115.3 billion excluding our divested Italian business (£6.2 billion) and South African branches (£2.0 billion) which have been transferred to OMEM). Of the 20% increase in AuMA, 10% (£11.0 billion) is due to positive market performance, 9% (£10.9 billion) resulted from positive NCCF, and 1% (£1.3 billion) came from the acquisition of Caerus and Attivo.

Quilter AuMA, excluding Single Strategy, was £114.4 billion, up 16% from £98.2 billion as at 31 December 2016, also driven by positive market performance and strong NCCF.

IFRS post-tax profit

£m	2017	2016
Adjusted operating profit before tax	**363**	260
Goodwill and intangible charges	**(103)**	(140)
Profit on disposals	**24**	–
Short-term fluctuations in investment return	**(2)**	1
Managed Separation and business standalone costs	**(32)**	–
Platform transformation costs	**(74)**	(102)
Voluntary customer remediation	**(69)**	–
Total adjusting items	**(256)**	(241)
Income tax attributable to policyholder returns	**66**	94
IFRS profit before tax	**173**	113
Tax on adjusted operating profit	**(44)**	(47)
Tax on adjusting items	**36**	24
Income tax attributable to policyholder returns	**(66)**	(94)
IFRS profit/(loss) attributable to equity holders after tax	**99**	(4)

Old Mutual Wealth's IFRS post-tax profit was £99 million for 2017, compared to a loss of £4 million in 2016. This improvement was driven by the higher adjusted operating profit, principally resulting from the exceptional net performance fees in Single Strategy. Key reconciling items between the IFRS profit and pre-tax Adjusted Operating Profit (AOP) were UK Platform transformation costs of £74 million (2016: £102 million), one-off costs in 2017 relating to Managed Separation of £32 million (in 2016, these one-off costs of £7 million were included within AOP), costs associated with voluntary customer remediation in certain legacy products described below, the combined effects of intangibles amortisation and the impact of acquisition accounting totalling £103 million (2016: £140 million), and year-on-year movements in policyholder tax.

On 3 March 2016, the UK Financial Conduct Authority ('FCA') issued a report detailing the findings of its industry-wide thematic review on the fair treatment of long-standing customers invested in closed-book products sold by the life insurance sector (TR 16/2) ('Thematic Review'). As part of our ongoing work to promote fair customer outcomes, product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance 'FG16/8 Fair Treatment of long-standing customers in the life insurance sector' have been conducted. Following these reviews, it has been decided to commence voluntary remediation to customers in certain legacy products within the Heritage book. As part of this, we have decided to cap early encashment charges at 5% for pension customers under 55 going forward, to refund all early encashment charges over 5% on pensions products applied since 1 January 2009 and to refund certain paid-up charges incurred since 1 January 2009.

A provision of £69 million has been made within our 2017 results for the aggregate of these remediation costs, and this has been reported outside of Adjusted Operating Profit, firstly because of the significant and historical nature of the cost, and secondly, because it does not reflect the underlying performance of Old Mutual Wealth during 2017.

Also on 3 March 2016, the FCA 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 reported within Heritage, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review. We continue to cooperate and work openly with the FCA in connection with their investigation following the Thematic Review. No provision has been made for any potential fine that may be levied by the FCA.

Adjusted Operating Profit ('AOP') – Reconciliation to result on a standalone basis

AOP (£m)	2017	2016	% change
Reported AOP	**363**	260	40%
Corporate activity[1]	**–**	(35)	
Reversal of smoothing shareholder investment returns	**(2)**	4	
Managed Separation and standalone costs (one-off)	**–**	7	
Deduction to exclude Single Strategy business	**(152)**	(60)	
Other	**–**	1	
Operating profit pre-tax on a standalone basis	**209**	177	18%
Heritage fee restructure	**–**	27	
Other	**–**	4	
Normalised operating profit pre-tax (on a standalone basis)	**209**	208	

1 Corporate activity includes Old Mutual Wealth Italy (sold in January 2017) and South Africa branches (transferred to Old Mutual Emerging Markets), consistent with the presentation shown in the Capital Markets Showcase in November 2017.

Old Mutual Wealth review
continued

Reported adjusted operating profit

Reported Old Mutual Wealth AOP of £363 million for 2017 was 40% higher than prior year (2016: £260 million), and includes net performance fees of £101 million in 2017 (2016: £26 million).

Pre-tax AOP for the Single Strategy business increased to £152 million, up 153% from prior year of £60 million, driven by the unprecedented level of net performance fees of £101 million (2016: £26 million), of which £84 million was generated in the six months to December 2017. The net performance fees for 2017 are substantially ahead of the previous year and are considered to be at an unusually high level reflecting exceptional performance from a narrow range of funds in favourable market conditions. As announced on 19 December 2017, under the terms of the transaction agreement, Old Mutual Wealth will not benefit from performance fees which may be earned by Single Strategy in 2018.

Operating profit pre-tax on a standalone basis

Operating profit pre-tax on a standalone basis is intended to reflect the perimeter of the business as it will be after listing, and after the completion of the sale of Single Strategy, and therefore the results of Single Strategy have been removed from both 2017 and 2016. In addition, the results of Old Mutual Wealth Italy and the South African business have been removed from the comparative period. On this basis, the operating profit pre-tax for 2017 was up 18% to £209 million (2016: £177 million).

£m	2017	2016 restated[1]	2016[2]
Advice and Wealth Management	**82**	59	55
Wealth Platforms	**158**	166	139
Head Office	**(31)**	(17)	(17)
Operating profit on a standalone basis	**209**	208	177
Heritage fee restructure	**–**		27
Other	**–**		4
Normalised operating profit	**209**	208	208

1 Based on normalisation adjustments being allocated to segments
2 As presented at Capital Markets Showcase in November 2017.

Normalised operating profit

Normalised profit adjusts the comparative period 'operating profit on a standalone basis' to eliminate the impact of the changes to Heritage fees in 2016, and other normalisation adjustments as presented at the Capital Markets Showcase. No adjustments have been made in 2017. This form of presentation is consistent with the analysis presented during the Company's Capital Markets Showcase held in November 2017.

The 2017 normalised operating profit of £209 million compared to prior year (2016: £208 million) is particularly pleasing given that, in recent periods, profits have been invested to grow distribution and to prepare the business to operate on a standalone basis. The consistent profit pattern is evidence that the business model is proven and that the business has reached scale ahead of its planned listing.

Pre-tax normalised operating profit for the Advice and Wealth Management segment increased to £82 million, up 39% from prior year of £59 million. This was driven by significantly increased contribution from the Multi-Asset business as a result of increasing revenues, driven by strong flows generated by other business areas and good investment performance.

Pre-tax normalised operating profit for the Wealth Platforms segment decreased to £158 million, down 5% from prior year of £166 million. In 2016, the restated profit of £166 million included the adjustment to exclude the Heritage fee restructure charge of £27 million which impacted the segment.

Revenue and revenue margin

Old Mutual Wealth's reported revenues increased by 21% to £1.0 billion due to higher average AuMA, driven by positive market performance, strong NCCF and net performance fees. On the same basis, the revenue margin decreased by 4bps during the year from 64bps to 60bps.

On a standalone basis, Quilter revenues increased by 13% to £728 million comprised of net management fee revenue of £591 million and other revenues of £137 million.

£m	2017	2016	Variance
Net management fee	**591**	524	13%
Other revenue	**137**	122	12%
Revenue on a standalone basis	**728**	646	13%

The net management fee revenue principally comprises fund-based revenues including fixed fees. Other revenues include advice fees generated in Intrinsic and income generated within the protection business in Heritage. The revenue margin for the standalone Quilter business reduced from 59bps in 2016 to 56bps in 2017.

Expenses

Old Mutual Wealth's reported expenses increased by 13% to £638 million. Single Strategy expenses are £119m in 2017, up from £95 million in 2016 driven by an increase in variable incentives in line with performance, increased headcount and regulatory compliance costs. Old Mutual Wealth Italy and South Africa branches together accounted for £23 million of costs in 2016 (2017: nil). Consistent with the treatment in prior periods, bonuses on gross performance fees are deducted from those performance fees which are reported, on a net basis, within revenue.

Quilter expenses on a standalone basis increased by 18% to £519 million.

£m	2017	2016	Variance
Underlying administration expenses	**402**	**363**	39
Variable incentives	**78**	64	14
Investment in business initiatives	**23**	11	12
Standalone costs (recurring)	**16**	–	16
Expenses on a standalone basis	**519**	438	81

The main components of the increase in Quilter expenses on a standalone basis are:

- The increase in underlying administration expenses of £39 million reflects a focussed increase in technology spend (£13 million) linked to improving the resiliency of our IT infrastructure; changes in regulation including compliance with GDPR, MIFID II requirements and FSCS costs (£10 million); adverse year-on-year movements in provisions (£6 million); and other organic and inflationary costs (£10 million).
- Variable incentives in 2017 amounted to £78 million, an increase of £14 million on 2016 in line with performance. This reflects higher levels of funds under management in the multi-asset business and Quilter Cheviot and higher senior headcount due to the strengthening of senior management ahead of listing.
- Investment in new business initiatives principally reflects the costs of expanding Old Mutual Wealth Private Client Advisers and the inclusion of Caerus Capital Group, the acquisition of which completed on 1 June 2017.
- Managed Separation and standalone costs of £16 million include £9 million to reflect the strengthening of the business and other recurring standalone costs. 2017 was a transitional year for the business, and the incremental recurring costs of £16 million for 2017 do not yet reflect a full-year run-rate of such costs.
- Consistent with previous disclosures, separation is estimated to increase the standalone cost base by £25-30 million per annum compared to 2016, and therefore additional recurring costs beyond the £16 million incurred in 2017, are expected to be incurred in 2018. In line with information provided previously, this increase excludes the impact of the costs for the proposed new long-term incentive plan, and future debt financing costs. Details of future debt financing costs are set out within our cash and capital disclosures.

We currently expect one-off costs in 2018 of c.£36 million in respect of the completion of the Managed Separation from Old Mutual plc. These comprise a mixture of standalone, advisor and other transaction costs, and will be charged outside of operating profit to reflect their one-off nature. Of these, c.£12 million are expected to be in respect of the rebrand of the business from Old Mutual Wealth to Quilter.

Operating margin

The Old Mutual Wealth operating margin was higher than prior year at 36%, driven by higher net performance fees more than offsetting the impact of increased expenses. Including Single Strategy, but excluding net performance fees, the operating margin is unchanged at 29%.

On a standalone basis, the Quilter operating margin declined to 29% compared to 32% in 2016 principally as a result of the increase in operational costs and investment in business initiatives ahead of listing.

The increasing proportion of revenues from advice fees, which are largely matched by costs of advisers and investment in the advice model itself, has contributed to the reduction in operating margin.

UK Platform Transformation

The contracts with IFDS related to the UK Platform Transformation came to an end by mutual agreement effective as of 2 May 2017. At the same time, we announced that we had contracted with FNZ to deliver our UK Platform Transformation Programme.

We continue to plan for a soft launch of the enhanced customer and adviser proposition supplied by FNZ by late 2018 or early 2019 with migration of existing advisers and customers to follow swiftly thereafter.

Of the estimated UK Platform Transformation Programme costs of £120-160 million announced in May 2017, £21 million had been incurred by 31 December 2017. We currently anticipate spend of c.£75 million in 2018 with the balance arising in 2019. The project remains on time and within budget and excellent progress has been made with all key deliverables to date being within our planned timelines.

Old Mutual Wealth review
continued

Delivering good customer outcomes

During 2017, we established a dedicated Retail Customer Solutions function to focus specifically on those 'end-to-end' customers whom we serve through our model of financial advice, investment solutions and platform services. The objective of this team is to further improve customer orientation in our proposition. In addition, the team will actively analyse industry trends to enable us to create stronger integrated propositions.

Regulatory developments

There are a number of studies and thematic reviews currently underway by the UK regulators. These include the FCA's Asset Management Review, the findings of which were published on 28 June 2017, and the Investment Platforms Market Study, the terms of reference for which were announced on 17 July 2017 and more recently, in February 2018, the Discussion Paper considering "Effective competition in non-workplace pensions". The FCA also published its "Approach to Customers" in November 2017, informed by the Financial Lives Survey, the results of which were published last October. We are very supportive of the FCA's work in these important areas, and believe the outcomes of these will serve to increase the confidence and credibility of the wealth management industry in this country, ensuring that it provides fair outcomes for all customers, whatever stage in life they are at.

Managing conflicts of interests

We combine our knowledge and capabilities across the businesses to gain an understanding of our clients and their needs. It is this knowledge that allows us to deliver products and solutions that meet those needs. Suitable investment solutions are central to providing good customer outcomes. We aim to blend peer-leading capabilities across our business, but the decision about which investment solutions are right for each client remains with the financial adviser, where client suitability decisions will always remain sacrosanct.

As part of managing potential conflicts of interest, each part of the business has strong governance in place, with each business being a separate regulated entity that seeks to deliver fair outcomes and good value for its customers.

Return on equity ('ROE')

Strong operating performance across our business in 2017 has increased reported ROE to 19% (31 December 2016: 13%). Excluding Single Strategy, the ROE was 13%.

At the time of the acquisition of Quilter Cheviot, it was announced that the transaction was expected to generate annual synergies of £15 million by 2017. As at 31 December 2017, the total achieved synergies were £14 million. Beyond these synergies, the return on our investment is reflected in Quilter Cheviot's contribution to our overall wealth management proposition and in the growth of assets under management from £17.4 billion at 28 February 2015 to £23.6 billion at 31 December 2017. As a result, the overall return is considered to be in excess of the cost of capital.

Cash and capital

In 2017, Old Mutual Wealth generated free surplus of £293 million (2016: £179 million), representing a conversion rate of 92% of AOP post-tax (2016: 84%). The free surplus generated was used to fund the Platform Transformation Programme, the costs associated with the Managed Separation, and the investment in new business initiatives including the expansion of Old Mutual Wealth Private Client Advisers and the acquisition of Caerus Capital Group.

At 31 December 2017, Old Mutual Wealth had an unaudited 155% Solvency II ratio after a 14% adjustment for the impact of the European Insurance and Occupations Pensions Authority ('EIOPA') update described below and adopted with effect from 31 December 2017. The impact of the EIOPA update is economically neutral and has no impact on the absolute Solvency II surplus but reduces the Solvency II ratio.

The EIOPA has recently published updated guidance regarding the treatment of the Individual Capital Guidance ('ICG') requirements in investment firms subject to the internal capital adequacy assessment process ('ICAAP') regime. This guidance, which is non-mandatory, applies when calculating the Solvency II capital ratio on a consolidated basis for groups comprising both ICAAP and Solvency II regulated entities. According to the EIOPA guidance, the solvency capital requirement ('SCR') under Solvency II for ICAAP regulated entities should include both the capital requirement from the ICAAP and any requirement imposed by the regulator. The previous methodology used by Old Mutual Wealth included the Pillar 1 capital requirement for the ICAAP regulated entities within the Solvency II capital requirement, with the balance between this and the total capital requirement being excluded from both the Solvency II Own Funds and the SCR. On a pro forma basis, the change in treatment would have increased both Own Funds and the SCR by £0.2 billion as at 30 June 2017, which would have reduced the reported 177% ratio to 163% on a pro forma consolidated basis.

Old Mutual Wealth Management Limited has been given an issuer's default rating from Fitch of A-. The financial strength of Old Mutual Wealth Life Assurance Limited (our Heritage life assurance business) is rated A by Fitch.

Managed Separation and Board developments

We made good progress with our programme of activity as we work towards independence as part of the Managed Separation from Old Mutual plc. By the end of 2017, all functions had materially delivered all changes necessary to be standalone.

To ensure our organisation is fit for purpose as a listed, standalone entity, we have continued to reshape and strengthen our executive management team and our Board. During 2017, Tim Tookey was appointed as Chief Financial Officer and Mark Satchel assumed the role of Corporate Finance Director. Paul Hucknall was appointed as HR Director and joined the executive committee on 1 January 2018.

Rosie Harris, George Reid and Jon Little joined the Old Mutual Wealth Board as Independent Non-Executive Directors during H1 2017. On joining, Rosie was appointed Chair of the Board Risk Committee. George Reid has been appointed Chair of the Board Audit Committee, and Moira Kilcoyne, who was appointed to the Board at the end of 2016, has been appointed Chair of the Board IT Committee. Old Mutual Wealth intends to comply with the UK Corporate Governance Code and the arrangements to achieve compliance are well advanced.

We have also strengthened the boards of our principal regulated subsidiaries by increasing the level of independence on those boards, including through additional representation from the Non-Executive directors on the Old Mutual Wealth Board.

Funding and future capital structure

Quilter plans to maintain a strong solvency and liquidity position through disciplined management of capital resources and risks. The backing of a financially strong group is important given the security and peace of mind that it affords customers and advisers.

Quilter will maintain a disciplined approach to capital, in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning excess capital to shareholders as appropriate. As part of its disciplined approach to capital, the Group has a prudent capital management and liquidity policy.

On 28 February 2018, we entered into, and fully drew down, a senior unsecured term loan of £300 million with a number of relationship banks. This term loan will be repaid in full using proceeds from the sale of Single Strategy following the completion of that transaction. In addition, we have entered into a £125 million revolving credit facility, which is currently undrawn and is expected to remain undrawn during 2018.

Also on 28 February 2018, we issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478%. Including the impact of amortisation of bond set-up costs, the issuance of this security will increase operating expenses in the Corporate Head Office segment by approximately £11 million on an annual basis. The debt security is currently undocumented and unlisted and has a Fitch instrument rating of BBB-. We intend to finalise a prospectus and obtain a listing for the bond on the regulated market of the London Stock Exchange, with a view to a potential remarketing and secondary placement of the security in due course.

The subordinated debt security, the new term loan and the revolving credit facility have been issued to ensure that Quilter has sufficient capital and liquidity to maintain strong capital ratios and free cash balances to withstand severe but plausible stress scenarios. These include, despite it being considered to be a remote event, the sale of Single Strategy failing to complete.

Adjusting the 31 December 2017 Solvency II ratio of 155% for the £200m subordinated debt security and the new term loan would result in a pro forma Solvency II ratio of 171% at 31 December 2017 (before any impact of the sale of Single Strategy).

Whilst this pro forma ratio does not include the expected Solvency II benefit arising on completion of the sale of Single Strategy, we believe it includes sufficient free cash to complete all committed strategic investments (including the UK Platform Transformation Programme) and to allow for any further potential costs associated with the FCA's Thematic Review, including for any potential fine which may be levied by the FCA, in respect of which no provision has yet been made. The impact of this prudent policy is that Quilter expects to maintain a solvency position in excess of its policy in the near-term.

Old Mutual Wealth review
continued

The Solvency II impact of the completion of the sale of Single Strategy would have increased the pro forma 31 December 2017 solvency ratio by c. 40 percentage points before any potential distribution of surplus proceeds to shareholders.

Subsequent to the year end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been equitised, with the effect of the intercompany indebtedness being cancelled and replaced with equity in the form of share capital and a merger reserve. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

Outlook for the Quilter business as a standalone business

Quilter has continued to trade in line with expectations since the year end. Overall, we continue to remain confident in Quilter's prospects and it is anticipated that the next trading update will be for the first quarter of 2018, which is expected to be published in April 2018.

As a key step in the preparation of Quilter to be a separately listed business, we will be publishing a Prospectus (the "Prospectus") in relation to our business. The Prospectus will include more detailed information in relation to Quilter's business, including its strategy and outlook. It will also contain detailed risk factors and other key information relevant to our business.

This section summarises certain information on Quilter's business, including certain forward looking information in relation to operating performance expectations and targets which will be set out in detail in the Prospectus, and these statements should be read in conjunction with all the information in the Prospectus when it is published.

NCCF

We believe that the positive structural growth dynamics in the UK wealth market and our leading market positions and full service, multi-channel model position Quilter for continued success. As a result, we will target NCCF (excluding Heritage) of 5 per cent. of opening AuMA per annum over the medium term. Should market conditions remain supportive, we expect Quilter to exceed this target in 2018.

Revenue margin

Subject to delivering currently expected AuMA volumes and business mix, we believe Quilter's overall annual rate of revenue margin decline should slow in the near-term, and that the revenue margin should become increasingly stable.

Operating margin

In the second half of 2018, management will review the Quilter standalone cost base and operating model to identify long term optimisation initiatives to improve overall business efficiency. However, at this stage, the initiatives, potential efficiency savings and restructuring costs to achieve this optimisation have not yet been scoped.

Our operating model is designed to capture operating leverage from the growth in assets. We currently intend to continue to invest in growing our business over the coming years, and in 2018 and 2019 we will bear the full impact of a standalone cost base as a listed company. In the near term, this is likely to lead to a small decrease in our operating margin, before interest costs, below that reported in 2017. We expect the operating leverage benefits will develop thereafter, and we are targeting a Quilter operating margin, before interest costs, of 30 per cent for the year ending 31 December 2020 before we implement any future optimisation initiatives from management's review.

Aside from normal operating expense movements as the business grows, this operating margin target incorporates the following considerations:

- the operating profit impact of potential selective investments in advice distribution;
- additional staff costs in 2018 and later years arising from long term incentive plan ("LTIP") awards under the new Quilter share plans; and
- in line with previous statements, Quilter expects up to £30 million per annum of additional fixed costs above 2016 operating expense levels as a consequence of the Managed Separation and its need to operate on a fully standalone basis. Of the additional expenses, approximately £16 million on an annual basis were reflected in 2017 year-end reported results, and therefore up to an incremental approximately £14 million of annual expenses will be incurred during 2018.

Solvency II impact of sale of Single Strategy

Following the completion of the sale of the Single Strategy business, we expect to report that Quilter's net asset value will increase by c.£360 million based on current consideration expectations and before allowing for the costs of disposal. In addition, we expect to record a restructuring charge of c.£ 20 million in respect of the establishment of the standalone multi-asset business.

Dividend policy

Our dividend policy will be to target a dividend pay-out range of 40 to 60 per cent of post-tax operating profit, with the split of interim and final dividends to be approximately one-third and two-thirds respectively. Any dividends will take into account Quilter's underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time.

The first dividend payment which Quilter will make as a separately listed company is expected to be the final dividend in respect of the year ending 31 December 2018. Quilter currently expects this dividend to be determined by a pay-out ratio at the lower end of the target range and to reflect the expected interim / final dividend split.

Following the completion of the sale of Single Strategy, and outside the above dividend policy, Quilter will also consider a distribution from the surplus proceeds to its shareholders. In determining the size of any potential return, a number of factors will be taken into account, including: (i) the repayment in full of the senior unsecured term loan, (ii) the costs associated with the sale of Single Strategy, and (iii) the costs associated with the establishment of the standalone Quilter Investors multi-asset business.

Risks

Sue Kean
Group Chief Risk Officer

> **Plc Head Office and the businesses have made good progress in planning and executing key steps in readiness for the Group's separation.**
>
> **Sue Kean**
> Group Chief Risk Officer

2017 was a critical year for the delivery of the plc strategy. It marked a transition from planning and preparation to execution and delivery of the managed separation. Plc Head Office and the businesses have made good progress in preparing, planning and executing key steps in readiness for the Group's separation, including completion of the sell-down of the OMAM business and preparing three strong and appropriately capacitated and capitalised businesses ready to stand alone in 2018. It also completed a number of important corporate finance transactions, including the disposal of OMAM and Kotak and further reduction in plc external debt.

Once executed, managed separation will remove a number of key risks inherent to the current structure of the Group. These include currency translation risk, constraints on capital fungibility, and the 1999 demutualisation agreement under which the current plc costs and debt interest must be borne by the non-South African businesses. The risks inherent to the Group structure increased during 2017, as regulation evolved and the Group structure became even more South Africa focused. These longer-term strategic and structural risks are being mitigated to a certain extent by the managed separation. In turn, separation introduces shorter-term risks; but while significant, these are largely manageable, and contingency plans are in place for any unexpected delays.

Under the active portfolio manager model introduced at the start of the managed separation, the plc evaluates each of the Group's businesses as an asset. This model is now fully embedded, with a significant amount of responsibility for meeting local capital and liquidity requirements delegated to the respective business Boards. The OMW and OML Boards and their respective governance frameworks have been redefined and refreshed to ensure their fitness to become listed companies.

The managed separation project governance framework has continuously adapted to meet changing project needs. As might be expected with a programme of this size, project plans are complex with many interdependencies, timelines are tight and external factors such as unexpected political and economic events can exert additional pressures. Both financial and non-financial risks to the managed separation are constantly monitored, ensuring that we remain within the plc financial risk appetite metrics: central liquidity resources, capital, and earnings volatility. We also continue to monitor risk culture across the Group.

We review each managed separation activity in terms of balancing value, cost, time and risk, relative to diverse stakeholder interests. Extensive stress and scenario testing (including macroeconomic and political risk) ensures that we have a full understanding of the possible impacts of variances within the plan and available management actions, and that the plc can remain within its financial risk appetite limits.

We continue to focus on managed separation contingency planning, to ensure that we anticipate and mitigate risks and deploy appropriate responses in the event of unforeseen external issues or project management slippage.

We have devoted considerable work to ensuring the orderly wind-down of the plc and transitioning activities and capabilities to the businesses. The plc's contingent liabilities and pre-existing risks such as the plc employee pension scheme and internal reinsurance programme are being addressed. To ensure an effective handover to OML, processes have been decommissioned where possible and data archived where necessary. The various asset disposals, currency hedging activities and debt liability management exercises during 2017 have substantially de-risked the residual plc balance sheet. To further reduce downside cash flow risks from equity markets, OM Bermuda updated its hedging strategy at the end of October.

Within the businesses, the principal risks remain broadly consistent with those described in the 2015 and 2016 Annual Reports. However, there is a different emphasis on some risks. Execution risk relating to the managed separation is elevated at plc Head Office and the subsidiaries all have significant strategic execution risks relating to major IT or business change initiatives as well as the managed separation itself.

Macroeconomic risk in our principal markets continues to be a focus for the Group, as it is for financial services firms generally. In OMW the risks to capital are small but the risks to earnings are very much dependent on market conditions, given OMW's reliance on asset-based fees. This contrasts with our African businesses, particularly in South Africa, where macro conditions create risks to earnings, liquidity and local capital in the lending, insurance and asset management operations.

In 2017, South Africa suffered several sovereign downgrades that increased economic pressures on the country, and there is a significant risk that the country could be removed from international government bond indices. Although the ANC leadership change at the end of 2017 has been positively received by the markets, political and policy uncertainty will continue in 2018 and potentially until the April 2019 national elections. We undertake extensive stress and scenario tests focusing on these economic and political risks, and business plans have been designed to accommodate this difficult macroeconomic position.

Finally, given the high level of organisation change, we are mindful of culture and heightened people risk at plc Head Office and across the businesses. Management of the working environment and stress-related risks has been a focus area for us, using specialist external resources where required. We have made good progress in developing resource contingency plans at plc Head Office, and in determining and implementing appropriate values for each new standalone business.

Sue Kean
Group Chief Risk Officer

“Management of the working environment and stress-related risks has been a focus area for us. We have made good progress in determining and implementing appropriate values for each new standalone business.”

Risks
continued

Key risks to the managed separation strategy

Old Mutual plc's key mission is executing the managed separation strategy. When this is complete, the Group will be separated, OMW will become a separately listed entity and OMEM, Nedbank, OMB and the residual plc will be subsumed into OML, the newly-listed holding company. Given the centrality of managed separation, the risks to its execution are inherently the Group's top risks, and will remain so until managed separation is complete. Although the managed separation is designed to be capable of being executed in adverse market-situations, volatile markets combined with the complexities of the process could in extreme situations impact the timetable for and/or the value realised from the OMW listing. Therefore the macroeconomic and political risks are included within the key business risk sections (pp63-67) rather than below in the risks to execution of managed separation section.

The risks are listed in order of descending materiality. All key risks, and their related mitigating actions, are overseen by the plc Board and the plc Board Risk Committee.

Current impact and risk outlook	Risk mitigation and management actions
OMEM, OMW and Nedbank need to be sufficiently capacitated and capitalised to operate as successful independently listed entities.	
For the unlisted businesses to be successful standalone businesses they need to be sufficiently well capacitated and capitalised. This means strengthening resource in areas where plc provided support (eg treasury, investor relations and finance), setting up appropriate Governance arrangements and ensuring that each business has adequate capital.	Good progress has been made in capacitating OML and OMW. Both businesses have appointed strong and independent new Boards, enhanced senior management capability and undertaken significant work to review and begin implementing new operating models, including enhancing their risk functions. These processes have been tracked and monitored by the plc management team.
Perceived weaknesses in any of the businesses' balance sheets, strategies, operations, governance structures or leadership could potentially affect the managed separation approvals and the ultimate value obtained.	Significant progress has also been made in developing and internally agreeing the approach and structure of their initial balance sheets to ensure that capital is appropriate for the risks within the businesses even after stress scenarios.
OML estimates that, after its primary listing on the JSE, its effective Black Economic Empowerment (BEE) shareholding may be slightly below the Financial Sector Charter (FSC) target of 25%, but this will only be known once the share register settles. As a JSE primarily listed business, OML's methodology for calculating its BEE ownership percentage will change, in line with the provisions of the revised FSC. The BEE shareholding will also be impacted by the corporate transactions involved in the managed separation. OMEM will be using the new scoring methodology for its 2017 scorecard, anticipating the impact of the corporate restructure, in line with the provisions of the revised Financial Services Code that came into effect on 1 December 2017.	OML will consider appropriate transitions, if required, to achieve its BEE ownership targets in due course. The OML Board will be tasked with exploring multiple mechanisms to ensure this goal is met as agreed.

Current impact and risk outlook	Risk mitigation and management actions
The managed separation listings and scheme need to be executed in a manner that balances value, time, cost and risk to ensure the best outcome for all stakeholders.	
Managed separation is an inherently complex project with many inter-dependencies and will require multiple internal and external approvals. Project delivery delays or failure to obtain regulatory or court approvals could potentially impact the separation timelines and increase costs. People stretch, both at plc and within the businesses, remains a key risk to the managed separation execution. The businesses are implementing managed separation and their own internal change projects concurrently. South African political risk could impact or delay the regulatory approvals required for completion of the managed separation.	Robust project management and governance frameworks have been implemented, co-ordinated across plc, OML and OMW with adviser support. The managed separation governance frameworks have evolved as the project evolves. The financial and execution risks to managed separation are regularly reviewed and assessed, with action taken to mitigate risks balancing time, cost and value. A number of risks are largely outside Old Mutual's direct control – such as obtaining timely regulatory and court approvals. We have taken action to mitigate these risks as far as possible: for example, early and proactive engagement on the required regulatory approvals, implementation of a shareholder engagement strategy, and the liability debt management exercise. In 2017, we paid particular attention to people and stretch risk. In plc we reviewed all resourcing and made contingency plans for delays to managed separation. The businesses acquired additional resource or upskilled as required, and each area put in place plans to address their particular concerns.
While we remain a Group, plc needs to ensure that we meet our fiduciary duties while winding-down the businesses in an orderly manner.	
The wind-down of plc needs to be undertaken in a manner that will still allow plc to fulfil its fiduciary duties. Wherever possible the plc contingent liabilities and pre-existing plc risks need to be wound down or addressed to minimise transferring these to either OML or OMW.	Plc's fiduciary duties for the remainder of managed separation have been identified and processes are in place to ensure these are met. In 2017 we made significant progress in addressing plc contingent liabilities and pre-existing risks. Actions included the Kotak sale, the resolution of the two legacy pension schemes and the repayment and repurchase of a significant amount of debt. As a result the plc balance sheet will have a positive net asset value on transfer to OML. As part of the wider managed separation process there are robust plc closure plans in place. Wherever possible, redundant processes and tasks have already been closed down. This will continue into 2018 to ensure a streamlined plc is handed over to OML. We have anticipated the risk of not retaining enough plc Head Office operational capacity and capability to run the residual Group effectively in the event of a delayed separation. Although not considered likely, it has been mitigated through contingency planning.

Risks
continued

Current impact and risk outlook	Risk mitigation and management actions
Some risks arise from the constraints of the existing Group structure, and will be reduced by managed separation.	
Our Group earnings, dividend and surplus capital are reported in sterling but the majority of our earnings and surplus capital are denominated in South African rand. This creates currency translation and foreign exchange control risk, and our reported Group earnings are particularly sensitive to rand/GBP exchange movements. Managed separation will address this risk, by removing the current Group structure. The recent regulatory trend in both the UK and South Africa has been to encourage the independence of subsidiary Boards while retaining an expectation of Group oversight and control. Managed separation mitigates the potential risks arising from this ambivalence, but any delay could present challenges.	Managed separation seeks to allow each business to meet its capital requirements and debt interest in matched currencies and cash flows. Each business will have the appropriate capital to succeed independently and to be more closely aligned to its natural shareholder base. Regular stress and scenario testing helps us understand and monitor the resilience of our capital and liquidity over the managed separation time horizon. Our modelling shows we are sufficiently capitalised in line with our philosophy of holding capital where the risks lie. We have implemented dividend hedging on a six-month forward-looking basis, in line with the expected timing for the completion of managed separation. Risks presented by conflicting regulatory expectations relating to Group control versus subsidiary independence will ultimately be removed as the Group separates. In the meantime, we seek to address them through open and timely communication with both our subsidiaries and the regulators, and through the continued role played by plc executives on the subsidiaries' Boards. We have also expanded our documentation of real or perceived conflicts of interest, and this is regularly refreshed in light of real or perceived case studies.

Key risks to OMEM and Nedbank, and OMW

In addition to the risks relating to the execution of the managed separation, OML and OMW are exposed to a number of risks inherent to the products they offer and the markets that they operate in.

OMEM and Nedbank (ultimately OML)

Current impact and risk outlook	Risk mitigation and management actions
Volatile or difficult macroeconomic conditions, particularly within South Africa, could potentially increase financial pressure on consumers, impacting OML's future earnings and credit risk.	
In 2017 South Africa's real GDP growth increased marginally to 0.9%, with the IMF forecasting similar rates of growth in 2018. There were also several sovereign downgrades which may trigger South Africa's subsequent exclusion from the Citi World Government Bond Index. The 21 February 2018 Budget introduced a number of tax increases, which sought to address the rising South African government's fiscal deficit. One of these was a 1% increase to VAT, which together with a continued low growth rate for the economy could increase financial pressure on consumers. The result of such pressure could be reduced demand for OML's financial products and services, and an increase in lapses and credit default rates. Nedbank, and to a lesser but growing extent OMEM, have significant exposure to credit risk through their banking businesses. Nedbank has a greater proportion of wholesale funding than the market norm; and it is exposed to significant credit risk within the core South African market and in the Rest of Africa, where there are particular challenges due to low growth. The economic situation in Zimbabwe remains volatile, with a lack of liquidity and substantial increases in equity markets, which may not be sustainable. Local exchange controls may reduce OMEM's ability to remit dividends back to South Africa.	OML continuously monitors its financial risk appetite metrics and builds multiple external economic factors into stress and scenario testing to understand their possible impact on earnings, liquidity and capital resilience. In anticipation of 2017's sovereign downgrades, we built the possible impacts into OML's business plans and downside projections. Both Nedbank and OMEM are focused on managing discretionary costs resulting from lower growth and potentially slowing revenues as consumers come under increasing pressure. Within OMEM, market and liquidity risks arising from guaranteed products, and the hedges in place to mitigate them, are actively overseen by the Balance Sheet Management team. OMEM's Credit Loss Ratio remained within limits during 2017, and work continues to develop an improved credit risk governance framework. Due to the current macroeconomic environment, lending is being further restricted to keep OMEM within risk appetite, and this may impact planned earnings. Nedbank's credit losses were better than planned, due mainly to good risk management and provisioning. Nedbank remains well positioned to deal with potentially severe stress scenarios. OMEM continuously reviews developments in Zimbabwe and undertakes separate stress and scenario testing to understand exposures and identify possible management actions.
Changing government policies and public sentiment, particularly in South Africa, could adversely influence external perceptions of OML and impact regulations (including business ownership and fungibility restrictions within Africa).	
Global and South African political risk remained elevated throughout 2017, but has stabilised somewhat following the February 2018 leadership transition. In H2 2017 media attention focused on issues relating to corruption and state capture. The resignation of Jacob Zuma as President and the appointment of Cyril Ramaphosa as his successor in February 2018 was well received by markets. Tackling corruption and renewing investor confidence will be government priorities. Key risks to OML include the business received from collective labour organisations and public sector workers, which could present a risk of mass exits from our products following a change in sentiment or could be affected by government cutbacks. South African political risk also creates additional risks in the macroeconomic environment (see above). The recent military-backed transfer of power in Zimbabwe raised concerns around political instability. To date the transition has been orderly and introduces potential upside political risk, particularly if the new leadership is able to introduce measures aimed at supporting economic growth.	OML monitors political developments and their possible impacts on the business. Where there are potential systemic risks such as the KPMG allegations, cross-businesses teams are mobilised to review the potential impacts of the event, ascertain the actions that can be taken, and work with external stakeholders. Nedbank's CEO began engagement with Cyril Ramaphosa after his election as ANC leader, emphasising the need for economic policy certainty. OMEM's CEO is an active member of Business Leadership South Africa and the Association for Savings and Investments South Africa, and attended and sponsored the JSE South African investment conference in New York in November 2017. During 2017, Nedbank enhanced its monitoring and governance over reputational risk in relation to customers, suppliers and other stakeholders.

Risks
continued

Current impact and risk outlook	Risk mitigation and management actions
Delivery of multiple major change programmes increases the risks of non-delivery and people stretch, and could reduce OML's ability to operate successfully as a standalone entity.	
Both OMEM and Nedbank are currently undertaking multiple change programmes. These include the managed separation and listing, significant IT transformation, and responding to major regulatory change including the introduction of Twin Peaks regulation in South Africa, SAM and Basel III. The volume of these simultaneous change programmes places strain on management and resourcing, and increases delivery risk. This applies particularly at OMEM, where the additional demands of functioning as an independent organisation and embedding a new management team have put the business under strain. We also recognise that OMEM needs to develop and embed a new customer-focused and digital culture to support the new strategy. The continuing Cape Town water crisis presents a significant risk of disruption to OMEM's Cape Town operations.	All major change programmes are overseen by appropriate governance structures and, ultimately, the respective OMEM and Nedbank Boards. People risk will remain elevated throughout the managed separation and is compounded by the increased need to manage costs due to the depressed South African economic environment. Where required, interim and contingency resources will be identified and deployed. Nedbank has launched its People and Culture 2020 journeys, aimed at increasing efficiency and enhancing execution. OMEM has a broad range of credible contingency arrangements – including construction of a grey water collection and filtration plant on its Cape Town operations centre, due to come onstream in early May 2018.
Velocity of regulatory change in South Africa and increased risk of regulatory enforcement.	
In South Africa, the new Twin Peaks supervisory regime and SAM regulations will be implemented over the next few years. Both will drive significant changes for our businesses. Development of the SAM regulations continued through 2017. Two major issues affecting OMEM and OML are the treatment of the Nedbank holding and the agreement of a transitional period for capital. Conduct risk remains significant, with an increased focus on the quality of advice provided with the distribution of our mass market products, presenting a risk of regulatory intervention and redress. Both Nedbank and OMEM will be impacted by the implementation of IFRS9 and IFRS17, the FICA Amendment Act and Basel III – which come into effect during 2018 and 2019 – and have programmes underway to ensure compliance.	Change and readiness programmes are underway to ensure compliance with the new regulatory framework, although resourcing within the Risk and Finance functions remains a challenge. Nedbank began with the design and introduction of a conduct risk framework in 2016. In 2017 it began a full-scale Market Conduct regulatory programme, assisted by EY. OMEM is developing a new Market Conduct framework which will support enhanced oversight of advice risk. Both OMEM and Nedbank continue to engage actively with government, regulators and industry forums to positively influence the evolving public policy landscape. Nedbank and OMEM continue to embed their Anti Money Laundering (AML) frameworks and controls, particularly in their Rest of Africa subsidiaries.

Current impact and risk outlook	Risk mitigation and management actions
Failure to adequately anticipate or respond to competitive pressures or changing customer expectations, particularly in relation to enhancing the digital offering.	
OMEM faces significant competitive pressures in its core markets and there is a risk of being left behind in the customer proposition development race. OMEM is undertaking several strategic investments to improve customer processes and experience, respond to new regulatory requirements, and integrate the UAP business, acquired in 2015, with investment in sales and service enablement in Africa (starting in the Faulu and CABS businesses). Nedbank is currently implementing the digital journey and managed evolution of its existing IT infrastructure. Its Managed Evolution systems roll out, now underway, and digital fast lane strategy are bringing large-scale changes; some increase in IT disruption and impact to systems availability must therefore be expected. OMEM is exposed to risks relating to the stability and maintenance of its existing IT infrastructure in its Rest of Africa businesses.	De-risking and de-scoping OMEM's IT transformation programme has reduced project delivery risk. A robust project governance framework is in place and progress is monitored by the OMEM Board IT Committee, which has been augmented with experienced non-executive directors. Nedbank has a strong and established IT governance framework and has enhanced second-line oversight. OMEM is currently reviewing its entire IT capability framework to ensure that it can support the future strategy.
Strategic and governance risks in the Rest of Africa subsidiaries.	
Nedbank and OMEM's Rest of Africa businesses have been subject to strategic and governance risks and in some cases underperformance. As some of these subsidiaries are separately listed and not fully owned, there are potential issues relating to information flows and strategic alignment. In addition, businesses in some jurisdictions may be subject to government restrictions on repatriation of profits. Nedbank's strategic alliance with ETI was significantly affected by the fall in oil prices and the downturn in the Nigerian economy, resulting in losses and lower-than-expected business flows. However, there have been a number of positive developments during the year, including Nigeria exiting recession. OMEM has been working to integrate the UAP business with a focus on embedding governance and control frameworks. The CABS business has the risk of volatile results due to the challenging environment.	The Rest of Africa businesses remain closely monitored and overseen by the respective Nedbank and OMEM Group functions and Board committees. Progress has been made in strengthening and aligning governance and control frameworks and the integration of Rest of Africa subsidiaries remains a focus area. Nedbank has identified a need for a centralised and co-ordinated operating framework to align the subsidiaries with the main business, increasing monitoring and oversight at the subsidiary level. This framework is in its early implementation stages. The outlook for the ETI alliance improved during 2017, as Nigeria's exit from recession helped to boost business performance. ETI governance committees have been strengthened with key appointments.
A cybersecurity breach may cause business disruption, reputational damage and material adverse effects on the business' financial condition, operational results and prospects.	
Both OMEM and Nedbank are exposed to increasing cyber security risks, with legacy infrastructure particularly vulnerable. Cyber attacks could result in operational losses, interruption of business operations, the loss of critical data and reputational damage.	Nedbank has an experienced Chief Information Security Officer and has made significant progress in enhancing cyber-resilience during 2017. Nedbank continues to invest substantially on this front. OMEM has recruited a new Chief Information Security Officer and strengthening its cybersecurity team. The effectiveness of the control environment is assessed by regular external assurance.

Risks
continued

OMW

Current impact and risk outlook	Risk mitigation and management actions
Volatile or difficult global macroeconomic conditions could potentially impact OMW's earnings, particularly asset-based fees.	
Global markets maintained historic highs in 2017, with market volatility relatively subdued. However, there is a continuing risk of a rapid correction or return of increased volatility. FTSE100 equity levels remained high, with a weaker pound boosting sterling profitability for many multinational firms in the index. A potential market correction could impact OMW by reducing asset-based fees.	OMW regularly undertakes stress and scenario testing to understand the effect of severe macroeconomic events and their potential impact on the business. During 2017 OMW incorporated the implications of a 'hard Brexit' scenario into its stress and scenario testing to understand any possible longer-term implications on capital and liquidity.
Changing government policies and public sentiment in our key markets could adversely influence external perceptions of OMW and impact regulatory change.	
Global political risk remained elevated throughout 2017, with tensions in the Middle East impacting oil prices, and the ongoing stand-off on the Korean peninsula. In the UK, concerns remain over the implementation of Brexit and the impact of the Conservative government losing its majority in the April 2017 election. This created additional risk in financial markets.	We continuously monitor political developments and review the possible impacts. During 2017, OMW undertook scenario testing for possible changes in government policy.
Delivery of multiple major change programmes increases the risk of non-delivery and people stretch, and could reduce OMW's ability to operate successfully as a standalone entity (including the separation and sale of its single-strategy business, OMGI).	
OMW is currently undertaking multiple change programmes, including the managed separation and listing, the sale and separation of the OMGI single-strategy business, the platform transformation programme, and responding to major regulatory changes such as MiFID II and GDPR. This volume of concurrent change inevitably imposes strains on management, particularly resource and project management, increasing delivery risk. There is an increased risk of human resources process failures regarding employee recruitment, retention, reward and development.	All major change programmes have appropriate and robust governance structures, and are ultimately overseen by the strengthened OMW management team and Board. To reduce people risk, OMW is identifying those most at risk, offering coaching, additional resource and wellbeing packages, and providing monthly people reports to management.

Current impact and risk outlook	Risk mitigation and management actions
Failure to adequately anticipate or respond to competitive pressures or changing customer expectations, particularly in relation to enhancing and developing a new platform.	
OMW must continue to anticipate and respond to competitive pressures and customer expectations relating to product design, distribution and customer experience. Failure to do so could result in reduced new business volumes and outflows. This is particularly relevant to OMW's IT and systems, where key IT initiatives may not deliver what is required either on time or within budget or provide the performance levels required to support current and future needs. Failure to devote significant resources to support existing systems and upgrade legacy systems could impair our ability to gather information for pricing, underwriting and reserving, and to attract and retain customers, for whom online functionality is increasingly important. The initial platform project experienced significant cost and time over-runs and was terminated in 2017. It was replaced by a new platform transformation programme, with FNZ replacing IFDS as lead external partner. Failure of the new programme could materially affect OMW's financial position and client relationships.	The new platform transformation programme has a robust governance framework. It is overseen by OMW's Board IT Committee, which includes non-executive directors with transformation project experience. The programme's well defined project management framework includes risk identification and monitoring, with a clearly defined risk appetite framework and statements. Its progress has remained on-plan from the outset. Lessons learned from a review of the initial project have been implemented. Actions included ensuring strong second-line oversight and the creation of the OMW Board IT Committee.
Extensive regulatory change in core markets increases the risk of failing to comply with existing and new regulations.	
OMW is subject to extensive regulation in the UK and internationally and thus faces compliance risks, including conduct risk. The underlying businesses are subject to the risk of adverse changes in the laws, regulations and regulatory requirements in the markets in which they operate. It is difficult to accurately predict the timing, scope or form of future regulatory initiatives, although it is widely expected that there will continue to be a substantial amount of regulatory change. Notable developments include the EU General Data Protection Regulation (GDPR) and UK Senior Managers and Certification Regime (SMCR) and a high degree of supervisory oversight of regulated financial services firms, challenging firms on the extent to which compliance with requirements and the interests of customers have been achieved. OMW is currently under investigation over to the treatment of long-standing customers of closed-book products.	OMW has built a regulatory change framework to allow effective planning and management across the organisation, and to ensure prompt identification of regulatory change affecting one or more OMW businesses. OMW-level projects are in place for key regulatory changes such as MiFID II and GDPR to ensure that a consistent approach to both interpretation and implementation is taken across all businesses, tracked by the OMW Regulatory Delivery Committee. A specialist Regulatory Liaison team facilitates effective relations and communications with OMW's primary regulators, the FCA and PRA, ensuring careful tracking and delivery of regulatory requests and actions. The activities of this team are closely monitored by executive management and the Board Risk Committee. OMW is cooperating with the FCA in its investigation, which is ongoing.
A cybersecurity breach may cause business disruption, reputational damage and material adverse effects on the business' financial condition, operational results and prospects.	
OMW is increasingly exposed to the risk that third parties or malicious insiders may attempt to use cybercrime techniques, including distributed denial of service attacks, to disrupt the availability, confidentiality and integrity of its IT systems. This could result in disruption to key operations, make it difficult to recover critical services, damage assets and compromise data.	OMW have made significant investments across their businesses to increase system security and resilience, and an Information Security Improvement Programme is underway. OMW has appointed a new Chief Information Security Officer and are strengthening the support team.

Risks
continued

Overview of the Group's risk and governance structures

The active portfolio manager governance model, introduced in 2016 after the announcement of the managed separation strategy, is now fully embedded. Under this model we evaluate each of the Group's businesses as an asset, with a view to realising maximum value through separation.

The businesses, particularly OMW and OML, have developed their own governance capabilities – such as appointing independent chairmen, and defining their own values and culture, risk strategies and appetite frameworks. The plc still oversees these processes and will continue to monitor them centrally until separation.

Risk strategy

Our risk strategy remains unchanged from 2016. We continue to use the following principles to guide our actions and choices throughout the managed separation:

- 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, the 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

Risk appetite

Plc liquidity and regulatory capital have remained our key risk appetite metrics throughout 2017, supported by earnings volatility and risk and control culture. The financial metrics are projected over the horizon of managed separation: we evolve and recalibrate them as the managed separation progresses, by undertaking extensive stress and scenario testing.

The businesses have developed their own qualitative and quantitative risk appetite metrics reflecting their own business models, industries and risk strategies. These are monitored by the business Boards as well as 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.

The plc's appetite and intentions are set out below, with the metrics used to measure each:

Capital	Earnings	Liquidity	Culture
The Group has no appetite for regulatory intervention (whether perceived or real) during managed separation. As such, we hold a buffer above minimum requirements in order to remain solvent. During 2017, we continued to set Solvency II capital risk appetite at 110% with an EWT at 120%. This reflects the significant level of disallowed surplus capital within South Africa under the Solvency II calculations. We indicated at our 2017 Interim Results that we could accept the possibility of dipping below our EWT when considering options for our capital structure.	We accept that as part of our plc strategy of managed separation, and as our businesses consolidate their past expansion, execution risks and earnings volatility are likely to increase. However, we have no appetite for big surprises, such as earnings volatility that cannot be anticipated by the markets we operate in or significant operational losses.	The capital management policy introduced with the managed separation strategy allows significant flexibility in managing liquidity. We hold a buffer at Group level to support this, sufficient for 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 extreme but plausible short-term losses.	We measure our risk and control culture by considering our governance and tone from the top, understanding of risk, attitude to risk, control functions, quality of management information, and remuneration structures. Qualitative assessment of our risk and control culture focuses on the values and behaviours embedded in the businesses that shape risk decisions.
Monitoring and management			
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. There is ongoing monitoring of our Solvency II position and the impact of managed separation activities on this are projected. We remained above our EWT throughout 2017. Based on stress tests, the Board agreed at the time of the Liability Management exercise in November that the Group could operate below the EWT where the reasons for it do not reflect the underlying economic position of the Group, providing the Group remained above risk appetite of 110%.	At the plc level, we make extensive use of multi-year stress testing to understand the possible impact of risks on dividends and earnings. We also use business-specific monitoring to identify and assess risks within individual businesses. We monitor earnings volatility by reviewing year-to-date pre-tax AOP on a constant currency basis. In 2017, earnings remained above this indicator.	The plc liquidity metric is continuously monitored and reported to the plc Board. The limits and EWT are calculated dynamically so are refreshed each month. In 2017, plc liquidity remained above both the limits set and the EWT.	Each business undertakes culture monitoring half-yearly using a 50-question qualitative assessment. We set threshold levels for positive responses, with an EWT of 70% and a limit of 50%. At year end 2017 one business was slightly below EWT but on an improving trend. Ongoing actions are being taken to improve the position.

Board of Directors

Patrick O'Sullivan

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

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

Patrick O'Sullivan was 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.

Patrick O'Sullivan has been appointed Chairman of Saga plc with effect from 1 May 2018. His 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. (54, South African)

Group Chief Executive. Also a non-executive director of Nedbank Group Limited, Nedbank Limited, 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)
(51, South African)

Ingrid Johnson has been the Group Finance Director of Old Mutual since July 2014. She is a non-executive director of Old Mutual Wealth, a director of Old Mutual Group Holdings, and is currently acting as its interim Chief Financial Officer, and OML Finance Director-designate until Casper Troskie is fully transitioned into that role, after which she will resume her non-executive role on the Board of Old Mutual Group Holdings. She was previously the Group Managing Executive: Retail and Business Banking from August 2009 and a member of the Nedbank Group Executive Committee and a Prescribed Officer since 2008. Ingrid was responsible for the turnaround of the Nedbank Retail Banking cluster, and the integration of Imperial Bank in addition to retaining her role of leading the commercial cluster, Nedbank Business Banking, which she had held from 2005. Ingrid has over 20 years' experience in financial services. She is a qualified chartered accountant and completed the Advanced Management Programme at Harvard Business School.

Mike Arnold

B.Sc., F.I.A. (70, British)

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

Mike Arnold was 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. (63, US)

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

Zoe Cruz was 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.

Founder and CEO of EOZ Global. Non-executive director of Ripple Labs Inc.

Alan Gillespie

CBE, B.A. Hons, M.A., Ph.D. (67, 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 Group Audit, Nomination and Governance, and Remuneration Committees.

Alan Gillespie was a partner of 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, and from 2008 to 2017 a non-executive director of UBM plc.

Alan Gillespie is also a member of the Audit and Risk, Remuneration, and Nomination Committees of ContourGlobal plc, Chairman of the Economic and Social Research Council.

Danuta Gray
B.Sc., M.Sc., M.B.A. (59, British)

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

Danuta Gray was 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.

Interim Chairman of Aldermore Group plc, non-executive director of 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 and Chairman of the Remuneration Committee of PageGroup plc as at the date of this document but will be stepping down from those roles at that company's AGM in June 2018.

Adiba Ighodaro
LL.B., B.L., ACCA (54, British)

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

Adiba Ighodaro 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. (62, South African)

Non-executive director since January 2016. Also Chairman of Old Mutual Group Holdings 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.

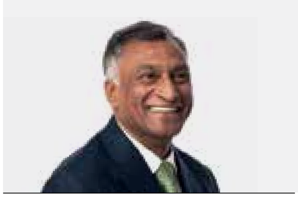
Member of the International Advisory Board of the Rothschild Group and Deputy Chairman of Rothschild South Africa, which provides financial advisory services to Old Mutual. Also a non-executive director of Swiss Re.

Roger Marshall
B.Sc. (Econ.), F.C.A. (69, 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

Roger Marshall was formerly an audit partner at PricewaterhouseCoopers, where he led the audit of a number of major groups, including Zurich Financial Services and Lloyds TSB.

Director of the Financial Reporting Council, Pension Insurance Corporation and EFRAG.



Vassi Naidoo
C.A. (SA) (63, 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.

Vassi Naidoo was 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.

Corporate governance

Patrick O'Sullivan
Chairman

Board focus during 2017

- Execution of the managed separation strategy
- Supporting the subsidiary boards as each business prepares for managed separation
- Enhancing business performance.

> **It is more important than ever for the Board to focus on the underlying businesses and work more closely with their boards, as they prepare for life as standalone entities.**
>
> **Patrick O'Sullivan**
> Chairman

I am pleased to introduce this Corporate Governance report which, amongst 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 2016.

Board

Nkosana Moyo and Nonkululeko Nyembezi stepped down from the Board on 29 June and 31 December 2017 respectively. There were no other changes in the membership of the Board during the year. We believe the current Board meets our objective of having the diversity of skills, experience, gender and geographical experience relevant to the Company's business profile, having regard to the managed separation strategy.

During 2017, the Board's focus has been on the successful delivery of the managed separation strategy, while ensuring that the Company's ongoing responsibilities and obligations 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, both externally and internally, bearing in mind the expected life of the Company in its current form. Moreover, as the managed separation strategy has moved into the execution phase, it is crucial that the Board ensures its successor businesses are prepared to operate as standalone entities.

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 their boards, as they prepare for life as standalone entities. At a Board meeting in Johannesburg in June the Board held joint sessions with the boards of each of Old Mutual Emerging Markets (OMEM) and Nedbank Group Limited. Similarly, the Board held joint sessions with the board of Old Mutual Wealth (OMW) in London in May and October. These meetings were focused on the managed separation, in particular on those businesses' strategies and readiness to be separated from the Group. The second meeting with the OMW board focused on the OMW showcase, where the business presented itself to potential investors for the first time as a standalone proposition.

Annual General Meeting (AGM)

Our AGM will be held in London on 30 April 2018. 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 gives 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 2016, but the Company also has appropriate regard to governance expectations in other countries where its shares are listed.

Has the Company complied with the UK Corporate Governance Code?

Throughout the year ended 31 December 2017 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 2016 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. The Committee also considers committee composition at the time of every Board appointment and resignation. Following the resignation from the Board of Dr Nkosana Moyo on 29 June 2017, Alan Gillespie joined the Group Audit Committee (GAC) with effect from 1 August 2017. In view of the expected timetable for managed separation and the range of skills and experience remaining on the committees following Nonkululeko Nyembezi's departure from the Board, the Nomination and Governance Committee decided not to replace her roles on the Board Risk Committee and the Nomination and Governance Committee; however, the situation will be kept under review in the event of any material delays to the completion of managed separation.

Vassi Naidoo is not classified as independent due to his position as Chairman of Nedbank Group Limited. In respect of Vassi's membership of the GAC, the Nomination and Governance Committee considers that his skills and experience, particularly regarding accounting and auditing matters, augment the composition of the GAC, and his membership is in the Company's best interests. The GAC is chaired by an independent non-executive director, Roger Marshall, and the three other members are independent non-executive directors. The Committee as a whole, has competence relevant to the sectors in which the Group operates.

The Company's compliance with the provisions of the UK Corporate Governance Code 2016, 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 2016 is available on the Financial Reporting Council's website at: www.frc.org.uk.

Approach to governance

The Group's governance framework, the Decision-Making Framework (DMF), sets out how the Company discharges its responsibilities as a shareholder of the Group's businesses. The DMF was adopted to support the managed separation strategy. 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 Group's 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
- 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, while it was under the Group's ownership, 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, Old Mutual Group Holdings (OMGH), 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 for OMW while membership of its board was being refreshed). The Group's major subsidiaries also have their own Audit, Risk and Remuneration Committees. OMGH, OMEM, Nedbank and OMW have independent chairmen.

The major businesses hold regular review meetings with the Company's Executive Committee (plc Exco) to monitor their business performance and managed separation preparations. These arrangements sit alongside the submission of monthly financial information.

The DMF 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.

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 and which is available on the Company's website.

Corporate governance continued

The Group contains two 'domestic systemically important financial institutions' in South Africa: OMEM and Nedbank. OMGH operates as a holding company for these two businesses, and was constituted in its current form 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 King IV, when it comes into effect) and, for Nedbank, the JSE's Listings Requirements.

During the Group's period of ownership, OMAM was also listed on the New York Stock Exchange (NYSE) and therefore also 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. 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. Certain provisions of this agreement were assigned to HNA Capital following completion of the sale of the second tranche of the Group's shares in OMAM to HNA Capital on 10 November 2017.

Under the Group's governance 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 11 members: two of whom are executive and nine (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.

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 2018	3rd (third period)
Chairman	Patrick O'Sullivan (Irish)	January 2010	January 2019	3rd (third period)
Non-executive director	Roger Marshall (British)	August 2010	August 2018	3rd (second period)
Senior Independent Director	Alan Gillespie (British)	November 2010	November 2018	3rd (second period)
Non-executive director	Danuta Gray (British)	March 2013	March 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

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 and also through reports from the Director of Managed Separation and the Group Chief Risk Officer. 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. The plc Exco supports the Group Chief Executive in exercising the powers delegated to him by the Board. During the year, the former Managed Separation Strategy Committee, which was established in 2016 as the strategic decision-making forum for implementation of the managed separation programme, was merged with the plc Exco, in view of the centrality of the managed separation to the Group's strategy and operations.

In addition to its interaction with the two executive directors, the Board interacts with 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:

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

Are the non-executive directors independent?

Of the eight current non-executive directors (excluding the Chairman), the Board considers six to be independent within the criteria set out in the UK Corporate Governance Code 2016; 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 six are: Mike Arnold, Zoe Cruz, Alan Gillespie, Danuta Gray, Adiba Ighodaro and Roger Marshall.

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, and will become the Chairman of Old Mutual Limited (OML) on its listing. In light of the enhanced role that OMGH is expected to play as the South African Twin Peaks regulation comes into effect, Trevor Manuel was not categorised as an independent non-executive director at plc level when he was appointed in 2016.

What was the directors' attendance record during 2017?

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 2017.

Governance

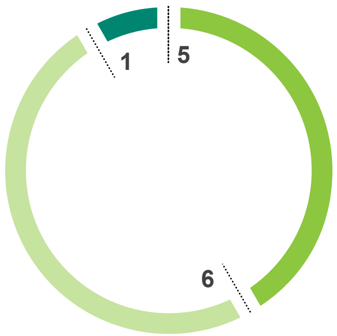
Attendance record

	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	8/8	11/11	7/7	6/6	–	–
Zoe Cruz	7/8	9/11	–	5/6	7/9	–
Alan Gillespie	7/8	10/11	4/4	–	7/9	6/7
Danuta Gray	8/8	10/11	–	–	9/9	7/7
Bruce Hemphill	8/8	11/11	–	–	–	–
Adiba Ighodaro	7/8	8/11	6/7	–	–	–
Ingrid Johnson	8/8	11/11	–	–	–	–
Trevor Manuel	8/8	10/11	–	6/6	–	–
Roger Marshall	8/8	11/11	7/7	6/6	9/9	–
Vassi Naidoo	8/8	11/11	7/7	–	–	7/7
Patrick O'Sullivan	8/8	11/11	–	–	–	7/7
Former directors						
Nkosana Moyo	5/5	6/7	3/3	–	4/5	–
Nonkululeko Nyembezi	8/8	11/11	–	6/6	–	4/4[1]

1 Due to the matters under discussion, Nonkululeko Nyembezi agreed in advance with the Committee Chairman that she would not attend three Nomination and Governance Committee meetings held during the year.

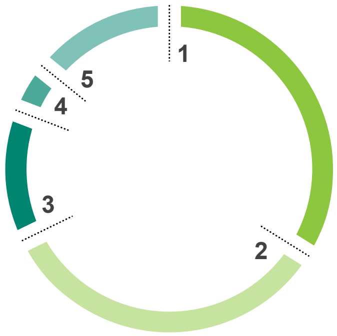
Corporate governance
continued

Nationality of Board members (as at 31 December 2017)



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

Allocation of Board time during 2017



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 2017, and where did it meet?

The Board met 11 times during 2017, of which eight meetings were scheduled and three were additional meetings. 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. In addition, Board members participated in regular, informal update calls to keep them informed of progress on the managed separation.

Non-executive directors' fees

As outlined in the 2016 Annual Report and Accounts, non-executive directors' fees were increased with effect from 1 January 2017. No increase is proposed for the year ending 31 December 2018, nor is any review of fees anticipated until the conclusion of managed separation.

What did the Board do during 2017?

The implementation and execution of managed separation has been the Board's main focus throughout the year, from the sale of OMAM in the first half to the capital markets days for OMW and OMEM in the second half. The Board is committed to delivering the annualised cost savings and unlocking the conglomerate discount while preparing the constituent businesses for independence by enhancing business performance with appropriate standalone balance sheets.

In parallel, 'business as usual' activities included reviewing performance against the 2017 to 2019 business plan, approval of the second interim dividend for 2016 and the contents of the 2016 Annual Report and Accounts and preliminary results announcement.

Finally, mindful of the Company's continuing responsibilities as a listed company, the Board ensured that the following matters continued to be well managed:

- 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
- The sale of OMAM, the single-strategy business in OMW and of our stake in our joint venture in India
- Strategy and developments in OMW, including its platform transformation programme
- The size and composition of the balance sheets of the entities to be listed as a result of the managed separation
- The process for preparing the listing documents to be issued in connection with the managed separation
- Performance of the Group's businesses, as well as the 2018 to 2020 business plan and consideration of the first interim dividend for 2017
- Advancing 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
- Management of the Company's external debt, including the tender offers for the repayment and redemption of the Company's Tier 1 and partial redemption of the Tier 2 debt securities
- Briefings on economic, political and regulatory developments in South Africa and some of the Group's other major markets

The Board continues to focus on the performance of the businesses, in particular highlighting the effects of volatile markets on the Company and its businesses in the regular reports it receives from the Group Finance Director.

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 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.

The Board encourages, but does not require, non-executive directors to build 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 subsidiary, Nedbank Group Limited, at the beginning and end of 2017 are set out in the table below. No director held shares in OMAM while it was under the Company's control.

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 Directors' shareholdings and share interests between 31 December 2017 and 14 March 2018.

Directors' interests

	At 31 December 2017 (or date of resignation, if earlier)		At 31 December 2016	
	Old Mutual plc ordinary shares	**Nedbank Group Limited shares**	Old Mutual plc ordinary shares	Nedbank Group Limited 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	**96,600**[1]	**–**	48,300[1]	–
Adiba Ighodaro	**–**	**–**	–	–
Ingrid Johnson	**525**[1]	**142**	525[1]	10,088[2]
Trevor Manuel	**–**	**–**	–	–
Roger Marshall	**45,000**	**–**	45,000	–
Vassi Naidoo	**5,000**	**47,135**	–	45,785
Patrick O'Sullivan	**100,000**	**–**	100,000	–
Former directors				
Nkosana Moyo (resigned 29 June 2017)	**10,000**	**–**	10,000	–
Nonkululeko Nyembezi (resigned 31 December 2017)	**28,667**	**–**	28,667	–

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 were held under the terms of the Nedbank Compulsory Bonus Share Scheme and the Nedbank Voluntary Bonus Share Scheme.

Governance

Corporate governance
continued

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 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.

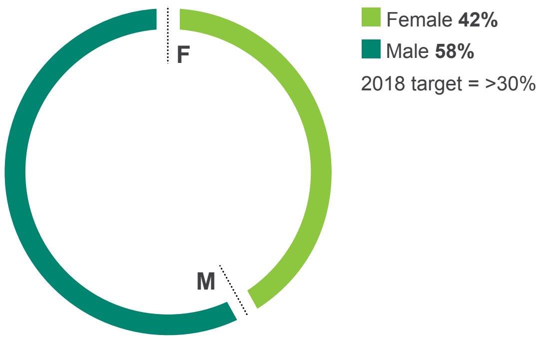
The Company's procedures for dealing with directors' conflicts of interest continued to operate effectively during 2017 and no director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Additional details of various non-material transactions 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.

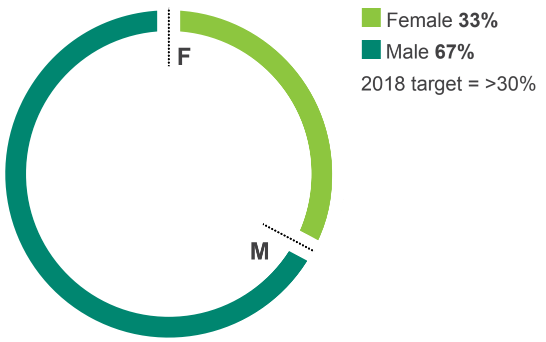
Has the Company granted indemnities to its directors?

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 2017 and have remained so up to the date of this report. The Company also maintains directors' and officers' liability insurance.

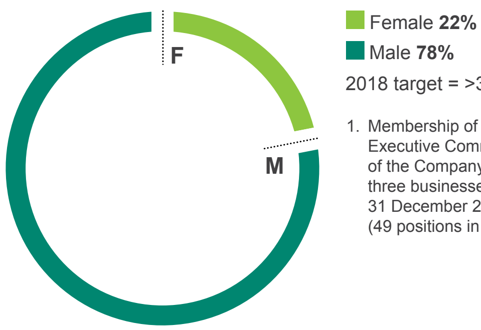
plc Board gender split (as at 31 December 2017)



plc Exco gender split (as at 31 December 2017)

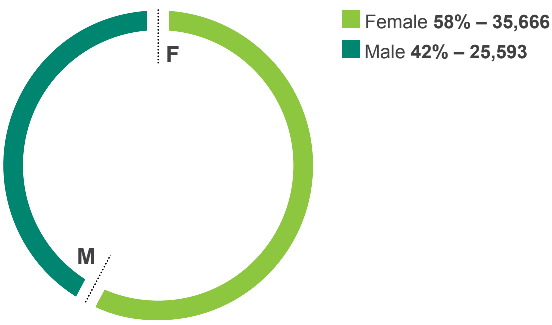


Key roles[1] gender split



1. Membership of the Executive Committees of the Company and the three businesses as at 31 December 2017 (49 positions in total)

Gender split of permanent employees



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.

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. Despite a reduction in the size of the Board during the year, we continued to exceed our diversity target of at least three female members of the Board, with female membership ranging from 38% (five out of 13) at the start of the year to 42% (five out of 12) during the year, falling back to 36% (four out of 11) following the resignation of Nonkululeko Nyembezi at the year-end. Two of our six-member plc Exco are women. The Company continues to meet the recommendations of the Parker Review's report into the ethnic diversity of UK boards. Notwithstanding the sale of OMAM, the gender split of key roles within the Group improved slightly during 2017 on account of senior female appointments in OMEM.

We remain committed to improving our diversity. We continue to strive towards the 2018 targets that we set in 2013, as shown in the diagrams on the preceding page, and continue to invest significantly in our women's networks and mentoring initiatives. While the Old Mutual plc Board has not formally adopted its own diversity policy, it remains committed to its earlier targets and commitments, notwithstanding the managed separation strategy. Furthermore, in respect of its UK successor business, Quilter plc, we are pleased that the Board has set a target of 33%, which is in line with the Hampton Alexander Review recommendations and is also considering how it can further improve its broader Board diversity.

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

The Board's composition and succession plans 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 2017 covered topics such as Solvency II, UK remuneration trends, and briefings on the process for the listing of OMW and OML – delivered by external speakers from the Group's auditors and other professional advisers. In addition, internal briefings were provided on political and economic developments in the various territories in which the Group operates, responsible business updates and B-BBEE programmes.

The Company has a comprehensive induction programme for new non-executive directors. This enables them 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 constituent 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, under normal circumstances, 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 2016 review resulted in a number of actions being taken during 2017. In particular, these included further increasing the interaction and collaboration between the Board and the subsidiary boards. A need was also identified for deeper understanding of the business capability, capacity and culture required to successfully execute managed separation. This led to the adoption of a set of plc Head Office values, re-establishing the standards which the constituent businesses were seeking to adhere to. These values were recognised to be of particular importance during the managed separation.

The Board effectiveness review for 2017 was conducted internally using an online questionnaire supplemented by one-to-one interviews with each Board member. The questionnaire sought feedback on various 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 2017, with clarity of purpose and appropriate consideration given to stakeholder expectations.
- In the final period leading up to managed separation, the Board should work closely with the subsidiary boards whilst retaining its focus on the Company's ongoing obligations as a listed company

In normal circumstances, under the UK Corporate Governance Code 2016, an externally-facilitated Board effectiveness evaluation would have been undertaken during the year, being the third anniversary of the previous external evaluation. In light of the managed separation, and the limited scope for making changes during the Company's remaining lifespan as a listed entity, it was agreed that an internally-managed effectiveness evaluation be performed instead.

Corporate governance
continued

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 change to the committees during 2017 was that Alan Gillespie replaced Nkosana Moyo as a member of the Group Audit Committee with effect from 1 August 2017, after the latter stepped down from the Board on 29 June 2017.

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

Group Audit Committee

Roger Marshall (Chairman) (since 2010)
Mike Arnold (since 2009)
Alan Gillespie (since August 2017)
Adiba Ighodaro (since 2014)
Vassi Naidoo (since 2016).

Other member of the committee during part of the year:
Nkosana Moyo (to June 2017)

Secretary to the committee:
Colin Campbell (since 2016)

Board Risk Committee

Mike Arnold (Chairman) (since 2010)
Zoe Cruz (since 2014)
Trevor Manuel (since 2016)
Roger Marshall (since 2010)

Other member of the committee during the year:
Nonkululeko Nyembezi (to December 2017).

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 2015)

Other member of the committee during the year:
Nonkululeko Nyembezi (to December 2017).

Secretary to the committee:
Colin Campbell (since 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, in 2016 the Board 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, to take time-critical decisions in relation to managed separation on the Board's behalf. All members of the Board are, however, entitled to attend and participate in this committee's meetings. The Managed Separation Urgent Issues Committee met twice during 2017.

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 2017 have been submitted by their respective Chairmen. The activities of the Remuneration Committee are described in the Directors' Remuneration Report later in this document.

Report from the Group Audit Committee

Roger Marshall
Chairman of the Group Audit Committee

The Group Audit Committee (the committee) met seven times during 2017. Four of the meetings were held partly as a joint session with members of the Board Risk Committee to discuss matters of joint interest including Solvency II reporting, cyber-security, major IT projects across the Group, the internal control framework and matters affecting the Group's auditors, KPMG, in South Africa. In addition, as part of the preparations for managed separation, I held regular meetings with the chairmen of the audit committees of the three businesses.

Group Audit Committee focus area	How the matter was reviewed	Observations of the Committee
Disclosure of businesses held for sale and for distribution The presentation of the 2017 Group financial statements is complicated by managed separation. At 31 December 2017 both Old Mutual Wealth and Nedbank have been classified in the financial statements as held for distribution to shareholders. This reflects the Board's assessment that distribution is considered to be highly probable within the following 12 months. As a result net income, assets and liabilities are shown as one-line entries in the income statement and statement of financial position rather than fully consolidated.	We considered the correct accounting with management and KPMG. We considered the remaining risks of managed separation, taking into account the detailed review carried out by the Risk Committee, and concurred with management's view that there was a high probability of distribution occurring in 2018 and that the businesses are available for immediate distribution.	We note that accounting standards require all of the group's existing interest in Nedbank be shown as held for distribution at 31 December 2017, despite the intention that OML will retain a 19.9% interest. As Nedbank and Old Mutual Wealth are classified as held for distribution, the assets and liabilities are reflected as single line entries on the balance sheet. In order to facilitate the users in understanding year on year comparability, balances contained in this report include balances attributable to Nedbank and Old Mutual Wealth. As such, amounts stated will not agree directly with the Statement of Financial Position.
Assumptions related to policyholder liabilities recognised by the Group's insurance businesses The Group recognised insurance policyholder liabilities of £10,145 million at 31 December 2017 (2016: £9,982 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 bases of cost allocations in OMLACSA which were incorporated into the principles used for insurance product expense assumption setting at 31 December 2017.
Loan loss provisions Loan loss provisioning requires the assessment of recoverable amounts, which requires judgement in the estimation of future payments. At 31 December 2017, the Group's total advances were £44,740 million, with related provisions of (£891 million) (2016: £44,237 million and (£1,129 million)). Loans outstanding are principally from Nedbank.	The committee considered this area in detail, particularly in light of the increased stresses affecting credit conditions in South Africa. 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 reviewed detailed information related to specific credit exposures where appropriate.	A particular focus was the Group's exposure to Steinhoff and to state-owned enterprises in South Africa. The committee was satisfied that adequate provisions were carried at 31 December 2017 under current accounting standards.
Implementation of new accounting standards IFRS 9 and IFRS 15 The Committee also considered the proposed disclosure of the transitional impact of the new accounting standard, IFRS 9 'Financial Instruments' and 15 'Revenue from contracts with customers', which will be implemented in 2018.	The committee reviewed analysis of the expected impact of each standard, and the valuation and disclosure proposals. The Committee also received analysis in support of the robustness of management's estimate of the IFRS 9 and 15 transitional impacts at 1 January 2018.	Although IFRS 15 is not anticipated to have a significant impact for the Group, IFRS 9 is particularly relevant to the Group's lending businesses. Disclosure of the estimated transitional impact of IFRS 9 and 15 is provided in note A7 to the financial statements.
Goodwill valuations and impairments Goodwill and intangible assets amounted to £2,460 million at 31 December 2017 (2016: £2,471 million).	During the year the OMEM business has revised the Cash Generating Units (CGUs) applied in the goodwill valuation models so that these align with the revised operating model of the business. During February 2018 the committee reviewed further impairment calculations in respect of OMEM based on the latest business planning inputs. The committee also considered the sensitivity of the outcomes to declining growth rates and increasing discount rates. In view of the Held for Distribution accounting treatment the valuation reviews of OM Wealth and Nedbank have compared the consolidated NAV with the fair value of these businesses, less costs to distribute. A similar specific assessment was required in respect of the Old Mutual Wealth single strategy business classified as Held for Sale at 31 December 2017.	The revised CGUs applied by OMEM during 2017 were the principal cause of a further impairment of R1.2bn that was recorded in relation to the OMEM East Africa businesses at 30 June 2017. Furthermore, as a result of the February 2018 review a further impairment of R0.3bn was recorded in relation to the group's operations in Latin America at 31 December 2017. Other than these items the analysis supported the committee in concluding that goodwill and intangible assets of OMEM are appropriately valued. No impairments have been required in relation to the Old Mutual Wealth or Nedbank businesses.

Corporate governance
continued

Group Audit Committee focus area	How the matter was reviewed	Observations of the Committee
Valuation of investments and securities Total investments and securities were £116,290 million at 31 December 2017 (2016: £100,388 million) Investments in associated undertakings and joint ventures were £511 million at 31 December 2017 (2016: £542 million). Of this balance, £198 million (2016: £235 million) relates to Nedbank's investment in Ecobank Transnational Incorporated (ETI).	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 satisfied with the valuation processes. The committee in particular was satisfied that no additional provision was required against ETI.
Regulatory provisions in Old Mutual Wealth During Q4 2017, Old Mutual Wealth recognised provisions of £69 million in relation to customer remediation costs in connection with the FCA enforcement action following its thematic review. This action began in 2016 and is still ongoing.	The committee received and considered reports from the Old Mutual Wealth Audit Committee and KPMG, and also considered the treatment of similar matters by peers.	The committee is satisfied that it is appropriate to record this provision on the basis of the information available, which indicates that the business is committed to meeting these costs. No provision has been made for any potential fine that may be levied by the FCA. The committee notes that the FCA action is ongoing and that additional provisions may be required for remediation and/or penalties when the outcome is known.

Membership of the committee
Alan Gillespie replaced Nkosana Moyo on the committee during the year. A majority of the committee's members have competence in accounting and auditing, and the committee as a whole has 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 has been heavily modified to reflect the managed separation timetable.

Set out in the table above 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 84.

Financial Reporting Council
During September 2017, the Financial Reporting Council (FRC) requested information in relation to the calculation and presentation of OMAM, Old Mutual Wealth and OMEM investment performance metrics, included in the Group's annual report for the year ended 31 December 2016. We understand that this request was part of an industry wide assessment, not specific to Old Mutual. Prior to the Group responding to the FRC, the Group Audit Committee considered the matter at the meeting in October 2017. The Group Finance Director responded to the FRC request on 11 October 2017 and subsequently received a response from the FRC on 24 October 2017 to the effect that the FRC felt that this was satisfactory and the FRC considered this matter closed.

This response highlighted the Group's approach to these disclosures, in particular the allocation of costs in calculating investment returns.

The FRC's review only covered the specific disclosures and provides no assurance that the report and accounts are correct in all material respects; the FRC did not seek to verify the information provided but considered compliance with reporting requirements consistent with their mandate.

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 2017 contained in this Annual Report.

Consistent with PRA requirements, the final 2017 Solvency II annual submission will not be submitted until June 2018. The committee will review these reports, in support of the Board approval process, in due course.

Alternative profit measure
The Group makes a number of adjustments to IFRS profit to derive an Adjusted Operating Profit (AOP) measure. This is common practice among peers. Some of these adjustments eliminate required IFRS accounting treatments that can distort results, such as recognising gains or losses on own debt instruments or recognising certain costs of financing in equity. Other adjustments seek to adjust the IFRS result in order to arrive at an outcome that the Board feels is more reflective of 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.

As noted in my 2016 report, additional adjustments have had to be made this year to adjust for certain one-off costs of achieving managed separation, and also to exclude the costs of remediating historic issues in Old Mutual Wealth. The committee has individually reviewed each of the AOP adjustments and also the overall effect of the adjustments on the reported AOP results.

External Auditors

As a result of emerging EU guidance in relation to audit tender requirements, during 2014, a competitive tender for the Group's external audit was last carried out. Following this tender the decision was made to reappoint KPMG.

During 2017, in line with Group policy, the committee has reviewed KPMG LLP's effectiveness as our auditor. This review 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.

The committee spent significant time discussing the implications of significant and widespread concerns over certain work carried out by KPMG in South Africa relating to audits of Gupta-related entities and an investigation on behalf of the South African Revenue Service. At the current time a regulatory investigation (initiated by IRBA) and an independent enquiry (initiated by the South African Institute of Chartered Accountants) are ongoing. These reviews are scrutinising KPMG's South Africa conduct, and KPMG South Africa has already taken action to address a number of concerns.

In light of this situation, we have held discussions with KPMG senior management at global, UK and South African level. These discussions confirmed the contingency plans available in the event that KPMG South Africa became unable to carry out its work on the Group's South African operations in the short or medium term, or if it was concluded that it was inappropriate for them to continue in this role. This was particularly important given the reporting accountant work required for the public documents to be issued in connection with managed separation. The audit committees of the South African businesses held similar discussions.

Despite our concerns about the ethical issues involved, we have determined it would have been impractical to change external auditors in 2017 – not least because of inflexible independence rules in both the EU and South Africa.

The committee sought commitment from KPMG globally and in the UK that they would support their South African firm to ensure the 2017 audit and reporting accountant work could be concluded.

Furthermore, in order to ensure that the 2017 audit was delivered to the quality we expect of our external auditors, the committee requested that a senior UK KPMG partner review the quality of the 2017 audits of the South African businesses. In line with this request KPMG UK has completed engagement quality review procedures in respect of the OMEM and Nedbank audits and reported that the results of these reviews were satisfactory.

The criticisms of KPMG South Africa's work do not extend beyond South Africa and we consider that KPMG's audit team in the UK has performed good quality audits of the Group. We therefore recommend that Old Mutual plc reappoint KPMG LLP in relation to the audit for the year ending 31 December 2018 at this year's AGM. Following the completion of managed separation we expect that the Audit Committees of the South African businesses will continue to review KPMG's ongoing engagement in light of the findings of the regulatory investigations, but also in the context of the new Mandatory Audit Firm Rotation rules that were introduced in South Africa in June 2017 to be effective from 1 April 2023. As part of assessing the impact of these rules, the South African businesses will need to consider the transitional requirements in relation to auditor independence.

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 its external auditor (see 'Audit arrangements' later in this Annual Report). The policy itself is formally reviewed annually. Under the revised policy adopted during the year, 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. The actual non-audit fee ratio for 2017 was 16%.

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 2017.

Internal Audit

The committee pays close attention to Internal Audit reports and to the progress of management actions to address weaknesses identified. As managed separation proceeded during 2017, Internal Audit implemented a more agile approach to provide coverage of managed separation planning, execution and reporting activities. In addition to the Internal Audit plans covering the core business areas, the committee approved a specific Managed Separation Internal Audit plan. During the year Internal Audit also separated and strengthened its business unit audit teams to ensure they are ready to operate on a standalone basis following managed separation.

Internal Audit has embedded recommendations of the Financial Services Internal Audit Code and in particular is encouraged to carry out work in advance of developments or in parallel with them, rather than intervening after the event. Internal Audit's overall conclusion for 2017 was that it had not observed any unmitigated material issues that would indicate that the overall control environment in the Group was unsatisfactory.

We operate a 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 concluded that Internal Audit is of a high quality and generally complies with the Standards.

The Group's Internal Audit Charter was reviewed and updated in February 2017 and is available on the Company's website.

Corporate governance
continued

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.

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 2017, the committee continued to meet that objective by overseeing, reviewing and monitoring the management of risk during the managed separation process, in addition to the ongoing oversight of risk management and governance processes within the Group's constituent businesses.

The committee met formally six times during the year. Parts of four of the scheduled meetings were held jointly with the Group Audit Committee. The Chief Risk Officer, Group Chief Actuary and Group Internal Audit Director attended all the meetings. The external auditor was invited to attend all the meetings. As well as these six meetings, the committee held a workshop session to look more deeply at the risks of the managed separation, in particular the non-financial execution risks.

The committee received a report from the Group Chief Risk Officer on risk and regulatory matters at each of its scheduled meetings during 2017, in which changes to the Group's risk profile were identified and discussed.

Areas of focus

During our meetings and workshops in 2017, we focused on:

- The risks of all aspects of the 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
- The size and composition of the balance sheets of the entities to be listed as a result of the managed separation
- 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
- Assessments of the Group's capital and solvency position, including the impact of the external macroeconomic environment and of market volatility
- Strategic projects proposed by the Group, including significant IT projects and the tender offers for the Company's Tier 1 and Tier 2 bonds

I received updates between the scheduled meetings through my regular meetings with the Group Chief Risk Officer and 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. It complied with the vast majority of these, and put plans in place to ensure that the remaining items could be addressed.

During 2017 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 2018

In 2018, the committee will be closely involved in overseeing the execution of the final stages of the Company's managed separation strategy, as well as maintaining continued oversight over the key risks of the Group's businesses. The committee will be placing increased reliance on the risk and assurance work undertaken by the businesses themselves as they prepare to be standalone businesses and will be reviewing the concentration risk between OML and OMW.

Corporate governance
continued

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 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 them and the subsidiary companies' own succession plans. This has enabled us to ensure that these bodies are equipped to deliver the Group's managed separation strategy.

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 2017, the committee recommended that Alan Gillespie join the Group Audit Committee (GAC) as a replacement for Nkosana Moyo, who stepped down from the Board. As a former partner of Goldman Sachs in New York from 1990 and a former Chairman of Ulster Bank, a subsidiary of Royal Bank of Scotland, from 2001-2008 – as well as previously being a member of the GAC from 2010 to 2013 – Alan brings skills and experience that complement those of the existing committee members. Following Nonkululeko Nyembezi's resignation, the committee decided not to replace her on the Board Risk Committee or on the committee itself, although the situation will be kept under review in the event of any material delays to the completion of managed separation.

As managed separation continues, the committee has further intensified its focus on the composition of the boards and senior executive management of the Group's constituent businesses, including their development and succession plans. In particular, the committee oversaw the appointment of the CEO, CFO and new non-executive directors of Old Mutual Group Holdings (OMGH), the South African holding company of OMEM and Nedbank, as well as the appointment of a new CFO and Audit Committee Chairman at OMW.

In addition to changes mandated by managed separation, the committee has been mindful of the requirements of the Twin Peaks regulation in South Africa to ensure the relevant boards have the necessary facilities and governance arrangements to meet regulatory expectations. We have also considered the timing and process for the winding-down of the Company's Head Office in London, including the expected times of departure from the Group of the members of the plc Exco.

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 2017 review.

The committee considers the current Old Mutual plc Board composition to be suitable for the Group's business requirements, especially within the context of managed separation and a company in the process of winding-down its operations. The existing Board will stay in place until the managed separation process is materially complete, with planned retirements and the filling of casual vacancies suspended. However, the position remains under active review, for example in the event of any unexpected material delay to managed separation or regulatory change.

Following the expected de-listing of the Company's shares as part of the managed separation, the Board will be rationalised to suit its status as a subsidiary company with listed debt securities.

How did we engage with our shareholders and how did it change from previous years?

Following the launch of the managed separation in 2016, we adapted our investor relations (IR) programme to support the change in plc strategy. We significantly accentuated the underlying operations of the four businesses, their performance and their management teams. We also increased the disclosure around the cost reduction process and the path to closure of the Head Office activity. Accordingly, we de-emphasised the marketing of the equity and debt investment case of Old Mutual plc as a single group entity.

During 2017 we continued to make significant efforts to educate the public markets and to communicate openly with our shareholders, institutional debt and equity investors and sell-side analysts globally. Old Mutual's investor base is very diverse in both investor style and geographic location and the Group has approximately 478,000 retail shareholders.

We maintained an active dialogue with shareholders through our planned IR activities and also through responding to their queries. In addition, in 2017 we considered the IR needs of the separating businesses. We began targeting specific institutional shareholders relevant to each business and monitored the businesses' progress in engaging with their future investor bases. As existing listed entities, OMAM and Nedbank already had their own IR teams in place; during 2017 the Finance Directors of OMEM and OMW established IR teams supported by the plc IR team to develop and run their own IR within the centrally coordinated programme.

The most significant outputs of this co-ordinated activity were two capital markets events in November 2017: in Johannesburg for our South African-managed businesses, OMEM and Nedbank, and in London for UK-based OMW. These were attended in person by some 70 and 85 market participants respectively, with many more watching the webcast. Both events provided a strategic overview of the businesses, financial highlights and detailed expositions of the underlying operating divisions. There were extensive opportunities for attendees to interact with the management teams.

The events received positive feedback and are summarised below:

OMEM and Nedbank Showcase 1 November 2017

- Welcome and introduction – Bruce Hemphill, Group Chief Executive, Old Mutual plc
- Update on managed separation – Rob Leith, Director of Managed Separation, Old Mutual plc
- CEO overview and introduction to the business reviews – Peter Moyo, CEO Designate OML
- Nedbank overview – Mike Brown & Raisibe Morathi, Chief Executive & CFO Nedbank
- Presentation by each of the OMEM business units CEOs
- Financial highlights – Iain Williamson, COO OMEM
- Risk and capital – Richard Treagus, CRO OMEM

OMW Showcase 15 November 2017

- Welcome and introduction – Bruce Hemphill, Group Chief Executive, Old Mutual plc
- Strategic Overview – Paul Feeney, CEO OMW
- Advice – Andy Thompson, CEO Advice
- OMW Investors – Paul Simpson, CEO OMW Investors
- Quilter Cheviot – Martin Baines, CEO Quilter Cheviot
- UK Platform & Heritage – Steven Levin, CEO UK Platform & Heritage
- International – Peter Kenny, MD International
- Financials – Tim Tookey, CFO OMW

Extensive and tailored international roadshows took place after these events. Centralised feedback was then considered as part of the ongoing strategic planning for the managed separation. Copies of all materials are available on the Group's website.

> “We anticipate similar capital markets events during 2018 as part of the wider investor marketing of the managed separation process.”

Where did we meet with investors and research analysts in 2017 and how will this change in 2018?

During 2017, we conducted investor meetings in the UK, South Africa and North America, involving the executives and/or senior management from the plc, OMEM, Nedbank, OMAM and OMW teams. All four businesses continued to build their own relationships with shareholders, potential investors and sell-side analysts.

The Group Finance Director continued one-to-one meetings with sell-side analysts in the UK and South Africa. Currently 12 sell-side analysts 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.

MiFID II came into force from January 2018 and we expect this to further increase direct engagement with the investor bases that we already have. It is widely expected that the number of covering sell-side analysts will decrease in the future. However, given the managed separation, we expect the standalone businesses to develop different and, in aggregate, larger sell-side research coverage over time. The IR teams will take increasing responsibility for the management of research relationships and interactions with our shareholders as well as the management of the prospective new shareholder bases.

Copies of all investor presentations and, where appropriate, transcripts are posted on the Company's website so that they are accessible to shareholders.

We anticipate similar capital markets events during 2018 as part of the wider investor marketing of the managed separation process.

Number of investor events during 2017 (excluding sell-side and governance meetings)

- 244 events in total
- 214 with management (30 IR only)
- 188 institutions

How did we manage corporate governance relationships with investors in 2017 and how will this change in 2018?

The Chairman makes contact with our major shareholders and meets them as required. The Senior Independent Director is also available to shareholders.

During 2017, we maintained extensive governance dialogue with investors and their advisers as part of the execution of managed separation. Matters raised in these governance-focused meetings during 2017 and early 2018 included the Company's strategy, regulatory developments, remuneration, succession planning, diversity and transformation. The IR team updates the Board on issues arising from communication with the investment community.

In 2018, we expect the Chairmen and non-executives of individual businesses to participate in governance meetings as part of their own preparation processes for managed separation.

Corporate governance
continued

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.

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 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 2017 was £563,738,888 divided into 4,932,715,269 ordinary shares of $11\frac{3}{7}$p each (2016: £563,421,277 divided into 4,929,936,178 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 2017 was also 4,932,715,269.

During 2017, the Company issued 2,779,091 ordinary shares of $11\frac{3}{7}$p each under employee share schemes at an average price of £1.5984 per share.

At 31 December 2017, 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 492,992,500 shares. It bought back no shares during 2017 or during the period up to 14 March 2018.

In the period 1 January to 14 March 2018, the Company issued a further 64,308 shares under its employee share schemes at an average price of £1.5907 each. As a result, the Company's issued share capital at 14 March 2018 was £563,746,237.37 divided into 4,932,779,577 ordinary shares of $11\frac{3}{7}$p each. The total number of voting rights at that date was also 4,932,779,577.

There have been no other notifications of changes to the interests set out in the table of substantial interests in the Company's shares (below) between 31 December 2017 and 14 March 2018, save that on 6 February 2018, Coronation Asset Management (Pty) Limited increased its interests in voting rights in relation to the Company's shares to 198,488,578 or 4.02%.

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 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 2017?

In March 2016 we announced a new capital management policy for the period of the managed separation, targeting 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 three times Group AOP earnings for the first interim period. The revised policy has provided the flexibility to balance the requirements of our multiple stakeholders and our businesses as they prepare for managed separation by enabling them to both continue to invest in order to drive enhanced performance and strengthen their balance sheets in preparation for being standalone businesses.

Consistent with this policy, the Board has declared a second interim dividend for 2017 of 3.57p per share (or its equivalent in other applicable currencies). This, together with the first interim dividend of 3.53p per share paid in October 2017, equates to 3.42 times AOP earnings cover for the full year.

Dividends in currencies other than sterling will be paid in local currency on the basis of the average effective exchange rate after taking into account hedging activities and timing of remittances for the relevant period. Accordingly, shareholders in South Africa and Namibia will receive the full-year effective hedge rate achieved by the Company on rand forward sales undertaken in respect of rand flows supporting the 2017 interim dividends. Dividends to shareholders in Zimbabwe, Malawi and Sweden will be converted into local currency at the daily weighted average exchange rate for the six-month period from 1 July to 31 December 2017.

Further information on the second interim dividend for 2017 (including the currency equivalents) is given in the Shareholder Information section at the back of this Annual Report.

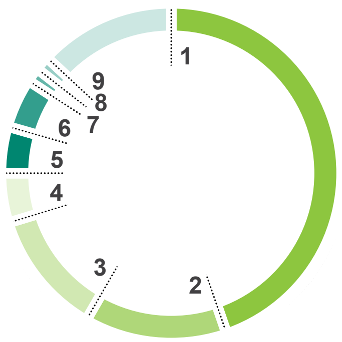
The capital management policy is intended to remain in place until the shares of Old Mutual plc are de-listed. The proposed future Capital Management Policy of the independent Old Mutual Limited and Quilter businesses are presented in their respective Business Review sections on pages 36 and 57.

Substantial interests in the Company's shares

At 31 December 2017, 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	535,592,482	10.86%
BlackRock Inc.	261,673,856	5.3%
Coronation Asset Management (Pty) Limited	151,352,245	3.07%
Norges Bank	147,952,754	2.99%

Shareholder analysis (as at 31 December 2017)



Source: Nasdaq

Why is the Company paying a second interim dividend instead of a final dividend?

As with 2016, the final dividend for 2017 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 £2,966 million at 31 December 2017.

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.

What dividends were waived during 2017?

During 2017, trustees of the Company's, Quilter Cheviot's and the Company's South African subsidiary's 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 32,015,773 for the second interim dividend for 2016 and 30,260,023 for the first interim dividend for 2017.

Corporate governance
continued

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 partner 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 2018 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 2017, fees paid by the Group to KPMG LLP and its associates totalled £18.1 million for audit services (2016: £15.1 million) and £1.8 million for tax compliance, audit-related assurance, corporate finance transactions and other non-audit services (2016: £3.7 million). In addition to the above, Nedbank paid a further £4.3 million (2016: £3.3 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.

"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."

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 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 2017, 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 2017 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 Group's 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.

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 its 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.

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.

> **"We remain committed to having a robust internal control environment across the Group."**

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 to the Group, both current and emerging, 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 2017.

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 2017, 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 Group's 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 them 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, an external quality assurance process is now in place for internal audit.

Corporate governance
continued

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 Risks sections of this Annual Report. In addition, Notes F1 to F5 to the financial statements include 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.

Notwithstanding the Group's declared strategy of managed separation, the Board has a reasonable expectation, based on its enquiries, that the Company and Group in their present form 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 Company's strategy to divide the Group into its constituent businesses, the Board has had to make an assessment that both the Company itself and each of the Group's current 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 2020. Although, as a result of the managed separation, it is expected that the Group will cease to exist in its current form during 2018 and will certainly not exist by 2020, an analysis of the companies which comprise each of the current Group's three businesses indicates that each business will be viable on a standalone basis. In addition, although it is expected that the Company will cease to be the listed parent company of the Group in 2018, the Company itself will retain sufficient resources to meet its obligations in its reduced state and will continue to exist in the new structure. In reaching this conclusion, the Board has assessed projections covering the period from 2018 to 2020, as set out in the Group's rolling three-year business plan, which was formally approved by the Board.

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 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 areas 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, 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.

In addition, as part of the preparations for the listing of OMW and OML, reports are being produced to support the working capital statements which are required by local listing requirements in order to provide confidence to investors and other stakeholders that the relevant businesses have sufficient working capital for their present requirements. Drafts of these reports were considered by the Board in assessing the viability of the Group and its businesses.

> **“Although it is intended that the Group will cease to exist in its current form during 2018, analysis of the companies comprising each of the current Group's three businesses indicates that each business will be viable on a standalone basis.”**

As the ongoing viability of the Group and its constituent businesses is additionally subject to certain factors beyond the control of its directors and the directors of the future parent companies of those businesses – such as future macro-environmental conditions and the political situation of the countries in which it operates. Further analysis has therefore been performed to ensure that, barring unforeseen circumstances, these do not pose a material threat to the viability of the Group or its businesses. 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, and equivalent plans and resources have been reviewed by the boards of the future parent companies of those businesses.

> **We remain focused on our purpose to help our customers thrive by enabling them to achieve their lifetime financial goals.**

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.

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?

In 2015 we set out our commitment to being a responsible business through our Positive Futures Plan. As we look towards our managed separation we remain focused on our purpose of helping our customers thrive by enabling them to achieve their lifetime financial goals, while investing their funds in ways which create a positive future for them, their families, their communities and the world at large.

Responsible business practices remain core components of how we operate as a business and of the Company's risk management strategy. We maintain a network of people who manage and monitor our responsible business approach. Each business has named a senior executive with overall responsibility for these issues.

After our adoption of the managed separation strategy, the role played by the Company in developing the responsible business vision was transferred to the businesses. Each of them is developing its own approach, guided by our Positive Futures Plan. The Company's Head of Responsible Business uses the Communications, Brand and Stakeholder Forum to ensure that we meet our commitment to remaining a responsible business throughout the managed separation and to support the businesses in developing their responsible business practices as they prepare to stand alone as independent businesses.

Corporate governance
continued

What is the Company's approach to non-financial reporting?

As part of managed separation (see business model on page 3), the Company is transitioning the management of non-financial matters to our businesses. Accordingly, discussion of the impact of material non-financial matters on the businesses of Quilter plc and Old Mutual Limited will be discussed in greater detail in the listing documents of those companies, with further information being made available on their respective websites and in other standalone reports going forward.

In respect of elements which continue to impact the Group as a whole, or where group-wide policies and procedures continue to apply until the completion of managed separation, we have consolidated and will report at a group-wide level. Accordingly, Old Mutual plc will produce a final Carbon Disclosure Project (CDP) report, Principles for Responsible Investment (PRI) report and our United Nations Global Compact (UNGC) Communication on Progress Report, all of which will be published on the Old Mutual plc website. The Group's Modern Slavery Act statement will be produced by Old Mutual plc and focuses primarily on the UK business, Old Mutual Wealth, which will become Quilter plc. In respect of gender pay gap reporting, Old Mutual plc and the subsidiary legal entities which comprise the Head Office companies fall below the minimum employee threshold for reporting on the gender pay gap; however, other subsidiaries (primarily within Old Mutual Wealth) are covered by the legislation and will provide reports, for example by the publication of the relevant disclosure on the Quilter plc website.

Our approach to managing the environment

Across our businesses, we have a responsibility to ensure we are as environmentally efficient as possible. This extends to our property portfolio as well as our employee-occupied properties. Through our large presence in South Africa, with its ongoing resource supply constraints, we continue to look for innovative ways of contributing positively to the environment and ensuring our business approach reflects best environmental practices.

We offer investment and savings products, insurance and banking services. As a result we are able to invest in sustainable technologies and to offer and promote products that allow our customers to manage and minimise their own environmental impacts. Within our own footprint, our approach to responsible environmental management focuses on efficient facilities and property management. We also use employee communication and engagement programmes to ensure that our employees understand how they can minimise the environmental impacts of the decisions they make at work. Our main environmental impacts come from our energy and water consumption and waste management. We aim to reduce these in a range of ways, from investing in energy efficient lighting to promoting recycling across our sites. We encourage employee suggestions and feedback to help us reduce our reliance on scarce resources.

Our Responsible Business Policy includes details of how we manage our environmental responsibilities effectively. In 2010 we set a target to reduce our direct carbon emissions by 20% by 2020 (from a 2010 baseline) in our property portfolio and employee-occupied properties. As we undertake managed separation we are working with the businesses to identify targets that support their move to independence and the long-term approach they will take. The environment task forces in the businesses will continue to work on implementing our strategy and meeting our targets. Our carbon emissions (using Defra & IEA stipulated country-specific emission factors for Scope 1 and 2) cover our Scope 1 and 2 emissions in our employee-occupied locations and investment property portfolio. Our total carbon footprint (Scope 1 and 2 emissions) was 491,278 tonnes CO_2e (2016: 489,949 tonnes). Our carbon intensity for 2017 was 2.2 tonnes CO_2e/£m FUM (2016: 1.2 tonnes).

Our greatest environmental impact comes indirectly from the investments we hold and the policies we underwrite throughout our businesses. We are working to understand the carbon emissions of our investments, and to apply our Responsible Investment Standard to our investment capabilities. The businesses offer customers various socially responsible investment and ethical funds which allow them to invest in specific environmental projects; however, our aim remains to embed environmental, social and governance criteria in all our investment decisions and not just those confined to specialised funds.

We support the recommendations from the Taskforce on Climate-related Financial Disclosures and are working with the Group's businesses to ensure they embed these recommendations as they prepare for listing and operation as standalone entities going forward. To read more about the Group's approach to managing environmental risks in the previous year, please see our CDP, UNGC and PRI reports.

> **“We remain committed to increasing diversity throughout our businesses and have set targets to promote this.”**

How do we manage social and employee matters?

All our businesses uphold the principle of freedom of association, and recognise the right to collective bargaining where permitted by local law. Old Mutual does not, under any circumstances, tolerate forced labour or child labour and we work with our supply chain and investment teams to uphold this position. We remain committed to increasing diversity throughout our businesses and have set targets to promote this. With over 65,000 employees, we see the different backgrounds, perspectives and experiences of our employees as one of our greatest assets. Our people policies at both plc and business level ensure that no employee receives less favourable treatment based on any factor unrelated to the requirements of their position. In South Africa we further address our commitment to employment equality through our approach to Broad-Based Black Economic Empowerment. To find out more please see the Nedbank and OMEM business reviews on pages 38 to 47 and 26 to 37 respectively, and their separate websites.

We have a Human Resource Risk Management Policy governing labour standards for all employees in the plc and all our businesses. This covers a range of areas including employee relations and employment, diversity, recruitment, remuneration, performance management and employee welfare. Twice a year, the CEOs of all our businesses are required to sign a Letter of Representation to confirm that both they and their employees have complied with the policy over the previous year and give details if any compliance issues have arisen. Regular internal audit checks covering this and other Group policies support this process.

To ensure our suppliers reflect the values we see as important in relation to labour standards, we have strengthened our Responsible Business Policy to include a section on responsible procurement. As part of managed separation we are working with the businesses to ensure they are embedding the aims of the policy and contacting key suppliers regularly. In the UK we provide ongoing employee training to ensure that everyone responsible for procurement understands the relevant requirements and our expectations – our focus for 2017 was the UK Modern Slavery Act 2015 (MSA).

As an active and committed member of the communities in which we operate, we invested £20 million in local projects in 2017 (2016: £15 million). £9.8 million was invested in education initiatives in 2017 (2016: £7.4 million). Recognising our role as part of a healthy society, our responsible business policy requires our businesses to be active in their local areas, supporting matters that have a material impact on their business and the communities around them.

What is our commitment to human rights?

Our commitment to respect human rights and 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 to transfer to the businesses our understanding of the risks and responsibilities relating to human rights. 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.

Each business embeds its response to our Positive Futures Plan into its business strategy, and responsible investment remains a priority for all of them. We continue to build on our understanding and approach to identifying and managing the human rights risks associated with our investments. We also assess new investments for their impact on respecting and protecting human rights and for potential human rights abuses.

Each business continues to identify areas where it can mitigate risk and take 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, each business takes account of human rights risks as it puts in place appropriate risk management and responsible business governance structures at local level.

In addition to our ongoing global approach we are also required to comply with country-specific legislation, such as MSA legislation which sets out measures on how modern slavery and human trafficking is dealt with in the UK. In light of managed separation, this work has focused on Old Mutual Wealth; our MSA statement is available to download from the Company's website.

Our Code of Conduct emphasises the Group's human rights stance and is supported by our Human Rights statement. Twice a year, CEOs from all our businesses are required to sign a Letter of Representation to confirm that both they and their employees have complied with the Code over the previous year and give details if any compliance issues have arisen. Regular internal audit checks covering this and other Group policies support this process.

How do we manage anti-corruption and anti-bribery?

Old Mutual's Anti-Bribery and Corruption Policy and its Code of Conduct strongly emphasise zero tolerance for bribery and corrupt business practices. We are fully committed to ethical and compliant business conduct across all the countries in which we operate.

Our policy requires that each business demonstrates:

- A strong ethical tone from top management
- A thorough bribery risk assessment as the basis for risk-focused controls
- Due diligence on third parties corresponding with the risk posed by the third party or the nature of the business relationship
- Employee training and counterparty awareness
- Ongoing compliance monitoring

Anti-bribery and corruption compliance is overseen by a suitably experienced expert in each of our businesses. Issues are reported to the plc Exco and Board Risk and Group Audit Committees. The Board Risk Committee also receives an annual compliance assessment as part of the group-wide Financial Crime Prevention Report.

Each business has established anonymous whistleblowing arrangements facilitating the reporting of suspicions of corrupt behaviour supported by strong investigative capability and rigorous disciplinary processes/sanctions. No significant issues were reported through these arrangements during 2017.

Corporate governance
continued

Old Mutual is not aware of any bribery or corruption regulatory or law enforcement investigations in relation to its activities nor of any issues arising in its businesses during the year that might require self-reporting to the authorities under either the UK Bribery Act or the US Foreign Corrupt Practices Act.

All employees across the Group are required to confirm annually that they have read their local business' anti-bribery policy, understand it and will comply with it. CEOs of our businesses are required to confirm their compliance with the Anti-Bribery and Corruption Policy twice a year.

Our Code of Conduct emphasises the Group's anti-bribery stance and our position on employee conflicts of interest. The Code supplements our policies in this area and aims to ensure the overarching message is fully understood and embedded, in line with our values. We have robust controls to tackle corruption in all its forms. Our working culture and active employee engagement on this topic help us create positive, proactive networks to work against corruption.

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 J8 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.

Did the Group make any political donations during 2017?

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 14 March 2018. 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 position and 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
14 March 2018

Directors' Remuneration Report

Danuta Gray
Chairman of the Remuneration Committee

In this section, we describe the Directors' Remuneration Policy and how our directors were paid during 2017.

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Directors' Remuneration Report
continued

A new holding company, Old Mutual Limited (OML) has been created in South Africa, which will be the listed entity with the operating company, Old Mutual Emerging Markets (OMEM), and Old Mutual plc within its structure. For the purpose of this report, we refer to OMEM for items linked to business performance, but also refer to OML in respect of the strategic execution. Old Mutual Wealth (OMW) is rebranding to Quilter plc. For simplicity of reporting, we will only refer to OMW in this report.

Annual Statement

On behalf of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for 2017.

During 2017, the Group met a number of significant objectives that were required to enable it to materially complete managed separation by the end of 2018. These included:

- Completion of the sale of OM Asset Management in November 2017, realising good value for its holding
- A significant reduction in holding company debt by a further £821 million
- The strengthening of the boards and management teams, and the formulation of competitive strategies and strong balance sheets for OML and OMW, in preparation for them becoming successful standalone businesses
- Approval from the Competition Tribunal in South Africa for OML to acquire Old Mutual plc (received in January 2018)
- The agreed sale of the OMW UK Single Strategy Asset Management business, for an estimated consideration of c.£600 million

There is no doubt that we are at a pivotal point in our strategy, with the listing of OML and the demerger and listing of OMW the critical steps toward the completion of managed separation.

Review of performance in 2017

The Group's operating performance was ahead of expectations, with a very strong H2, achieving pre-tax adjusted operating profit (AOP) of £2.0 billion in 2017, up 22% on 2016 on a reported basis and 7% on a constant currency basis. AOP EPS of 24.3p was up 25% on a reported basis and 10% on a constant currency basis, well ahead of nominal GDP over the period in our major markets. This is a key macro-economic indicator when considering the effectiveness of the performance delivered. Adjusted RoE of 14.6% was up 130 basis points on 2016. Our strong businesses delivered resilient operational performance alongside significant progress towards managed separation, all in the context of challenging macro-economic conditions continuing in South Africa through 2017. Although markets were strong in the UK, weak currency, uncertainty around Brexit, and regulatory developments in financial services continued to have an impact.

Three-year perspective 2015 to 2017

The Group delivered returns for shareholders of 19.2% on the LSE and 21.3% on the JSE ALSI over the past three years (using a three-month average at the beginning and end of the period). Although this return was behind the indices over the period, performance since the beginning of 2018 has closed the gap. EPS grew at a double-digit compound rate over three years on a sterling basis, while RoE was above target over the period.

These performance indicators are the principal financial measures that the committee considers in the incentive plans for executives, and the results are reflected in the incentive outcomes measured against performance periods ending 31 December 2017. The committee was mindful of shareholder feedback and the voting result for the 2016 Directors' Remuneration Report in considering the performance delivered and corresponding outcome of the plans at the end of 2017. The committee assessed performance relative to targets and to key macro-economic factors and was satisfied that the outcomes were appropriate for the performance delivered. This is consistent with our commitment to align executive remuneration to company performance and shareholder interests.

Short-Term Incentive – outcome

In 2017, the Short-Term Incentive (STI) had two components – a financial component and a personal performance component. The committee has approved an outcome of 100% for both the financial component of the STI, reflecting the very strong performance delivered in 2017 in respect of AOP EPS and RoE, and the personal element, based on an assessment of the performance of each director against a personal scorecard. A summary of key achievements for each of the executive directors in 2017 is given later in this report.

Long-Term Incentive – outcome

Awards under the legacy Long-Term Incentive (LTI) plan, originally granted in 2015 (inclusive of the recruitment award granted to Bruce Hemphill), will vest at 66.92% of maximum, reflecting achievement against a scorecard of financial and strategic metrics and a TSR adjustor, all measured up to 31 December 2017. Strong financial outcomes and strategic delivery was offset to some extent by a negative TSR adjustor on the plan outcome. As noted earlier in this statement, the Company's share price and TSR has improved considerably during the first quarter of 2018, and the TSR adjustment would have been positive if measured at the date of finalisation of this report. However, as this occurred after the end of the performance period it was not reflected in the outcome of the plan. A full assessment of achievement against these metrics is given later in this report.

Managed separation and the application of the Directors' Remuneration Policy in 2018

The policy approved by shareholders on 28 June 2016 aligned the interests of key executives with the execution of the managed separation, and the value it will bring to shareholders. The Managed Separation Incentive Plan (MSIP) has played a key role in ensuring that the executive directors and wider management team execute the strategy while unlocking shareholder value. The outcome of the MSIP will be determined through a balanced assessment of performance across three criteria:

- Successful execution of the managed separation strategy balancing time, cost, risk, and value
- Continued strong performance of the constituent businesses during the period to separation
- Unlocking long-term shareholder value through simplification and disaggregation of the Group

These criteria form the three measurement categories of the MSIP:
(i) Execution of the managed separation (40%)
(ii) Performance of the underlying businesses (25%)
(iii) Relative total shareholder return (TSR) (35%).

When the Company announced the managed separation strategy, the nature, sequencing, and timing of the steps involved were not precisely defined. The policy and rules of the MSIP were therefore designed to give the committee a reasonable degree of flexibility to implement both in an appropriate manner to reflect the completion of the strategy. During 2017, the committee undertook an extensive review to determine when and how to assess the three measurement categories to reflect accurately the original intent of the MSIP. The committee took external legal advice to ensure that any approaches considered were consistent with the policy and rules of the MSIP, as approved by the Company's shareholders.

The committee has concluded that the listing of OML and the demerger and listing of OMW will constitute the material completion of managed separation (material completion being the point at which the committee stated it would determine performance outcomes and vest the MSIP awards). This is because it represents the critical point at which the strategy will be materially complete, and oversight from plc executives over the constituent businesses will effectively end. As a result, the committee intends to assess the execution of the managed separation (40% of the award) shortly before the listing of OML and the demerger and listing of OMW (this being contingent on the necessary approvals subsequently being received with a legal obligation on OML to proceed with the unbundling of Nedbank), and will assess the performance of the underlying businesses (25% of the award) shortly after the listing of OML and the demerger and listing of OMW.

The intention is for both of those elements of the MSIP to vest following the listing of OML and the demerger and listing of OMW, with a one-year holding period applied to 50% of the net value of the award that vests. In respect of the measurement category relating to TSR (the remaining 35% of the award), the committee is mindful that the way the execution of managed separation has evolved means that the constituent businesses will be listed. The committee has determined that the TSR from the independently-listed businesses should therefore continue to be measured until the end of the holding period applicable to the elements of the MSIP that will vest following the listing of OML and the demerger and listing of OMW. This is consistent with the commitment to maintain shareholder alignment for a period beyond completion and ensure the outcome reflects the shareholder value created through separating the constituent businesses, which will take time.

2018 Short-Term Incentive awards

As managed separation is expected to be materially completed in 2018, the committee has concluded that an alternative structure for the STI scorecard to that used in previous years is appropriate.

In 2017, the scorecard was weighted 75% financial measures and 25% non-financial measures. In 2018, the committee has determined that the scorecard up to the listing of OML and the demerger and listing of OMW will be weighted 50% financial measures and 50% non-financial measures. The financial measures will be a combination of cost management of the plc Head Office in London, and the performance of the businesses. Non-financial measures will focus on the executives' continued oversight of the businesses in the management of risk and execution of the strategies.

After the listing of OML and the demerger and listing of OMW, the committee believes performance relative to non-financial measures only is appropriate, as Old Mutual plc executive oversight of the businesses will effectively end. The non-financial measures will focus on the principal remaining steps for managed separation, including the complete wind-down plan for the plc Head Office in London, the management of Company debt, and the anticipated unbundling of Nedbank. Further detail is given in the 'Implementation of policy in 2018' section of this report.

Directors' Remuneration Report
continued

Other incentive awards

As the committee has concluded that managed separation will be deemed to be materially complete at the listing of OML and the demerger and listing of OMW (this being contingent on the necessary approvals subsequently being received with a legal obligation on OML to proceed with the unbundling of Nedbank), all unvested deferred STI and LTI awards will vest on or shortly after the listing of OML, in accordance with the rules of the plans and the policy. Executives will continue to have significant alignment to shareholders, business performance, and risk management events. This is achieved through the continued vesting and holding period of a substantial proportion of the MSIP awards and the Company's ability to apply claw back to vested awards in the event of a significant risk issue.

Continued focus on executive pay

Although the Group's focus on managed separation and the resulting limited tenure of the executives means that it is difficult to react to any of the major changes in opinion with respect to the structure of executive pay, the committee has continued to monitor shareholder concerns and the wider governance and regulatory landscape. In particular, the committee has spent a substantial amount of time in 2017 ensuring that the MSIP reflects shareholders' views, and continues to drive alignment between shareholders and executives.

In reaching the decisions set out above, the committee has carefully considered the remuneration requirements of Solvency II, including the requirement to defer a material proportion of variable pay over three years, and to ensure that executives are aligned to the risks inherent in executing the strategy throughout the period over which managed separation is expected to be completed, and for a suitable period of time beyond. The committee is satisfied that the executives will be appropriately aligned through the continued vesting and holding period applicable to the MSIP and the claw back provisions that apply to all incentive plans.

Remuneration governance after listing

Shortly after the listing of OML, the committee in its current form will cease to exist. In order to ensure appropriate oversight of the continued delivery of the MSIP and other elements of remuneration, a new Committee of the Board will be established, made up of myself, Roger Marshall and Mike Arnold, from the current Old Mutual plc board, along with other nominations from the OML board. This committee will be responsible for ensuring that the delivery of the MSIP and other remuneration-related matters continue to be appropriately aligned to the achievement of the executives at the plc Head Office in London.

Summary

Once again, I would like to thank shareholders for their continued support during a time that has presented both the Group and the committee with unique challenges. The committee will continue to assess the Group's performance and progress towards managed separation, aligning executives to the key financial and strategic deliverables and shareholder experience, as well as ensuring that it exercises the discretion afforded to it in the policy and the rules of the plans in a responsible and transparent manner.

Danuta Gray
Chairman of the
Remuneration Committee

Our remuneration at a glance

Our approach to remuneration is designed to align our executives to the delivery of our strategy and long-term shareholder value creation. In respect of incentive targets shown in this report, EPS and RoE are calculated on a post-tax AOP basis.

Performance against targets in 2017

2017 STI awards (audited)

	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
Bruce Hemphill	37.5%	100	37.5%	100	25%	100	100	150	1,384
Ingrid Johnson	37.5%	100	37.5%	100	25%	100	100	150	969

LTI awards granted in 2015

	Weighting	% of maximum achieved
Financial metrics	70%	81.67
Strategic objectives	30%	100.00
Total weighted outcome		**87.17**
Total weighted outcome (as a percentage of maximum) (A)		**75.80**
TSR multiplier – % achieved (B)		**88.28**
Achievement – % of maximum award (A x B)		**66.92**

2015 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 2018	Old Mutual shares under option to vest in 2019	Average Old Mutual plc share price over Q4 2017	Value of share options to vest in 2018 £000	Value of share options to vest in 2019 £000	Total value of LTI as shown in the single figure table £000
Bruce Hemphill	1,509,686	66.92%	505,141	505,141	198.38p	1,002	1,002	2,004
Ingrid Johnson	639,824	66.92%	214,085	214,085	198.38p	425	425	850

Single total figures of remuneration for 2017 (audited)

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	923	104	1,384	2,004	321	3	4,739
Ingrid Johnson	646	98	969	850	226	5	2,794

Directors' Remuneration Report
continued

Implementation of policy in 2018 – Summary

The committee has concluded that the listing of OML and the demerger and listing of OMW constitute the material completion of managed separation. In this context, we set out below a summary of how we will implement each policy element in 2018. Further detail can be found in the 'Implementation of policy in 2018' section of this report.

Element	Application in 2018	
Base pay	2.5% increase	
Benefits including pension-related benefits	No change in application.	
STI	Up to listing: – 50% based on financial measures – 50% based on non-financial measures – Subject to claw back 2017 application (provided as a reference) – 75% Group financial targets: 50% RoE and 50% EPS (constant currency) – 25% personal scorecard metrics – Subject to malus and claw back	After listing: – Non-financial measures only – Subject to claw back
MSIP	– The metrics relating to the Execution of the managed separation (40% of the award) will be assessed shortly before the listing of OML and the demerger and listing of OMW. The metrics relating to Performance of the underlying businesses (25% of the award) will be assessed shortly after the listing of OML and the demerger and listing of OMW. 50% of the net value of the vested award will be subject to a one-year post-vesting holding period. Claw back applies during this period to the full value of vested shares – TSR will be measured until the end of the holding period applicable to the elements of the MSIP that will vest following the listing of OML and the demerger and listing of OMW. There will therefore be no post-vesting holding period applied to this part of the MSIP award – As the Old Mutual plc shares will not be tradeable after the listing of OML, the nil cost share options will be rolled-over into OML and OMW shares in the same proportions as will be received by shareholders – Malus will apply during the TSR measurement period and claw back will apply for 12 months thereafter.	
Unvested DSTI and Legacy LTI awards	– Unvested deferred STI and LTI awards will vest on or shortly after the listing of OML, in accordance with the rules of the plans. As the performance period will be complete, there will be no time-based pro-rating applied. As the Old Mutual plc shares will not be tradeable after the listing of OML, the nil cost share options will be exercisable over OML and OMW shares in the same proportions as will be received by shareholders – All LTI awards have completed any relevant performance period and therefore no early testing of performance conditions is required – LTI awards will remain subject to claw back.	
Shareholding requirements	– No change in application – Bruce Hemphill: 200% of base pay – Ingrid Johnson: 150% of base pay – There is no requirement for the executive directors to hold Company shares post-employment.	

Directors' Remuneration Policy

Introduction

The 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 policy is displayed on the Investor Relations section of the Company's website.

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.
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.

Directors' Remuneration Report
continued

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
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.

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
(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 re-weighting of the businesses and TSR indices.

Directors' Remuneration Report
continued

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.

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.

Directors' Remuneration Report
continued

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[1] 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[1] 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[1] vest fully on termination, subject to the committee's discretion to lapse part or all of the award.

1 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.

Standard provision	Policy	Details
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.
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[1]	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.

1 Anyone who is not a Good Leaver or a discretionary Good Leaver.

Directors' Remuneration Report
continued

Component	Automatic Good Leaver	Other leaver[1]	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.

1 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 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 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 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.

How shareholder views are reflected in the 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 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 2018	3rd (third period)	1 January 2019
Mike Arnold	1 September 2009	1 September 2017	3rd (third period)	1 September 2018
Zoe Cruz	6 January 2014	6 January 2017	2nd	6 January 2020
Alan Gillespie	3 November 2010	3 November 2017	3rd (second period)	3 November 2018
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 2017	3rd (second period)	5 August 2018
Vassi Naidoo	1 May 2015	1 May 2015	1st	1 May 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.

Governance

Directors' Remuneration Report
continued

Annual Report on Remuneration

The Annual Report on Remuneration sets out the payments made, and awards granted to the directors in 2017, and how the Company intends to implement the policy in 2018. This, along with the Chairman's Annual Statement, is subject to an advisory shareholder vote at the 2018 AGM.

Market benchmarks

In accordance with the policy, benchmarking is only undertaken in relation to the base pay of the executive directors. The primary peer group for benchmarking executive remuneration comprises large insurers and, for 2017 and 2018, included Prudential plc, Aviva plc, RSA Insurance Group plc, Legal & General Group plc, Standard Life Aberdeen 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	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Bruce Hemphill	**923**	900	**104**	92	**1,384**	1,173	**2,004**	–	**321**	313	**3**	2	**4,739**	2,480
Ingrid Johnson	**646**	630	**98**	92	**969**	818	**850**	849	**226**	220	**5**	5	**2,794**	2,614

Element	Description
Taxable benefits	– These amounts represent the gross value of benefits paid for by the Company that are chargeable to UK income tax. They cover such items as tax advice and use of a car and driver – The increase in taxable benefits relates to the payment of tax advice following Bruce Hemphill's transfer to the UK in 2015. Advice in relation to 2015 and 2016 was charged to the Company during 2017, meaning that there was no comparable cost in 2016.
STI	– STI awarded in relation to performance in the year, including 50% deferred for three years in the form of a share award. Vesting of the share award is not subject to the achievement of performance targets but requires the director to remain in office during the vesting period. It is intended that the share award will vest on or shortly after the listing of OML – Malus applies to the shares held under award prior to vesting and claw back applies to the cash element.
LTI	– The 2017 LTI value has been calculated using the average Old Mutual plc share price over the final quarter of 2017 (198.38p). Malus and claw back apply to the shares held under option. Bruce Hemphill did not have an LTI vest in 2016, so no amount appears in respect of this element in his 2016 remuneration – In respect of Ingrid Johnson, the 2016 LTI value has been restated to show the actual market value of the Nedbank awards that vested or were matched (namely R250.93 per share) converted to sterling using the exchange rate on the date of vesting (R16.81 to £1). 50% of the LTI award over Old Mutual plc shares (granted in August 2014) vested in August 2017 and the value of that part of the award has been restated to reflect the Old Mutual plc share price on the date of vesting (206.4p). The unvested nil cost share option (equal to 50% of the award) has not been revalued. Ingrid Johnson has not exercised her vested nil cost share option.
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 £10,000 (£27,750 in 2016) of Bruce Hemphill's benefit allowance to the Old Mutual Group Personal Pension Plan, and the corresponding amount for Ingrid Johnson was £10,000 (£19,031 in 2016).
Items in the nature of remuneration	– This includes non-taxable benefits not considered significant in value.

Additional requirements in respect of the single total figure table for executive directors

2017 STI outcomes (audited)

The following charts illustrate the outcome for each element of the 2017 STI performance targets, followed by the underlying detail of achievement against those targets:

Bruce Hemphill

	RoE	EPS in constant currency	Personal scorecard objectives	Total
Actual	37.50%	37.50%	25.00%	**£1,383,750**
% of maximum opportunity	37.50%	37.50%	25.00%	£1,383,750

Ingrid Johnson

	RoE	EPS in constant currency	Personal scorecard objectives	Total
Actual	37.50%	37.50%	25.00%	**£969,000**
% of maximum opportunity	37.50%	37.50%	25.00%	£969,000

- RoE
- EPS in constant currency
- Personal scorecard objectives

Group financial performance achievement (audited)

Performance measure	Threshold	Target[1]	Maximum	Actual	% of maximum achieved
RoE	11.4%	12.8%	14.0%	14.6%	100%
EPS in constant currency	18.8	20.9	23.0	24.3	100%
Weighted outcome					**100%**

1 The committee approved an adjustment to the targets to take consideration of the completion dates of the sales of OM Asset Management and Kotak from the Group.

The Group operated within the expected risk framework and policies during 2017.

Directors' Remuneration Report
continued

Additional requirements in respect of the single total figure table for executive directors (continued)

Personal performance achievement

The tables below summarise achievement against the personal objectives of the executive directors in 2017. The committee considered achievement against these objectives in the round. In recognition of the achievement of these objectives whilst exceeding the Group's financial performance targets and the exceptional leadership demonstrated by the executive directors, the committee determined that it was appropriate to award maximum outcomes on the personal element.

Bruce Hemphill

	Weight	Objectives	Performance
Leadership	30%	– Work closely with key stakeholders to ensure understanding of all the stages of managed separation and continued support for it – Ensure that all regulatory obligations continue to be fulfilled within the agreed organisational risk appetite – Serve as an example of the organisation's values as a collaborative leader of the executive team.	– Very positive investor and analyst feedback from the OML and OMW capital market showcase events in respect of the equity story and investment cases presented – Regulators have indicated their continued support for the managed separation and the organisation operated within risk appetite limits/satisfied all regulatory obligations during the year – Demonstrated a strong leadership style, which provides clear direction, draws on the strengths of the management teams, and fosters collaboration across the Group – Strong leadership and relationship management to support creation of and working with newly formed boards and teams in OMEM and OMW.
Managed separation	40%	– Deliver central operational cost savings and a plan for achieving a 'clean' Old Mutual plc balance sheet – Capacitate OMEM and OMW senior management teams and boards appropriately for a listed entity. Begin new operating model implementation – Ensure the majority of the Group's stake in OM Asset Management is sold at an acceptable price, trading-off cost, time and risk considerations.	– plc Head Office in London operational costs, which totalled £123 million before recharges in 2015, have reduced to £68 million in 2017. We are on track to achieve the stated operational cost savings of c.£95 million per annum by the end of 2018 – Holding company debt reduced by a further £821 million. Significant legacy liabilities, such as the transfer of the legacy pension schemes, the captive insurer, and several warranties and certain indemnities emanating from historic M&A transactions, have been resolved in line with management's original cost estimates – Appointment of a new CEO in OMEM, and support for the strengthening of the management team and implementation of a new operating model – Support for the CEO and the new Board in OMW in preparing the business for managed separation in a year in which they continued momentum with very strong performance – The Group sold its stake in OM Asset Management through a series of transactions at an attractive net realised average price – Transactions generating very positive outcomes for shareholders were in place for the sale of Kotak and the agreed sale of the OMW Single Strategy Asset Management business in which the Group Chief Executive played an active role.
Supporting business delivery	30%	– Work with each business' leadership team to refine the respective strategy to ensure that it can offer an attractive case to the market and deliver business performance improvements – Ensure appropriate business plans are in place for 2018 to 2020, designed to deliver appropriate value uplift for shareholders – Support the subsidiary chief executives in driving cultures that embed values appropriate for high-performing organisations.	– Strong and effective engagement with subsidiary management teams to define their future strategies. Key strategy reviews were completed with OMEM and OMW enabling them to put forward a compelling vision and investment case at the capital market showcase events – All businesses performing well in the context of a volatile business environment (political and economic uncertainty in South Africa, uncertainty around Brexit in the UK, political volatility in the US) with confirmed business plans and identification of critical initiatives over the 2018 to 2020 timeframe, which are expected to generate meaningful value for shareholders – The Group Chief Executive engaged effectively with the subsidiary chief executives throughout the year to determine the necessary culture required in each business and worked with them and their respective boards to define and implement changes that will embed these values in each organisation – As well as a focus on managed separation and all of the activities associated with it, the Group Chief Executive continued to work alongside the businesses to drive performance. Despite uncertainty in South Africa, the South African businesses delivered resilient performance. OMW delivered strong performance in the UK alongside the successful process to sell its Single Strategy Asset Management business.

Additional requirements in respect of the single total figure table for executive directors (continued)

Ingrid Johnson

	Weight	Objectives	Performance
Leadership	30%	– Work closely with key stakeholders to ensure understanding of all the stages of managed separation and continued support for it – Ensure that all regulatory obligations continue to be fulfilled within the agreed organisational risk appetite – Serve as an example of the organisation's values as a collaborative leader of the executive team.	– Very positive investor and analyst feedback from the OML and OMW capital market showcase events in respect of the equity story and investment cases presented – Regulators have indicated their continued support for the managed separation and the organisation operated within risk appetite limits/satisfied all regulatory obligations during the year – Collaborative leadership demonstrating strong inclusive values and high standards of delivery. Effectively built stakeholder relationships at Board, peer and team levels and took on an additional direct role to support OMEM in H2 2017.
Managed separation	40%	– Deliver central operational cost savings and a plan for achieving a 'clean' Old Mutual plc balance sheet – Build strategic balance sheet management capabilities, evaluating financial implications to support managed separation decision making and delivery of objectives – Ensure effective messaging to shareholders, bondholders and other stakeholders regarding the Company's performance and managed separation implementation.	– plc Head Office in London operational costs, which totalled £123 million before recharges in 2015, have reduced to £68 million in 2017. We are on track to achieve the stated operational cost savings of c.£95 million per annum by the end of 2018 – Effective liability management strategy in place, broadening the range of strategic options – Significant de-risking of the Company's balance sheet to facilitate managed separation execution – Holding company debt reduced by a further £821 million. Significant legacy liabilities, such as the transfer of the legacy pension schemes, the captive insurer, and several warranties and certain indemnities emanating from historic M&A transactions, have been resolved in line with management's original cost estimates – External communication process well executed, with analyst commentary indicating that investors understood the progress and demands of managed separation.
Supporting business delivery	30%	– Operate an appropriate capital management policy for the management of cash, debt and capital within liquidity and solvency risk appetite limits – Reposition functional processes to align with managed separation and oversee production and integrity of all financial information and reporting – Actively participate in board and committee roles and stakeholder engagements.	– Ensured that the Group operated within liquidity and solvency risk appetite through 2017 – Effectively oversaw the Finance function to ensure the appropriate resources, expertise and processes were in place to fulfil information and reporting requirements and support managed separation execution – Continued representation on the OMW Board and stepped in to provide interim CFO support to OMEM during H2 2017, in addition to continuing in the plc executive role – Frequent and active engagement with shareholders, regulators and other third-party stakeholders to facilitate managed separation.

Directors' Remuneration Report
continued

Additional requirements in respect of the single total figure table for executive directors (continued)

Outcomes for LTI awards over Old Mutual plc shares granted in 2015 (for the performance period 2015 to 2017)

Bruce Hemphill received a grant of nil cost share options in November 2015 when he joined the Company, which are due to vest 50% on 15 November 2018 and 50% on 15 November 2019. Ingrid Johnson received a grant of nil cost share options in April 2015, which are due to vest 50% on 17 April 2018 and 50% on 17 April 2019. The first vesting of the nil cost share options granted in 2015 to Paul Hanratty, a former executive director, is due to occur on 17 April 2018, with the remainder due to vest on 17 April 2019.

As the nil cost share options granted in 2015 had not vested at the date of this report, the average share price for the final quarter of 2017 (198.38p) has been used to determine the value for the purposes of the single total figure. The underlying detail of achievement against objectives is set out below:

Executive director	Weighting	% of maximum achieved
Financial metrics	70%	81.67
Execution of the managed separation	30%	100.00
Total weighted outcome		**87.17**
Total weighted outcome (as a percentage of maximum) (A)		**75.80**
TSR multiplier – % achieved (B)		**88.28**
Achievement – % of maximum award (A x B)		**66.92**

Financial metrics (70%)

	Threshold[1]	Target	Maximum	Actual	% of maximum achieved
EPS (p) (IFRS AOP-based CAGR[2]) post-tax	5.0%	7.5%	10.0%	15.2%	100.00
EPS (c) (IFRS AOP-based CAGR[2]) post-tax	5.0%	7.5%	10.0%	13.6%	100.00
RoE (IFRS-AOP based averaged over three years)	12.0%	13.5%	15.0%	13.9%	63.34
					81.67

1 Vesting – 0% at threshold with straight-line interpolation between threshold and maximum.
2 Compound annual growth rate over the three-year performance period.

Execution of the managed separation (30%)

The strategic element of the 2015 LTI performance condition was directly aligned with the execution of the managed separation strategy (as approved by shareholders at the General Meeting held on 28 June 2016). An assessment of progress made towards the separation of the Group into four standalone businesses, including the elimination of central costs, has been made in the judgement of the committee at 31 December 2017. The structural steps required to effect the managed separation were fully defined, with detailed project and resource plans in place through to the completion of the managed separation transactions. The separation is on track as originally envisaged from a structural perspective.

In particular:

- The separation of OM Asset Management has been completed
- The wind-down of Old Mutual Bermuda has been planned in detail and its portfolio has been substantially hedged
- The demerger and listing of OMW remains on-track, and the sale of its Single Strategy Asset Management business has allowed shareholders to capture the value in this business, which was no longer considered core to the strategy
- The listing of OML, in which Old Mutual plc will become a subsidiary of the newly established OML (which will be primary-listed on the JSE Limited) is on-track, with in principle regulatory approval received in early 2018
- Preparations for OMW and OML to be capable of operating independently are well advanced and have been delivered within the planned timelines.

Additional requirements in respect of the single total figure table for executive directors (continued)

The outcome of the Execution of the managed separation performance condition has been measured against the following key criteria:

Objectives	Performance
Appropriate capitalisation of the businesses	– The strategy for each business has been reviewed and sharpened, and the equity stories for the two unlisted businesses have been re-articulated, with positive investor feedback at the capital market showcase events in November 2017 – In-principle agreement on the structure of the Day 1 balance sheets of the businesses has been reached, subject to final regulatory approval. The businesses will be capitalised appropriately on Day 1, meeting both regulatory and local market expectations – The boards and management teams of the two unlisted businesses have been restructured to address gaps in skills and experience and ensure that each business will be managed rigorously with strong oversight by suitably experienced boards.
Quality of execution (reflecting the balance of time, cost, risk and value)	**Time** – The management team is on track to deliver managed separation in line with the timelines communicated to the market – The separation of OM Asset Management was completed as fast as was deemed appropriate given the market environment, buyer interest, and the complexities of executing a sales transaction in this industry – Company debt has been reduced substantially as fast as was possible given the requirement to maintain prudent liquidity levels throughout the separation process. **Cost** – The implementation of managed separation to the end of 2017 has been completed within the cost figures previously communicated to the market – Significant legacy liabilities, such as the transfer of the legacy pension schemes, the captive insurer, and several warranties and certain indemnities emanating from historic M&A transactions, have been resolved in line with management's original cost estimates. **Value** – The projected value realisation for shareholders over time, which is based on an internal sum-of-the-parts-valuation based on the valuation of publicly traded peers, continues to track in line with the original projections – The agreed sale of the OMW Single Strategy Asset Management business in the UK was concluded for an estimated consideration of c.£600 million – The actual valuation gains realised by shareholders can only be determined after the demerger and listing of OMW and the anticipated unbundling of Nedbank. The gains cannot be fully assessed until sometime after these events, given the need for the share registers to settle and for analysts and investors to develop a closer understanding of the hitherto unlisted businesses – Management has realised more value than initially projected from the sale of the OM Asset Management stake and concluded the series of market placements at sequentially decreasing cost points as market appetite and liquidity improved after each transaction. **Risk** – The operational risks in each business were managed appropriately and they operated within qualitative and quantitative risk appetite – The market and execution risks inherent in the sale to HNA Capital US and the market sell-down of the OM Asset Management stake, realising a price ahead of the average price during the period, were managed appropriately – Similarly, market and timing risk of Company debt repurchases was managed within the constraints of the Group's risk appetite in terms of operational and execution risks, and with respect to solvency and liquidity – People risks have been addressed proactively and the execution of managed separation has been de-risked in this regard to the extent possible – Execution risks in relation to the listing of OML and the demerger and listing of OMW have been mitigated to the extent possible – Regulatory risk has been managed at Group level and in each of the businesses with proactive engagement by the respective management teams and/or Group resources – All relevant regulators have been engaged and relevant applications for the remaining separation transactions have been filed or are on track to be filed within the requisite timelines.

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 2014) and end (Q4 2017) 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%	-3.16%	88.16%	44.08%
Annualised relative TSR growth (R)	50%				-3.09%	88.41%	44.20%
Weighted total							**88.28%**

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, and as a result, no downward risk adjustment was recommended. The Committee applied discretion to make a downward adjustment to the outcome of both the LTIs that vested at the end of 2015 and 2016 to take consideration of the time and cost overruns of the OMW IT outsourcing project. It was not considered appropriate to make any further adjustments to the 2015 LTI.

Directors' Remuneration Report
continued

Additional requirements in respect of the single total figure table for executive directors (continued)

2015 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 2018	Old Mutual shares under option to vest in 2019	Average Old Mutual plc share price over Q4 2017	Value of share options to vest in 2018 £000	Value of share options to vest in 2019 £000	Total value of LTI as shown in the single figure table £000
Bruce Hemphill	1,509,686	66.92%	505,141	505,141	198.38p	1,002	1,002	2,004
Ingrid Johnson	639,824	66.92%	214,085	214,085	198.38p	425	425	850

MSIP performance update

The MSIP comprises objectives and targets in three categories (highlighted in bold below):

Objectives	
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, namely: (i) material completion of the business separation, (ii) appropriate capitalisation of the businesses, and (iii) quality of transaction execution**

– An update in relation to the progress toward managed separation is given under the 'Outcomes for LTI awards over Old Mutual plc shares granted in 2015' section above.

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**

– Our strong businesses delivered resilient operational performance alongside significant progress towards managed separation, all in the context of challenging macro-economic conditions continuing in South Africa through 2017. Although markets were strong in the UK, weak currency, uncertainty around Brexit, and regulatory developments in financial services continued to have an impact
– The financial targets in the MSIP are based on a three-year timeframe. The actual performance of each business will be crystallised as it separates from the Group[1]
– In accordance with the terms of the MSIP, the committee determined the outcome of the financial performance of OM Asset Management at the point of separation from the Group at the end of 2017. OM Asset Management achieved 14.3% growth over the period, resulting in a maximum outcome. This outcome represents 1.7% of the total MSIP award.

1 If the committee considers it necessary to review the financial targets under the discretion afforded in the policy for reasons linked to the macro-economic 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 the targets are as relevant and stretching as originally intended.

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 managed separation and will be measured through relative total shareholder return (TSR)**

– In accordance with the principles approved in 2016, the weighting of the peer groups is reviewed each time a transaction is completed. Accordingly, in November 2017, the weightings were reviewed to reflect the completion of the sale of OM Asset Management. The new weightings that apply from that date are: OMEM 46.4% (43.9%); Nedbank 21.4% (20.3%); OMW 32.2% (30.5%); and OM Asset Management 0% (5.3%)
– TSR is monitored throughout the period, with the committee receiving regular updates. TSR will be measured until the end of the holding period applicable to the elements of the MSIP that will vest following the listing of OML and the demerger and listing of OMW. This is consistent with the commitment to maintain shareholder alignment for a period beyond completion and ensure the outcome reflects the shareholder value created through separating the constituent businesses, which will take time.

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**

– In 2016 and 2017, the Company exceeded its liquidity and solvency ratio targets, meaning that no quantitative downward adjustment would apply for the period 2016 to 2017 (see 2017 STI outcome for details of the 2017 risk performance). 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 pre-dating 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. The committee will continue to monitor risk management closely.

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 to the table below. This table shows the single total figures for both 2016 and 2017 for the Chairman and the other non-executive directors:

	Fees		Taxable benefits[1]		Total	
Non-executive director	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Patrick O'Sullivan	**400**	380	**16**	17	**416**	397
Mike Arnold[2]	**126**	101	**–**	–	**126**	101
Zoe Cruz	**96**	80	**–**	–	**96**	80
Alan Gillespie	**116**	95	**–**	–	**116**	95
Danuta Gray[3]	**120**	98	**–**	–	**120**	98
Adiba Ighodaro[4]	**81**	70	**–**	–	**81**	70
Trevor Manuel[5]	**420**	161	**–**	–	**420**	161
Roger Marshall[6]	**157**	122	**–**	–	**157**	122
Vassi Naidoo[7]	**413**	322	**–**	–	**413**	322
Former non-executive director						
Nkosana Moyo	**48**	80	**–**	–	**48**	80
Nonkululeko Nyembezi[8]	**104**	77	**–**	–	**104**	77

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 2016 or 2017. 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 £5,250 in relation to attendance at Old Mutual Wealth Management Limited Risk Committee meetings (£1,481 in 2016).
3 Includes fees of £5,250 in relation to attendance at Old Mutual Wealth Management Limited Remuneration Committee meetings (£1,481 in 2016).
4 Fees payable to Adiba Ighodaro were paid to Actis LLP rather than to her personally.
5 Includes fees of £338,846 in respect of Old Mutual Group Holdings (SA) (Pty) Limited and Old Mutual Emerging Markets Limited (£91,434 in 2016).
6 Includes fees of £21,250 in respect of Old Mutual Wealth Management Limited. Roger Marshall joined the Board of Old Mutual Wealth Management Limited on 10 November 2016 and resigned on 31 March 2017 (£11,987 in 2016).
7 Includes fees of £323,252 in respect of Nedbank Group Limited and Old Mutual Group Holdings (SA) (Pty) Limited (£244,600 in 2016).
8 Includes fees of £14,777 in respect of Old Mutual Group Holdings (SA) (Pty) Limited.

Scheme interests awarded during 2017 (audited)

The following table shows share incentive awards granted to the executive directors during 2017. The number of shares awarded was calculated using the middle market quotation of Old Mutual plc shares on the business day preceding the date of grant.

Date of grant	Award type	Basis of award	Old Mutual shares held under 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								
29 Mar 2017	Forfeitable shares award	DSTI	268,824	218.2p	587	100%	29 Mar 2020	N/A
Ingrid Johnson								
29 Mar 2017	Forfeitable shares award	DSTI	187,354	218.2p	409	100%	29 Mar 2020	N/A

Directors' Remuneration Report
continued

Directors' shareholdings and share interests (audited)

Share awards and options outstanding at 1 January 2017 and 31 December 2017

Bruce Hemphill

Award type	Performance targets to be met	Grant date	Market value per share at grant (p)	Number of shares under award or option at 1 Jan 17	Granted	Exercised or released	Lapsed	Number of shares under award or option at 31 Dec 17	Date from which exercisable or releasable	Expiry date[1]
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 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
	No	29 Mar 17	218.20	–	268,824	–	–	268,824	29 Mar 20	29 Mar 20
Nil cost share options – MSIP	Yes	11 Jul 16	175.70	1,978,020	–	–	–	1,978,020	Completion of managed separation	10 Jul 26
	Yes	11 Jul 16	175.70	3,144,347	–	–	–	3,144,347	Completion of managed separation	10 Jul 26
Total				**7,257,569**	**268,824**	**182,263**	**–**	**7,344,130**		

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 2017, the value of Old Mutual plc shares on the date of vesting was 192.9p per share.

Ingrid Johnson

Award type	Performance targets to be met	Grant date	Market value per share at grant (p)	Number of shares under award or option at 1 Jan 17	Granted	Exercised or released	Lapsed	Number of shares under award or option at 31 Dec 17	Date from which exercisable or releasable	Expiry date[1]
Forfeitable shares – DSTI	No	17 Apr 15	240.30	126,204	–	–	–	126,204	17 Apr 18	17 Apr 18
	No	14 Mar 16	182.00	215,419	–	–	–	215,419	14 Mar 19	14 Mar 19
	No	29 Mar 17	218.20	–	187,354	–	–	187,354	29 Mar 20	29 Mar 20
Nil cost share options – LTI	Tested	08 Aug 14	190.60	393,494	–	–	201,075	192,419	08 Aug 17	07 Aug 24
	Tested	08 Aug 14	190.60	393,495	–	–	201,076	192,419	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	Yes	11 Jul 16	175.70	1,384,614	–	–	–	1,384,614	Completion of managed separation	10 Jul 26
	Yes	11 Jul 16	175.70	1,304,629	–	–	–	1,304,629	Completion of managed separation	10 Jul 26
Sharesave[2]	No	05 May 15	186.70	16,068	–	–	–	16,068	01 Jun 20	30 Nov 20
Total				**4,473,747**	**187,354**	**–**	**402,151**	**4,258,950**		

1 The expiry date is determined by the rules of the plans under which the awards and options were granted.
2 The market value per share at grant represents 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.

Directors' shareholdings and share interests (audited) continued

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; 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. Bruce Hemphill's and Ingrid Johnson's interests in Old Mutual plc shares at 31 December 2017 are set out below.

Shares have been valued for these purposes using the Old Mutual plc share price on 29 December 2017, which was 231.7p per share. There have been no changes to the current directors' personal shareholdings or share interests between 31 December 2017 and 15 March 2018 other than in relation to the outcome of the 2015 LTI targets set out earlier in this report.

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 nil cost share options	Forfeitable shares awards not subject to performance targets	Nil cost share options 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 20	200%	796,288	96,600	No	–	712,077		6,632,053	–
Ingrid Johnson	1 Jul 19	150%	418,213	525	No	192,419	528,977	192,419	3,329,067	16,068

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 2017 (including holdings by connected persons) are shown below (holdings at date of resignation are shown for Nkosana Moyo):

Non-executive director	Old Mutual plc shares held at 31 December 2017
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
Vassi Naidoo	5,000
Former non-executive director	
Nkosana Moyo (resigned 29 June 2017)	10,000
Nonkululeko Nyembezi (resigned 31 December 2017)	28,667

There have been no changes to the interests in shares owned by the Chairman and the current non-executive directors between 31 December 2017 and 15 March 2018.

Shares in trust and shareholder dilution

At 31 December 2017, there were 109,161,165 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 2017, the Company had 4.58% of share capital available under the 5%-in-10-years limit applicable to discretionary share incentive schemes and 8.66% 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.

Directors' Remuneration Report
continued

Payments to past directors (audited)

Julian Roberts

LTI awards granted to Julian Roberts, the former Group Chief Executive, vested during 2017 as set out below:

	Date of grant	Shares under option at grant	Shares forfeited in respect of performance targets and time-based pro-rating	Shares vested in 2017	Share price on date of vesting	Value of share options vested in 2017 £000
Julian Roberts	8 Apr 13	569,059	355,002	214,057	189.7p	406
	8 Apr 14	561,451	376,831	184,620	189.7p	350

Paul Hanratty

LTI awards granted to Paul Hanratty, the former Group Chief Operating Officer, vested during 2017 as set out below:

	Date of grant	Shares under option at grant	Shares forfeited in respect of performance targets and time-based pro-rating	Shares vested in 2017	Share price on date of vesting	Value of share options vested in 2017 £000
Paul Hanratty	8 Apr 13	282,922	158,069	124,853	189.7p	237
	8 Apr 14	278,875	168,137	110,738	189.7p	210
	8 Aug 14	57,844	38,023	19,821	206.4p	41

Payments for loss of office (audited)

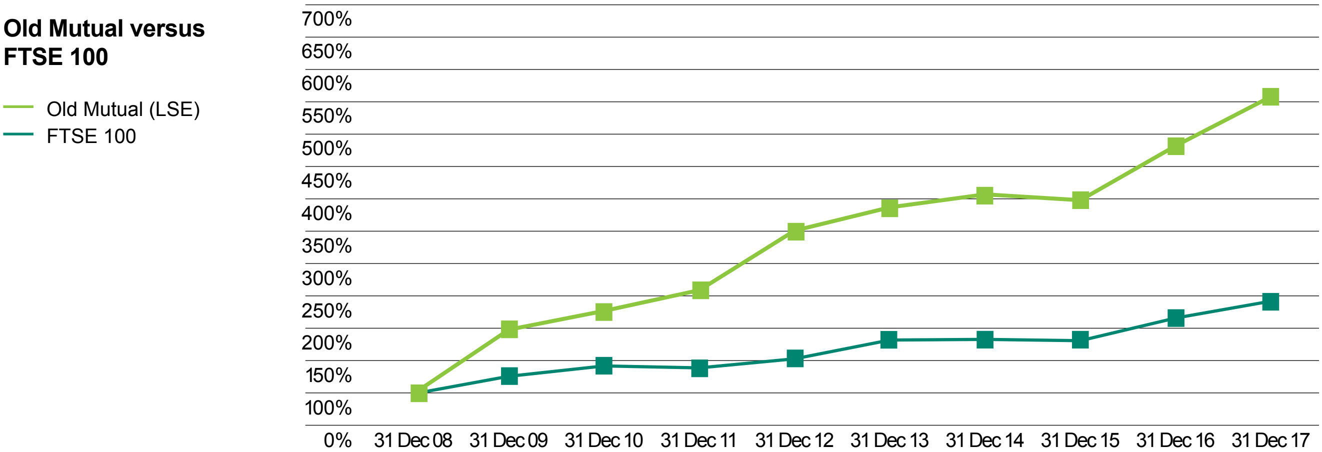
There were no payments for loss of office paid to any of the executive directors of the Company in 2017.

Performance graphs

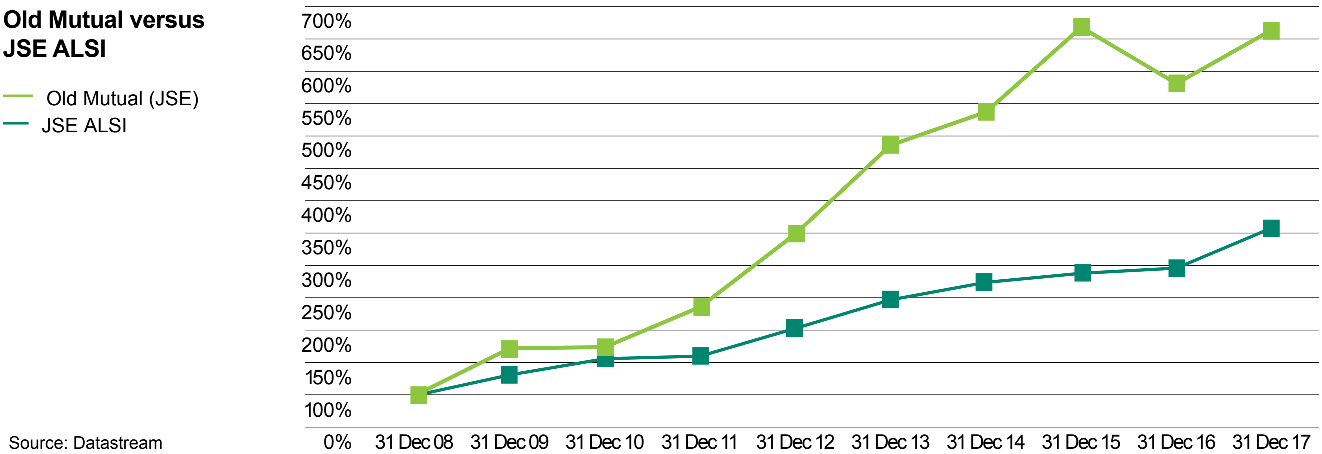
The charts below show the Company's eight-year annual TSR performance against the FTSE 100 Index and JSE ALSI. These indices were selected because: (i) the Company is part of those indices; and (ii) due to the international structure and diversity of the Group's businesses, the two broad market indices 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 2009 to 31 December 2017 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 versus 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	**2017 £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	**4,739**
STI payout against maximum opportunity	Julian Roberts	77%	98%	92%	88%	85%	79%	86.3%	–	**–**
	Bruce Hemphill	–	–	–	–	–	–	–	86.9%	**100.0%**
LTI vesting against maximum opportunity	Julian Roberts	0%	0%	100%	80%	84%	69%	71.5%	48.9%	**–**
	Bruce Hemphill	–	–	–	–	–	–	–	–	**66.9%**

Directors' Remuneration Report
continued

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 2016 to 2017) compared to that for UK-based employees of the plc Head Office in London. The committee has selected employees in the plc Head Office in London, as the Group Chief Executive is employed in that office and managed separation has made comparison to other businesses less relevant.

Element	Group Chief Executive % change	Average UK-based employee % change
Base pay	2.5	3.1
Taxable benefits[1]	13	14.3
STI	18	22.8

1 The increase in taxable benefits for the Group Chief Executive relates to the payment of tax advice following his transfer to the UK in 2015. Advice in relation to 2015 and 2016 was charged to the Company during 2017, meaning that there was no comparator for 2016. For other employees the increase is partly attributable to 2017 being the first full calendar year that the lower annual pension cap applied.

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	
	2017 £m	2016 £m	£m	%
Dividends paid to ordinary equity holders	**330**	426	(96)	(22.5)
Dividends paid to Nedbank non-controlling interests	**166**	132	34	26
Dividends paid to OMAM non-controlling interests	**4**	10	(6)	(60)
Remuneration paid to all Group employees	**2,244**	1,782	462	26

Implementation of policy in 2018

The committee intends to apply the policy in the following manner for 2018:

Base pay

The table below shows the changes to base pay for 2018, which were equal to the average increase of 2.5% received by other employees in the plc Head Office in London.

Executive director	**2018 £**	2017 £	% increase
Bruce Hemphill	**945,565**	922,500	2.5
Ingrid Johnson	**662,150**	646,000	2.5

STI

In 2017, the STI scorecard was weighted 75% financial measures and 25% non-financial measures. In 2018, the committee has determined that the STI scorecard up to the point of listing of OML and the demerger and listing of OMW will be weighted 50% financial measures and 50% non-financial measures. The financial measures will be a combination of cost management of the plc Head Office in London, and the performance of the businesses. Non-financial measures will focus on the executives' continued oversight of the businesses in the management of risk and execution of the strategies. After listing of OML and the demerger and listing of OMW, the committee believes performance relative to non-financial measures only is appropriate, as plc executive oversight of the businesses will effectively end. The non-financial measures will focus on the principal remaining steps for managed separation, including the wind-down plan for the plc Head Office in London, the management of Company debt, and the anticipated unbundling of Nedbank. In relation to the pre-listing metrics only, a potential downward adjustment of up to 5% will apply 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 in relation to the pre-listing metrics only, which will cover management of risk in relation to risk management policy and risk appetite limits, audit/governance reports and regulatory breaches.

The maximum award will remain 150% of base pay and the objectives for the executive directors will be as follows:

Period	Performance objectives	Category weight[1]	Sub-component weight
Qualitative component (assessed at listing)	– Personal objectives linked to the continued oversight of the businesses in the management of risk and execution of the strategies	Minimum of 70%	50%
Quantitative component	– plc Head Office in London - cost management – OML – Adjusted Headline Earnings – Nedbank – Headline Earnings – OMW – IFRS Profit (excluding amortisation of intangibles and policyholder tax)		27.5% 7.5% 7.5% 7.5%

After listing	– plc Head Office in London - cost management
	– Personal objectives linked to:
	  – Delivery of the wind-down plan for the plc Head Office in London
	  – Supporting the OML management team, including:
	    – Management of remaining Company debt
	    – Preparation for and management of the anticipated Nedbank unbundling
		Maximum of 30%	N/A

1 The actual category weighting will be determined by the committee on the listing of OML and the demerger and listing of OMW.

LTI

There will be no long-term incentive awards granted by the Company in 2018.

Legacy deferred STI and LTI awards

The committee has concluded that when managed separation is determined to be materially complete at the time of listing of OML and the demerger and listing of OMW (this being contingent on the necessary approvals subsequently being received with a legal obligation on OML to proceed with the unbundling of Nedbank), all unvested deferred STI and LTI awards will vest on or shortly after the listing of OML, in accordance with the rules of the plans and the terms of the policy. As the performance period will be complete, there will be no time-based pro-rating applied. Executives will continue to have significant alignment to shareholders, business performance, and risk management events through the continued vesting and holding period of a substantial proportion of the MSIP awards, and the Company's ability to apply claw back to vested awards in the event of a significant risk issue. As the Old Mutual plc shares will not be tradeable after the listing of OML, the nil cost share options will be exercisable over OML and OMW shares in the same proportions as will be received by shareholders.

Directors' Remuneration Report
continued

The Managed Separation Incentive Plan

The intention is for the elements of the MSIP relating to the Execution of the managed separation (40% of the award), and Performance of the underlying businesses (25% of the award), to vest following the listing of OML and the demerger and listing of OMW, with a one-year holding period applied to 50% of the net value of the vested award. In respect of the measurement category relating to TSR (the remaining 35% of the award), the committee is mindful that the way the execution of managed separation has evolved means that the constituent businesses will be listed. The committee has determined that the TSR from the independently-listed businesses should therefore continue to be measured until the end of the holding period applicable to the elements of the MSIP that will vest following the listing of OML and the demerger and listing of OMW. This is consistent with the commitment to maintain shareholder alignment for a period beyond completion and ensure the outcome reflects the shareholder value created through separating the constituent businesses, which will take time. As the Old Mutual plc shares will not be tradeable after the listing of OML, the nil cost share options will be rolled-over into OML and OMW shares in the same proportions as will be received by shareholders.

The combined application of malus, cross-malus (enabling the committee to apply malus to an unvested award in respect of a risk event that applies to an award that has already vested) and claw back ensures that the committee has appropriate mechanisms to apply reductions to awards up to 12 months following the final vesting date if a significant risk event occurs.

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. The holding period will apply to 50% of the net value of the vested MSIP award (other than in relation to the TSR metric).

Non-executive directors' fees

The annual fees payable to the Chairman and to the other non-executive directors in 2017 and 2018, are set out below, by role. There has been no increase to the fees payable to the Chairman and the other non-executive directors in 2018.

Role	**2018** **£**	2017 £
Chairman	**400,000**	400,000
Senior Independent Director	**20,000**	20,000
Board fee	**66,000**	66,000
Chairman of the Board Risk Committee	**40,000**	40,000
Member of the Board Risk Committee	**15,000**	15,000
Chairman of the Group Audit Committee	**40,000**	40,000
Member of the Group Audit Committee	**15,000**	15,000
Member of the Nomination and Governance Committee	**8,500**	8,500
Chairman of the Remuneration Committee	**40,000**	40,000
Member of the Remuneration Committee	**15,000**	15,000

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 compliance of all relevant businesses in the Group with the Solvency II remuneration requirements.

In reaching the decisions relating to existing share awards as a result of the managed separation, the committee carefully considered the remuneration requirements of Solvency II, including the requirement to defer a material proportion of variable pay over three years, and to ensure that executives are aligned to the risks inherent in executing the strategy throughout the period over which managed separation is expected to be completed, and for a suitable period of time beyond. The committee is satisfied that the executives will be appropriately aligned through the continued vesting and holding period applicable to the MSIP and the claw back provisions that apply to all incentive plans.

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[1]
Danuta Gray	Chairman	March 2013 to date (Chairman since May 2014)	9/9
Zoe Cruz	Member	January 2014 to date	7/9
Alan Gillespie	Member	November 2010 to date (Chairman from May 2013 to May 2014)	7/9
Roger Marshall	Member	May 2013 to date	9/9
Nkosana Moyo	Member	January 2014 to June 2017	4/5

1 The meetings that Zoe Cruz, Alan Gillespie and Nkosana Moyo did not attend were ad-hoc meetings. They attended all scheduled meetings in 2017.

The committee Chairman has access to and regular contact with the Group Human Resources Department independently of the executive directors. During 2017, the committee met nine 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 2017 was £212,300 (2016: £209,699) excluding VAT.

Ian Luke (Group Head of Reward) and Rex Tomlinson (Group Chief of Staff) 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.

Directors' Remuneration Report
continued

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
2016	Directors' Remuneration Report	25 May 17	2,611,810,916	72.03	1,014,151,915	27.97	3,625,962,831	47,844,913
2015	Directors' Remuneration Report	28 Jun 16	3,345,897,363	93.17	245,393,581	6.83	3,591,290,944	10,467,799
	New Policy	28 Jun 16	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 Jun 16	2,909,574,894	81.11	677,784,311	18.89	3,587,359,205	28,613,213
2014	Directors' Remuneration Report	14 May 15	3,166,003,379	94.21	194,559,265	5.79	3,360,562,644	11,506,850

The committee is mindful of shareholder feedback and the voting result for the 2016 Directors' Remuneration Report, demonstrating that a significant minority of shareholders had concerns about the 2016 Directors' Remuneration report. The committee therefore took this feedback into account in assessing the outcome of the plans for 2017. 2017 outcomes were assessed against internal targets, peer group performance and external macro-economic measures, assuring the committee that the outcomes of the plans were appropriate for the performance delivered over the period. This approach is consistent with our commitment to align executive remuneration with stakeholder interests.

Consideration of shareholder views

In developing the revised policy and the MSIP in 2016, 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 policy and the design of the MSIP.

Approved and signed on behalf of the Board of directors.

Danuta Gray
Chairman of the Remuneration Committee

Group 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 as adopted by the European Union (IFRSs as adopted by the 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 the issuer 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

14 March 2018

Group financial statements

Independent Auditor's Report to the Members of Old Mutual plc

1 Our opinion is unmodified

We have audited the financial statements of Old Mutual plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity, the Statement of Adjusted Operating Profit and the related notes, including the accounting policies.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Group Audit Committee.

We were appointed as auditor of the Company by the Directors following its incorporation on 26 June 1998. Subsequent to the Company's listing of its shares on the London Stock Exchange on 12 July 1999, we were reappointed as auditor of Old Mutual plc by the shareholders at its AGM on 18 May 2000. The period of total uninterrupted engagement is for the 18 years 8 months ended 31 December 2017 (17 years 7 months since the Company's listing). We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (changed from 2016 to include Assets and liabilities held for sale and distribution and remove Investment in Ecobank Transnational Incorporated), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Group financial statements
Independent Auditor's Report to the Members of Old Mutual plc continued

Life insurance contract liabilities
Continuing: (£9,520 million; 2016: £9,982 million), classified as held for sale and distribution: (£625 million, 2016: £10 million).

Risk vs 2016: ◄►

Refer to page 81 (Report from the Group Audit Committee), pages 239 to 243 (accounting policy) and the disclosures in notes A3, A4, E and G6 to the financial statements.

The risk	Our response
Subjective valuation Within the life businesses in Emerging Markets and Old Mutual Wealth, judgement is required over the variety of uncertain future outcomes affecting the valuation of policyholder liabilities, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions such as, expenses, tax, mortality and persistency and the policy for creating and releasing discretionary margins held.	**Our procedures included:** – **Control design:** Evaluating controls over the measurement and management of the Group's calculation of insurance liabilities including their operating effectiveness. – **Our sector experience:** Assessing the appropriateness of methodologies and assumptions used against our own knowledge of the regulations, industry standards and market practice. – **Our actuarial expertise:** Using our own actuarial specialists to assist us in challenging certain assumptions and methodology used and the process followed for setting and updating these assumptions, particularly around mortality, morbidity, expense and persistency assumptions. This included assessing the data used in the Group'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. Further, we assess the Group's analysis of movement in the results and, where appropriate, perform independent recalculations of specific liabilities. – **Assessing transparency:** Assessing whether the disclosures in relation to the life insurance contract liabilities are compliant with IFRS and with the methodologies applied by the directors. **Our results** – We found the valuation of policyholder liabilities to be acceptable (2016: acceptable).

Gross loans and advances

Continuing: (£1,456 million; 2016: £44,237 million), classified as held for sale and distribution: (£43,284 million, 2016: £nil).

Provisions for impairment

Continuing: (£174 million; 2016: £1,129 million), classified as held for sale and distribution: (£717 million, 2016: £nil).

Risk vs 2016: ▲

Refer to page 81 (Report from the Group Audit Committee), pages 224 and 300 to 305 (accounting policy) and the disclosures in notes A3, E and G1 to the financial statements.

The risk	Our response
Subjective estimate The 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. Collective impairments are calculated using models which rely on expert judgement and large historical datasets. Overlays may be applied to model outputs to cater for additional factors, and the valuation of these overlays can be highly subjective within Nedbank. The Group's loans and advances are primarily held in South Africa and the ongoing volatility of the wider economy in South Africa increases the risk of estimation uncertainty as well as macroeconomic issues such as the price of oil.	**Our procedures included:** – **Control design:** Evaluating controls over the identification of impairment losses, the governance processes in place for credit models, inputs and overlays, the credit forums where key judgements are considered, and how the directors ensure they have appropriate oversight over allowances for loan impairments and other credit risk allowances including their operating effectiveness where possible. – **Assessing forecasts:** Testing the historical accuracy of impairment provision models by assessing the historical projections versus actual credit losses. – **Our credit expertise and benchmarking assumptions:** Our Nedbank and Emerging Markets component teams involved their own internal credit specialists to assist us in assessing significant impairment models employed by the Group and challenging the Group's assumptions by comparing them to externally available data in relation to key inputs such as historical default rates, recovery rates, collateral valuation, and economic growth rates. – **Our sector experience and tests of detail:** Performing detailed testing over the specific provisions held against a sample of loans and advances by inspecting latest correspondence Credit Committee and Risk Committee minutes, challenging assumptions where relevant and assessing collateral values. We also attended the key Nedbank Credit Committee and Emerging Markets Risk Committee meetings. – **Assessing transparency:** Assessing whether the adequacy of the disclosures made in relation to loan loss provisioning is consistent with IFRS and with the methodologies applied by the directors. **Our results** – We found the level of provisions for impairment made and valuation of loans and advances to be acceptable (2016: acceptable).

Group financial statements
Independent Auditor's Report to the Members of Old Mutual plc continued

Goodwill and other intangibles
Continuing: (£397 million; 2016: £2,471 million), classified as held for sale and distribution: (£2,063 million, 2016: £1,294 million).

Risk vs 2016: ▼

Refer to page 81 (Report from the Group Audit Committee), pages 259 to 263 (accounting policy) and the disclosures in notes A3, A4 and H1 to the financial statements.

The risk	Our response
Forecast-based valuation Goodwill and other intangible assets (both acquired and internally generated) represent 0.2% (2016: 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. Goodwill and other intangibles classified as held for sale and distribution represent 1.6% (2016: 15.1%) of total assets classified as held for sale and distribution. The most significant judgements arise over the forecast cash flows, discount rate and growth rate applied in the value-in-use valuation models. The risk has decreased in the current year due to significant goodwill impairments recognised by Emerging Markets management in both the prior year and the period ended 30 June 2017. There have been no impairment reversals in the year and hence there is headroom at year end, resulting in a lower risk assessment.	**Our procedures included:** – **Our sector experience:** 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. Additionally, comparing 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. – **Sensitivity analysis:** Performing sensitivity analyses on the key assumptions in Old Mutual Wealth and the cash generating units in Emerging Markets. – **Our valuation expertise:** 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. – **Assessing transparency:** Assessing the adequacy of the disclosures regarding 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. **Our results** – We found that the resulting estimate of the recoverable amount of goodwill was acceptable (2016: acceptable).

Investments and securities

Continuing: (£43,102 million; 2016: £100,388 million), classified as held for sale and distribution: (£73,818 million, 2016: £6,354 million).

Risk vs 2016: ▲

Refer to page 82 (Report from the Group Audit Committee), pages 300 to 305 (accounting policy) and the disclosures in notes A4, E and G2 to the financial statements.

The risk

Subjective valuation
We do not consider investment and securities to include a high risk of significant misstatement, or to be subject to a significant level of judgement. 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 2017, investments and securities at fair value through profit or loss represented 23.8% (2016: 61.4% which is not required to be restated for those assets held for sale and distribution at 31 December 2017) of total assets, and available-for-sale assets represented 0.03% (2016: 0.6% which is not required to be restated for those assets held for sale and distribution at 31 December 2017) of total assets. At 31 December 2017, investments and securities at fair value through profit or loss classified as held for sale and distribution represented 60.6% (2016: nil%) of total assets classified as held for sale and distribution, and available-for-sale assets classified as held for sale and distribution represented 0.9% (2016: nil%) of total assets classified as held for sale and distribution. The estimation uncertainty is higher for those instruments that are classified as level 3 instruments under the relevant accounting standard, as significant elements of the valuation are not observable. Of the financial instruments carried at fair value, 2.8% (2016: 1.5%) were classified as level 3. Of the financial instruments carried at fair value classified as held for sale and distribution, 1.8% (2016: nil%) were classified as level 3.

The risk has increased in the current year due to the ongoing volatility of the wider economy in South Africa increasing the risk of estimation uncertainty as well as macroeconomic issues such as the price of oil.

Our response

Our procedures included:

- **Benchmarking assumptions and our sector experience:** At 31 December 2017, level 1 and level 2 instruments primarily comprise listed equity and debt securities and unlisted equity and debt securities respectively. For these we selected a sample of these instruments and checked their prices or other observable inputs to independent sources. At 31 December 2017, level 3 instruments primarily comprise unlisted private equity investments and investment securities.
- **Our valuation expertise:** Our Nedbank and Emerging Markets component teams involved their own 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.

- **Assessing transparency:** Assessing the adequacy of the disclosures including the description of the fair value measurement process and whether the sensitivity to key inputs appropriately reflects the Group's exposure to financial instruments valuation risk

Our results

- We found the valuation of investments and securities to be acceptable (2016: acceptable).

Group financial statements
Independent Auditor's Report to the Members of Old Mutual plc continued

Assets and liabilities held for sale and distribution

Assets (£130,603 million; 2016: £8,570 million)

Liabilities (£121,968 million; 2016: £7,046 million)

Risk vs 2016: ▲ (new key audit matter)

Refer to page 81 (Report from the Group Audit Committee), page 154 and 160 (accounting policy) and the disclosures in note A4 to the financial statements.

The risk	Our response
Subjective outcome The application of accounting standards to determine the treatment of Nedbank and Old Mutual Wealth as held for distribution, is inherently subjective, particularly in determining whether the distribution is highly probable. The risk has increased from the prior year as it was not the directors' intention to distribute either Nedbank or Old Mutual Wealth within twelve months of the previous year end.	**Our procedures included:** – **Evaluating directors' intent:** Assessing and challenging the directors' assumptions and judgements made behind their classification of both Nedbank and Old Mutual Wealth as held for distribution against the relevant criteria within the relevant accounting standard, including whether the distributions are highly probable to occur within twelve months of 31 December 2017 by evaluating the assumptions and judgements against our own expectations based on our knowledge of the Group and intent of the directors by attending and questioning key Board committee members. We reviewed supporting documentation to consider whether the high probability assessment was met at 31 December 2017, including the potential impacts that the remaining execution risks have on both distributions. – **Enquiry of senior management and key Board committees:** Performing enquiries with senior management and key Board committees on all significant assumptions made including whether Nedbank and Old Mutual Wealth are available for immediate distribution in their present condition and whether it is highly probable that the distributions will occur within 12 months of the balance sheet date and corroborating these assumptions by reviewing management's accounting papers, including project plans, timelines, presentations to institutional investors and key Board committee meeting minutes such as the Managed Separation Steering Committee. Additionally, assessing whether the information obtained from the enquiries are consistent with our understanding of the directors' intent or whether any disconfirming evidence exists. – **Assessing transparency:** Assessing the adequacy of the disclosures made in relation to the treatment of both Nedbank and Old Mutual Wealth as held for distribution. **Our results** – We found the group's assessment of both Nedbank and Old Mutual Wealth being classified as held for distribution to be acceptable (2016: not applicable).

Parent Company risks: Investments in Group subsidiaries
(£4,150 million; 2016: £5,457 million)

Risk vs 2016: ◄►

Refer to page 82 (Report from the Group Audit Committee), pages 154 to 155 and 334 (accounting policy) and the disclosures in note 2 to the Company financial statements.

The risk	Our response
Subjective valuation The carrying amount of the Parent Company's investments in subsidiaries represents 57.4% (2016: 52.4%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** – **Tests of detail:** Comparing the carrying amount of a sample of the highest value investments, representing 65% (2016: 100%) of the total investment balance with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. Assessing the recoverable value for investments, representing 35% (2016: nil%) of the total investment balance using value-in-use models. Procedures performed over value-in-use models are described in the section on Goodwill and other intangibles above. – **Assessing subsidiary audits:** As Group auditors, assessing the work performed by the subsidiary audit teams over the net assets of those subsidiaries by reviewing subsidiary audit teams audit procedures and findings. **Our results** – We found the Company's assessment of the recoverability of the investments in Group subsidiaries to be acceptable (2016: acceptable).

We continue to perform procedures over Investment in Ecobank Transnational Incorporated. However, as the investment market value exceeded carrying value and management concluded that no objective indicators of further impairment or reversal of impairment existed at 31 December 2017, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Group financial statements
Independent Auditor's Report to the Members of Old Mutual plc continued

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 £80 million (2016: £69 million), determined with reference to a benchmark of normalised Group profit before tax from continuing and discontinued operations of £2,037 million (2016: £1,667 million). As detailed in note C1 of the Group financial statements, this represents the Group's profit before tax from continuing operations adjusted for the following items:

- the effects of short-term market volatility such as short-term fluctuations in investment return and revaluation of Institutional Asset Management equity plans;
- the effect 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, dividends declared to holders of perpetual preferred callable securities, credit-related fair value losses on Group debt instruments, managed separation and business standalone costs, income/(expense) from resolution of plc Head Office pre-existing items, voluntary remediation to customers; and
- the impact of significant one-off investments in organic growth such as Old Mutual Wealth restructuring expenditure.

For those items excluded from normalised Group profit before tax, the component teams performed procedures on such items relating to their components.

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 for the year ended 31 December 2017 however, we consider the impact of managed separation in assessing our materiality. Materiality represents 3.9% (2016: 4.1%) 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 tax.

Materiality for the Parent Company financial statements as a whole was set at £20 million (2016: £20 million), based on component materiality. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.3% (2016: 0.2%) of the Parent Company's total assets.

We agreed to report to the Group Audit Committee any corrected or uncorrected identified misstatements exceeding £4 million (2016: £3.4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Scope – Group
Of the group's six (2016: six) reporting components, being Emerging Markets, Old Mutual Wealth, Nedbank, Old Mutual Bermuda, plc Head Office businesses and OMLAC(SA) branches (2016: Emerging Markets, Old Mutual Wealth, Nedbank, Institutional Asset Management, Old Mutual Bermuda and plc Head Office businesses), we subjected six (2016: six) to full scope audits for group purposes. The component audit teams at each of the components 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% (2016: 100%) of total Group revenues; 100% (2016: 100%) of Group profit before tax; and 100% (2016: 100%) of Group total assets.

The Group 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 team approved the component materialities, which ranged from £20 million to £45 million (2016: £20 million to £45 million), having regard to the mix of size and risk profile of the Group across the components. The work on six of the six components (2016: six of the six components) was performed by component auditors.

The Group team visited four component locations in Cape Town, Johannesburg and two in London (2016: four component locations in Cape Town, Johannesburg and two in London and met one component from the US in the UK for planning and risk assessment meetings) to assess the audit risk and strategy. The group audit team maintained regular communication with the component 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 findings and status of any issues reported to the Group team was discussed in detail, and any further work required by the Group team was then performed by the component auditor. The Senior Statutory Auditor, in conjunction with other senior staff in the Group team, also attended Group Audit Committee meetings held at the significant components to understand key risks and audit issues at a component level which may have affected the Group financial statements. Telephone conference meetings were also held with these component auditors and all the others that were not physically visited.

Scope – disclosure of IFRS 9 effect

The Group is adopting IFRS 9 Financial Instruments from 1 January 2018 and has included an estimate of the financial impact of the change in accounting standard, for the parts of the Group most affected, in accordance with IAS 8 Changes in Accounting Estimates and Errors as set out in note A7 on pages 166 to 169. This disclosure notes that the Group continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption. While further testing of the financial impact will be performed as part of our 2018 year end audit, we have performed sufficient audit procedures for the purposes of assessing the disclosures made in accordance with IAS 8. Specifically for Nedbank, we have:

- considered the appropriateness of key technical decisions, judgements, assumptions and elections made by management;
- considered key classification and measurement decisions, including business model assessments and Solely Payment of Principal and Interest (SPPI) outcomes;
- involved credit risk modelling and economic specialists in the consideration of credit risk modelling decisions and macroeconomic variables, including forward economic guidance and generation of multiple economic scenarios; and
- considered transitional controls and governance processes related to the valuation and approval of the estimated transitional impact.

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note A1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and the Parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on pages 92 to 93 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Directors' Viability Statement on pages 92 to 93 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Directors' Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Directors' Viability Statement. We have nothing to report in this respect.

Group financial statements
Independent Auditor's Report to the Members of Old Mutual plc continued

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Group Audit Committee does not appropriately address matters communicated by us to the Group Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception
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.

We have nothing to report in these respects.

7 Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 130, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from out sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory, and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital and liquidity, conduct and financial crime recognising the financial and regulated nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of directors and other management and inspection of regulatory correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams with a request to report on any instances of non-compliance with laws and regulations including illegal acts at the component or Group level.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Holt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

14 March 2018

Group financial statements
Consolidated income statement

For the year 31 December

	Notes	2017	£m 2016 (Restated)[1]
Continuing operations			
Revenue			
Gross earned premiums	B2	**4,225**	3,726
Outward reinsurance		**(391)**	(314)
Net earned premiums		**3,834**	3,412
Investment return (non-banking)	D2	**5,477**	1,879
Banking interest and similar income	D3	**256**	229
Banking trading, investment and similar income	D4	**6**	14
Fee and commission income, and income from service activities	D5	**673**	565
Other income		**110**	63
Total revenue		**10,356**	6,162
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(5,350)**	(3,483)
Reinsurance recoveries		**315**	222
Net claims and benefits incurred		**(5,035)**	(3,261)
Change in investment contract liabilities		**(1,770)**	(545)
Credit impairment charges		**(42)**	(44)
Finance costs	D6	**(234)**	(128)
Banking interest payable and similar expenses	D7	**(75)**	(90)
Fee and commission expenses, and other acquisition costs	D8	**(524)**	(425)
Change in third-party interest in consolidated funds		**(665)**	(117)
Other operating and administrative expenses	D9	**(1,576)**	(1,269)
Total expenses		**(9,921)**	(5,879)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	**9**	10
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**173**	13
Profit before tax		**617**	306
Income tax expense	D1(a)	**(240)**	(142)
Profit from continuing operations after tax		**377**	164
Discontinued operations			
Profit from discontinued operations after tax	A4.1(a)	**881**	681
Profit after tax for the financial year		**1,258**	845
Attributable to			
Equity holders of the parent		**909**	570
Non-controlling interests			
Ordinary shares	H10(a)(i)	**315**	253
Preferred securities	H10(a)(ii)	**34**	22
Profit after tax for the financial year		**1,258**	845
Earnings per ordinary share			
Basic earnings per share – continuing operations (pence)		**8.0**	3.5
Basic earnings per share – discontinued operations (pence)		**11.3**	8.5
Basic earnings per ordinary share (pence)	C2(a)	**19.3**	12.0
Diluted earnings per share – continuing operations (pence)		**7.9**	3.5
Diluted earnings per share – discontinued operations (pence)		**11.0**	8.2
Diluted basic earnings per ordinary share (pence)	C2(b)	**18.9**	11.7

1 Other operating and administrative expenses for the year ended 31 December 2016 of £80 million have been reallocated from other operating and administrative expenses to fee and commission expenses, and other acquisition costs. In addition, the earnings per share amounts for the year ended 31 December 2016 have been restated in relation to own shares held by consolidated investment funds. Refer to note B1 for more information. The year ended 31 December 2016 has also been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Group financial statements

Consolidated statement of comprehensive income

	Notes	2017	£m 2016 (Re-presented)[1]
Continuing operations			
Profit after tax for the financial year		**1,258**	845
Other comprehensive income for the financial year			
Items that will not be reclassified subsequently to profit or loss			
Fair value movements			
Property revaluations		**8**	6
Measurement losses on defined benefit plans		**(56)**	(6)
Shadow accounting[2]		**(9)**	(7)
Income tax on items that will not be reclassified subsequently to profit or loss		**(6)**	2
		(63)	(5)
Items that may be reclassified subsequently to profit or loss			
Fair value movements			
Net investment hedge		**26**	(104)
Available-for-sale investments			
Fair value gain/(losses)		**3**	(1)
Currency translation differences on translating foreign operations		**(54)**	2,049
Exchange differences and other reserves recycled to profit or loss on disposal of businesses		**(149)**	–
Realisation of net investment hedge on sale of a subsidiary		**156**	–
Other movements		**(15)**	(8)
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	**3**	4
		(30)	1,940
Total other comprehensive income for the financial year from continuing operations		**(93)**	1,935
Discontinued operations			
Total other comprehensive income for the financial year from discontinued operations after tax	A4.1(b)	**5**	(182)
Total other comprehensive income for the financial year		**(88)**	1,753
Total comprehensive income for the financial year		**1,170**	2,598
Attributable to			
Equity holders of the parent		**813**	1,798
Non-controlling interests			
Ordinary shares		**323**	778
Preferred securities		**34**	22
Total comprehensive income for the financial year		**1,170**	2,598

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A2 and note A4 for more information
2 Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

Group financial statements

Statement of adjusted operating profit

Adjusted operating profit (AOP) after tax attributable to ordinary equity holders of the parent	Notes	2017 £m	2016 (Re-presented)[1] £m
Core operations			
Emerging Markets	B3	**777**	639
Nedbank	B3	**963**	799
Old Mutual Wealth	B3	**363**	260
		2,103	1,698
Institutional Asset Management	B3	**64**	141
plc Head Office			
Old Mutual plc finance costs		**(66)**	(88)
Corporate costs (before recharges)		**(58)**	(79)
Other net shareholder expenses		**(6)**	(5)
Adjusted operating profit before tax	B3	**2,037**	1,667
Tax on adjusted operating profit	D1(d)	**(477)**	(398)
Adjusted operating profit after tax		**1,560**	1,269
Non-controlling interests – ordinary shares		**(364)**	(319)
Non-controlling interests – preferred securities		**(34)**	(22)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent		**1,162**	928
Adjusted weighted average number of shares (millions)	C2(a)	**4,776**	4,773
Adjusted operating earnings per share (pence)	C2(c)	**24.3**	19.4

Reconciliation of adjusted operating profit to profit after tax attributable to the equity holders of the parent	Notes	2017 £m	2016 (Re-presented)[1] £m
Adjusted operating profit after tax attributable to ordinary equity holders of the parent		**1,162**	928
Adjusting items net of tax and non-controlling interest	C1(a)	**(277)**	(353)
Non-core operations	B3	**24**	(5)
Profit after tax attributable to the equity holders of the parent		**909**	570

1 The statement of adjusted operating profit for year ended 31 December 2016 has been re-presented to be on a consistent basis with the year ended 31 December 2017. During the current year, the results of Institutional Asset Management have been disclosed separately from core operations. The long-term investment return on excess assets (2017: £20 million; 2016: £20 million), previously shown as a separate item within the AOP of plc Head Office is now included in AOP of Emerging Markets for all years. Corporate costs are now presented before recharges to the businesses (2017: £4 million; 2016: £19 million) and the related recharge income for the plc Head Office is now included within Other net shareholder income/(expenses). These changes did not affect the total AOP of the Group as previously reported. All of these changes are intended to improve the transparency of the impact of managed separation on the operating result. Further explanation of these presentational changes can be found in the basis of preparation of adjusted operating profit.

Basis of preparation of adjusted operating profit (AOP)

Purpose of AOP

Adjusted operating profit (AOP) is an Alternative Profit Measure used alongside 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 the IFRS profit for a number of items as detailed in note C1.

AOP is one of the key performance indicators by which operational performance is monitored and managed, and it is one of a range of measures by which management performance and remuneration is assessed. Further detail of the performance measures applied in determining management remuneration is available in the remuneration report in pages 97 to 128 of the 2017 Annual Report and Accounts.

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 adjustments applied to the IFRS profit of the Group in order to calculate AOP remove the impact of strategic activity, fluctuation in shareholder revalued investments, certain IFRS accounting treatments, significant one-off expenses related to implementing managed separation, resolution of pre-existing plc Head Office items and actions to provide customer redress in light of the recommendations of the Financial Conduct Authority (FCA) thematic review in the United Kingdom.

The adjustments to IFRS profit intends to remove the impact of strategic activities and 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, impairments of investments in associated undertakings and the profit or loss on disposal of subsidiaries. Further detail can be found in notes C1(b) and C1(c).

The adjustment to reflect long-term shareholder investment returns is described in note C1(d). A description of the adjustment to exclude fair value gains and losses on Group debt instruments is included in note C1(h). More details on the revaluations of put options related to long-term incentive schemes in IAM is included in note C1(g).

Certain IFRS accounting treatments that are not deemed to be reflective of the underlying operating performance of the business are excluded from the determination of AOP. These include the inclusion of dividends declared to holders of perpetual preferred callable securities (note C1(f)), short-term fluctuations in investment return on shareholder assets (note C1(d)) and the inclusion of returns on investments held by life and consolidated investment funds in Group equity and debt instruments (note C1(e)).

Old Mutual Wealth business transformation costs related to the development of Old Mutual Wealth platform capability and outsourcing of UK business administration and continue to be excluded from AOP. These costs are excluded from AOP because management is of the view that this investment in operational capability is capital in nature, and is not reflective of the long-term cost. (note C1(k)).

The Group Audit Committee regularly reviews the approach to 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, and where possible the Group seeks to minimise such changes and maintain consistency over time.

Group financial statements
Statement of adjusted operating profit continued

Scope of businesses included in AOP
AOP excludes the results of non-core operations. At the current time the only such operation is that of Old Mutual Bermuda. Old Mutual Bermuda is closed to new business and in run off and as such its activity is not envisaged to form part of the of the underlying long-term operating performance of the Group. Refer to note B1 for further information on the basis of segmentation.

The results of Old Mutual Wealth and Nedbank that are currently classified as held for distribution and as discontinued operations in the IFRS consolidated income statement, have been included in the determination of AOP as it reflects the contribution made by these businesses to the Group result for the year. The consolidated result (from 1 January 2017 to 19 May 2017) and equity accounted results (20 May 2017 to 30 June 2017) of Institutional Asset Management have been included in the determination of AOP up to and including the date that the investment in the associate was classified as held for sale on 30 June 2017.

In the context of the managed separation strategy for the business, the Directors believe the continued inclusion of the results of the businesses presented as discontinued operations in AOP assists with the comparability of year-on-year performance.

Changes in AOP presentation during the year
AOP is presented on a consistent basis with the year ended 31 December 2016, except for the following:

- The results of Institutional Asset Management has been disclosed separately from core businesses in the statement of adjusted operating profit (AOP statement). This provides improved transparency of the results of the continuing businesses that will be separately listed following the execution of the managed separation strategy.
- The long-term investment return on excess assets, previously shown as a separate item within the AOP of plc Head Office is now included in the AOP of Emerging Markets for all periods presented. This is consistent with where the excess assets are managed and where returns will be recognised following managed separation.
- Corporate costs are now presented before recharges to the businesses. The related recharge income received by the Old Mutual plc Head Office is now included within other net shareholder income/(expenses).

Comparative information was re-presented to be consistent with the treatment of the items described above. These re-presentations of AOP do not alter the AOP result as previously reported.

Changes in AOP policy during the year

For the year ended 31 December 2017, managed separation and business standalone costs recognised in the IFRS income statement have been excluded from the calculation of AOP on the basis that these items are one-off in nature and are not reflective of the underlying operating activity of the Group. These costs include the cost of winding down the plc Head Office, preparing the businesses for being standalone businesses and transaction advice. Comparative information has not been re-presented in respect of similar costs incurred during the year ended 31 December 2016 totalling £31 million. Further disclosure on managed separation costs is included in note C1(i) of these financial statements.

For the year ended 31 December 2017, income/(expenses) from resolution of pre-existing plc Head Office items recognised in the IFRS income statement have been excluded from the calculation of AOP. These items are one-off in nature and are not reflective of the underlying operating activity of the Group. Comparative information has not been re-presented (2016: £nil). Further disclosure of the income/(expenses) related to resolution of pre-existing plc Head Office items is included in note C1(j).

As detailed in note F5, the Group has provided £69 million (2016: £nil) in respect of voluntary customer remediation following the recommendations of a thematic review by the Financial Conduct Authority (FCA). The provision for these costs has been recognised in the IFRS consolidated statement of financial position on the basis that the business is demonstrably committed to these costs. For the purposes of AOP, these costs have been excluded on the basis that they relate to redress for charges levied in the past, rather than reductions in future customer charges (note C1(l)).

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

	Notes	2017	£m 2016 (Restated)[1]
Assets			
Goodwill and other intangible assets	H1	**397**	2,471
Mandatory reserve deposits with central banks		**6**	1,111
Property, plant and equipment	H2(a)	**482**	892
Investment property	H2(b)	**1,904**	1,697
Deferred tax assets	H7	**65**	96
Investments in associated undertakings and joint ventures	I2	**107**	542
Deferred acquisition costs	H3	**184**	756
Reinsurers' share of policyholder liabilities	G6	**252**	3,115
Loans and advances	G1	**1,282**	43,108
Investments and securities	G2	**43,102**	100,388
Current tax receivable		**63**	74
Trade, other receivables and other assets	H4	**1,304**	2,416
Derivative financial instruments	G4	**245**	1,340
Cash and cash equivalents		**1,836**	4,847
Assets held for sale and distribution	A4.2	**130,603**	8,570
Total assets		**181,832**	171,423
Liabilities			
Life insurance contract liabilities	G6	**9,520**	9,982
Investment contract liabilities	G6	**28,740**	77,599
Property & casualty liabilities	G6	**494**	482
Third-party interests in consolidated funds		**4,868**	7,981
Borrowed funds	G7	**1,126**	4,694
Provisions and accruals	H5	**142**	160
Deferred revenue	H6	**82**	290
Deferred tax liabilities	H7	**304**	440
Current tax payable		**102**	144
Trade, other payables and other liabilities	H8	**2,529**	5,112
Amounts owed to bank depositors	G8	**742**	45,309
Derivative financial instruments	G4	**268**	1,161
Liabilities held for sale and distribution	A4.2	**121,968**	7,046
Total liabilities		**170,885**	160,400
Net assets		**10,947**	11,023
Shareholders' equity			
Equity attributable to equity holders of the parent		**8,128**	7,909
Non-controlling interests			
Ordinary shares	H10(b)(i)	**2,442**	2,773
Preferred securities	H10(b)(ii)	**377**	341
Total non-controlling interests		**2,819**	3,114
Total equity		**10,947**	11,023

1 During 2017 the Group performed a further analysis of the investment and securities held by consolidated investment funds which resulted in the identification of 64 million Old Mutual plc shares at 31 December 2017 (2016: 61 million; 2015: 51 million shares) held by these funds. These shares in Old Mutual plc have been treated as treasury shares and consequentially resulted in a direct decrease in the value of equity and the value of investment and securities of £163 million (2016: £145 million). Comparative information in the consolidated statement of financial position, consolidated statement of changes in equity and Comparative information in the consolidated statement of financial position – segment information at 31 December 2016 (note B4) have been restated accordingly. An opening adjustment of £116 million was recognised directly in reserves at 1 January 2016. Related amounts in the consolidated income statement for the year ended 31 December 2016 have not been restated.

The consolidated financial statements on pages 142 to 329 were approved by the Board of Directors on 14 March 2018.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

Group financial statements
Consolidated statement of cash flows

For the year ended 31 December

	Notes	2017	2016 (Re-presented)[1]
			£m
Cash flows from operating activities			
Profit before tax		**617**	306
Non-cash movements in profit before tax		**871**	335
Net changes in working capital		**(489)**	168
Taxation paid		**(229)**	(201)
Net cash inflow from operating activities – continuing operations		**770**	608
Cash flows from investing activities			
Net acquisitions of financial investments		**(294)**	(446)
Acquisition of investment properties		**(358)**	(83)
Proceeds from disposal of investment properties		**4**	8
Dividends received from associated undertakings		**4**	1
Acquisition of property, plant and equipment		**(39)**	(38)
Proceeds from disposal of property, plant and equipment		**14**	2
Acquisition of intangible assets		**(44)**	(29)
Acquisition of interests in subsidiaries, associated undertakings joint ventures and strategic investments		**(90)**	(61)
Proceeds from the disposal of interests in subsidiaries, associated undertakings joint ventures and strategic investments		**599**	183
Net cash outflow from investing activities – continuing operations		**(204)**	(463)
Cash flows from financing activities			
Dividends paid to:			
Ordinary equity holders of the Company		**(330)**	(426)
Non-controlling interests and preferred security interests		**(23)**	(24)
Interest paid (excluding banking interest paid)		**(60)**	(69)
Proceeds from issue of ordinary shares		**18**	2
Net disposal/(acquisition) of treasury shares – ordinary shares		**13**	(33)
Redemption of perpetual preferred callable securities		**(287)**	–
Proceeds from issue of subordinated and other debt		**100**	126
Subordinated and other debt repaid		**(651)**	(157)
Net cash outflow from financing activities – continuing operations		**(1,220)**	(581)
Net cash outflow – continuing operations		**(654)**	(436)
Net cash inflow from discontinued operations	A4.1	**596**	326
Effects of exchange rate changes on cash and cash equivalents		**(8)**	1,018
Cash and cash equivalents at beginning of the year		**6,055**	5,147
Cash and cash equivalents at end of the year		**5,989**	6,055
Consisting of:			
Cash and cash equivalents		**1,836**	4,847
Mandatory reserve deposits with central banks		**6**	1,111
Included within assets held for sale and distribution			
Cash and cash equivalents	A4.2	**3,000**	97
Mandatory reserve deposits with central banks	A4.2	**1,147**	–
Total		**5,989**	6,055

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

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 £1,153 million (2016: £1,111 million) and cash and cash equivalents consolidated as part of the consolidation of funds of £1,306 million (2016: £976 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. The £1,306 million of cash and cash equivalents included in consolidation of funds at 31 December 2017 includes £920 million held by Old Mutual Wealth and shown within assets held for sale and distribution.

Group financial statements
Consolidated statement of changes in equity

For the year ended 31 December 2017

Year ended 31 December 2017	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		**4,930**	**563**	**1,042**	**1,252**	**38**
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 revaluations		–	–	–	–	–
Measurement loss on defined benefit plans		–	–	–	–	–
Shadow accounting[5]		–	–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss		–	–	–	–	–
		–	–	–	–	–
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]		–	–	–	–	4
Currency translation differences on translating foreign operations[1]		–	–	–	–	–
Exchange differences and other reserves recycled to profit or loss on disposal of business[2]		–	–	–	–	–
Realisation of net investment hedge on sale of a subsidiary[2]		–	–	–	–	–
Other movements		–	–	–	–	(5)
Share of other comprehensive income of investments accounted for using the equity method[1]		–	–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss		–	–	–	–	3
Total comprehensive income for the financial year		–	–	–	–	2
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		–	–	–	–	–
Transfer between reserves[3]		–	–	–	–	–
Proceeds from BEE transactions		–	–	13	–	–
Merger reserve released		–	–	–	(104)	–
Additional Tier 1 capital instruments issued[4]		–	–	–	–	–
Preferred securities repurchased		–	–	–	–	–
Other movements in share capital[6]		3	1	4	–	–
Total contributions and distributions		3	1	17	(104)	–
Changes in ownership						
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		3	1	17	(104)	–
Shareholders' equity at end of the year		**4,933**	**564**	**1,059**	**1,148**	**40**

1 Included in share of other comprehensive income of investments is a gain of £43 million relating to Ecobank Transnational Incorporated (ETI)
2 A net gain of £130 million was realised and recycled to profit or loss on the disposal of OM Asset Management plc (OMAM) comprising £(21) million other reserves, and £151 million foreign currency translation gains. A gain of £19 million was realised from the recycling of foreign currency reserves relating to the disposal of Old Mutual Wealth Italy. In addition a £156 million net investment hedge reserve loss was realised
3 Transfers between reserves comprise a transfer from the share-based payment reserve to retained earnings as a result of the disposal of OMAM (£61 million) and a transfer for fully vested share based-payments within plc Head Office (£58 million)
4 On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme which has been classified as equity. Interest is payable quarterly in arrears at a floating rate of 3-month JIBAR plus 5.65%. Refer to note A2 for more information.

£m

Property revaluation reserve	Share-based payments reserve	Other reserves[1]	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
182	409	17	(1,008)	5,141	273	7,909	3,114	11,023
–	–	–	–	894	15	909	349	1,258
19	–	–	–	(5)	–	14	5	19
–	–	–	–	(39)	–	(39)	14	(25)
(9)	–	–	–	–	–	(9)	–	(9)
(7)	–	–	–	(2)	–	(9)	(6)	(15)
3	–	–	–	(46)	–	(43)	13	(30)
–	–	–	26	–	–	26	–	26
–	–	–	–	(2)	–	2	2	4
–	–	–	(87)	–	–	(87)	(42)	(129)
–	–	21	(170)	(9)	–	(158)	9	(149)
–	–	–	156	–	–	156	–	156
–	–	–	–	(13)	–	(18)	6	(12)
–	–	43	–	(19)	–	24	19	43
–	–	–	–	(1)	–	2	1	3
3	–	64	(75)	804	15	813	357	1,170
–	–	–	–	(330)	(15)	(345)	(211)	(556)
–	–	–	–	–	–	–	–	–
–	(38)	–	–	31	–	(7)	–	(7)
–	(119)	–	–	119	–	–	–	–
–	–	–	–	–	–	13	–	13
–	–	–	–	104	–	–	–	–
–	–	–	–	–	–	–	35	35
–	–	–	–	(14)	(273)	(287)	–	(287)
3	–	(22)	–	5	–	(9)	–	(9)
3	(157)	(22)	–	(85)	(288)	(635)	(176)	(811)
–	–	–	–	–	–	–	(550)	(550)
–	–	–	–	41	–	41	74	115
–	–	–	–	41	–	41	(476)	(435)
3	(157)	(22)	–	(44)	(288)	(594)	(652)	(1,246)
188	252	59	(1,083)	5,901	–	8,128	2,819	10,947

5 Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities

6 Other movements in share capital includes a movement in retained earnings of £22 million (2016: £31 million) relating to own shares held by consolidated investment funds. These own shares are treated as treasury shares in the consolidated financial statements.

Group financial statements

Consolidated statement of changes in equity continued

For the year ended 31 December 2016 (Restated)[1]

	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		4,929	563	1,040	1,252	40
Total comprehensive income for the financial year						
Profit after tax for the financial year		–	–	–	–	–
Other comprehensive income						
Property revaluations		–	–	–	–	–
Measurement gains on defined benefit plans		–	–	–	–	–
Shadow accounting		–	–	–	–	–
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	–
		–	–	–	–	–
Net investment hedge		–	–	–	–	–
Fair value gains		–	–	–	–	(5)
Currency translation differences on translating foreign operations		–	–	–	–	–
Other movements		–	–	–	–	1
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	–	–	–	–	2
Total comprehensive income for the financial year		–	–	–	–	(2)
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		–	–	–	–	–
Preferred securities repurchased		–	–	–	–	–
Other movements in share capital		1	–	2	–	–
Total contributions and distributions		1	–	2	–	–
Changes in ownership						
Acquisition of shareholding in Banco Unico		–	–	–	–	–
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–
Change in participation in subsidiaries		–	–	–	–	–
Total changes in ownership		–	–	–	–	–
Total transactions with owners of the Company		1	–	2	–	–
Shareholders' equity at end of the year		4,930	563	1,042	1,252	38

1 During 2017 the Group performed a further analysis of the investment and securities held by consolidated investment funds which resulted in the identification of 64 million Old Mutual plc shares at 31 December 2017 (2016: 61 million; 2015: 51 million shares) held by these funds. These shares in Old Mutual plc have been treated as treasury shares and consequentially resulted in a direct decrease in the value of equity and the value of investment and securities of £163 million (2016: £145 million). Comparative information in the consolidated statement of financial position, consolidated statement of changes in equity and Comparative information in the consolidated statement of financial position – segment information at 31 December 2016 (note B4) have been restated accordingly. An opening adjustment of £116 million was recognised directly in reserves at 1 January 2016. Related amounts in the consolidated income statement for the year ended 31 December 2016 have not been restated.

								£m
Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings[1]	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
184	367	30	(2,243)	5,058	273	6,564	2,254	8,818
–	–	–	–	–	–	–	–	–
–	–	–	–	556	14	570	275	845
7	–	–	–	(1)	–	6	1	7
–	–	–	–	(18)	–	(18)	(9)	(27)
(7)	–	–	–	–	–	(7)	–	(7)
–	–	–	–	5	–	5	3	8
–	–	–	–	(14)	–	(14)	(5)	(19)
–	–	–	(104)	–	–	(104)	–	(104)
–	–	–	–	2	–	(3)	(2)	(5)
–	–	–	1,365	–	–	1,365	536	1,901
(2)	–	(12)	–	(4)	–	(17)	(6)	(23)
–	–	(1)	–	–	–	(1)	–	(1)
–	–	–	–	–	–	2	2	4
(2)	–	(13)	1,261	540	14	1,798	800	2,598
–	–	–	–	(426)	(17)	(443)	(171)	(614)
–	–	–	–	–	3	3	–	3
–	42	–	–	(4)	–	38	5	43
–	–	–	–	(8)	–	(8)	(3)	(11)
–	–	–	–	–	–	–	95	95
–	–	–	–	–	–	–	(26)	(26)
–	–	–	–	(66)	–	(64)	–	(64)
–	42	–	–	(504)	(14)	(474)	(100)	(574)
–	–	–	(1)	(6)	–	(7)	7	–
–	–	–	(25)	38	–	13	153	166
–	–	–	–	15	–	15	–	15
–	–	–	(26)	47	–	21	160	181
–	42	–	(26)	(457)	(14)	(453)	60	(393)
182	409	17	(1,008)	5,141	273	7,909	3,114	11,023

Group financial statements
Notes to the consolidated financial statements

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 or modified historic cost: 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 and distribution 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 K. 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.

Assets and liabilities classified as held for sale and distribution and discontinued operations
In anticipation of the execution of the Group’s managed separation strategy through distribution of Old Mutual Wealth shares and the planned subsequent distribution of a significant portion of the Group’s stake in Nedbank (resulting in the probable loss of control of these businesses), the Group’s interests in the assets and liabilities of these businesses have been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. Consistent with the requirements of accounting standards, the comparative information in the consolidated statement of financial position has not been re-presented for businesses classified as held for distribution. In addition, these businesses have been presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017. Consistent with the requirements of accounting standards, comparative information in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016 have been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations.

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 investment-linked insurance funds	– In venture capital divisions and investment-linked 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 or loss to reduce an 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 or 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 hedged 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 2017		Year ended 31 December 2016	
	Income statement (average rate)	**Statement of financial position (closing rate)**	Income statement (average rate)	Statement of financial position (closing rate)
Rand	**17.1493**	**16.7565**	19.9305	16.9551
US dollars	**1.2884**	**1.3524**	1.3558	1.2345
Euro	**1.1407**	**1.1249**	1.2251	1.1705

A2: Significant corporate activity and business changes during the year

Acquisitions completed during the year

Win Twice Properties (Pty) Limited and Bedford Square Properties (Pty) Limited

On 6 October 2017, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)), part of Emerging Markets, acquired 98.9% of Bedford Square Properties (Pty) Ltd and 96.8% of Win Twice Properties (Pty) Ltd, as these two companies own the land and buildings which comprises the Bedford Shopping Centre.

The purchase price of £54 million (R900 million) 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 with IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The transaction also includes a contingent consideration payable or receivable, based on turnover and operating income reaching certain milestones within twelve months of acquisition date.

The carrying value of assets and liabilities in OMLAC(SA)'s consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Goodwill of £4 million (R72 million) was recognised on the acquisition, which is attributable to expected future synergies and includes the carrying amount of the contingent consideration.

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued
A2: Significant corporate activity and business changes during the year continued

Acquisitions completed during the year
Caerus Capital Group Limited (Caerus)
On 1 June 2017, Old Mutual Wealth, completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic and which has approximately £4 billion of funds under advice and over 300 advisers.

The total consideration of £24 million includes £15 million cash consideration and £3 million that has been deferred for two years and £6 million that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post-acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

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 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.

The carrying value of assets and liabilities in Caerus's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. In addition, the Group recognised identified intangible assets of £10 million. The intangible assets recognised relate to customer distribution channels. The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill of £10 million was recognised on the acquisition and is attributable to the delivery of significant cost and revenue synergies that cannot be linked to identifiable intangible assets.

Transaction costs incurred of £1 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

Old Mutual Private Client Advisers (PCA)
During 2017, the Group completed the acquisition of eight adviser businesses as part of the expansion of its PCA business that was launched in October 2015. The aim is to develop an Old Mutual Wealth branded, employed adviser business focused upon servicing upper affluent and high net worth clients, offering a centrally-defined restricted advice proposition focused upon Group's investment solutions and platform.

The purchase price for each acquisition has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the dates of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocations required significant assumptions 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 dates.

The estimated consideration payable is £20 million, of which £10 million was cash consideration and up to £10 million in relation to deferred payments. The amount of deferred consideration is dependent upon the meeting of certain performance targets, generally relating to the value of funds under management and levels of on-going fee income. The deferred consideration has been included as part of the cost of the acquisition. Total other intangible assets of £10 million in respect of customer relationships were recognised as a result of the acquisitions, together with goodwill of £5 million.

Transaction costs incurred of £1 million relating to the acquisitions have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

Attivo Investment Management Limited (AIM)

On 29 March 2017, Old Mutual Wealth, completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service.

The fair value of the total estimated consideration was £8 million, of which £4 million was cash consideration and £4 million was deferred for two years. The deferred consideration is included within the cost of the acquisition because it is dependent on levels of assets under management being maintained, with no requirement for continuing employment applied to the sellers of the business.

The book value of total assets and total net assets of the acquired business were both less than £1 million.

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 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.

The carrying value of assets and liabilities in AIM's statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Other intangible assets of £7 million, relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised on this transaction.

Transaction costs incurred of £0.5m relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

Disposals completed during the year

Sale of OM Asset Management plc (OMAM)

During the year, the following transactions involving the Group's ownership of OMAM shares were completed:

- on 12 May 2017, OM Group (UK) Limited (OMGUK), a wholly owned subsidiary of Old Mutual plc, sold 11.4 million OMAM shares to HNA Capital US at a price of $15.30 per share;
- on 19 May 2017, following the closing of a public offering, OMGUK sold 17.3 million OMAM shares at a price of $14.55 per share. Pursuant to this, on 14 June 2017, the underwriters of the public offer exercised their right to purchase 2.6 million shares at the same price less an underwriting discount;
- on 19 May 2017, OMAM repurchased 5.0 million ordinary shares directly from OMGUK at a price of $14.55 per share. Consequently, from 19 May 2017, the Group no longer considered that it held a controlling interest in OMAM.
- on 10 November 2017, OMGUK sold 16.0 million OMAM shares to HNA Capital US at a price of $15.75 per share
- on 18 November 2017, following the closing of a secondary public offering, OMGUK sold 6.0 million OMAM shares at a price of $15.50 per share.

Following the completion of these transactions, the Group currently owns 1,000 ordinary shares in OMAM, representing 0.0008% of its share capital at 31 December 2017.

The total net cash proceeds arising from these transactions, after underwriting and other transaction costs, were £667 million and a combined profit on disposal of £83 million, was recognised in profit or loss. Included in the profit on disposal are foreign currency translation reserve gains recycled to profit or loss of £151 million and the release of net investment hedge reserve losses of £182 million.

The profit on disposal of OMAM also includes a £42million ($56 million) charge as a result of the write down of part of the original consideration, being the Deferred Tax Asset Deed (DTA) that it would receive from the business upon utilisation of the asset. The write down is due to the reduction of the US corporate tax rate and other provisions of the Tax Cuts and Jobs Act (the Tax Act) enacted on 22 December 2017. There remains a possibility for further payments from OMAM of up to £33 million ($44 million) pending clarification of the Tax Act's impact on the value of the DTA. Since 30 June 2017 no additional payments have been made under the DTA. In addition, the Group purchased insurance against the provisions of the DTA that allows OMAM to claw back amounts paid in the event that deferred tax assets are not recovered by the OMAM business.

Sale of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)

On 13 October 2017, the Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The net consideration was approximately INR 11,700 million (£138 million). The conclusion of the transaction also terminated the joint venture arrangement, extinguishing the respective put and call option arrangements between the parties relating to a 23% stake in the joint venture. A profit on disposal of £81 million was recognised on the transaction. In addition, Old Mutual plc recognised a profit of £7 million on the cancellation of the put option it held in relation to 23% of the issued shares of Kotak.

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 cash consideration of £210 million, net of transaction costs. The profit on disposal was £24 million, comprising a gain of £5 million relating to the unwind of a forward currency contract used to hedge the value of the proceeds to be received and a gain of £19 million from the recycling of foreign currency reserves. Merger reserves of £104 million created on the original acquisition of Old Mutual Wealth Italy were transferred to retained earnings and became distributable. During 2016, an impairment of £46 million was incurred against the carrying value of Old Mutual Wealth Italy's goodwill to reflect the expected realisable value.

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued
A2: Significant corporate activity and business changes during the year continued

Disposals completed during the year continued

Sale of a minority stake in Credit Guarantee Insurance Company (CGIC)
On 1 April 2017, Emerging Markets completed the sale of 25% of CGIC to Atradius N.V. for R494 million (£29 million). A gain on disposal of R280 million (£17 million) was recognised directly in equity on completion of the sale.

Disposals announced during the year, but not yet completed

Sale of the Single Strategy asset management business of Old Mutual Wealth
On 19 December 2017, the Group announced that it has agreed to sell the Old Mutual Wealth Single Strategy asset management business to a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of the Single Strategy management team, for an expected total consideration of in the region of £600 million, comprising cash consideration of £570 million payable on or before completion, with approximately £30 million anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from Old Mutual Wealth is released in the business. This deferred consideration is not subject to performance conditions.

The proposed transaction is subject to customary closing conditions, including regulatory approvals. At 31 December 2017, the related assets and liabilities have been classified as held for sale. Refer to note A4 for more information.

Financing activities completed during the year

Emerging Markets
On 20 November 2017, Old Mutual Insure issued R500 million Unsecured Subordinated Callable Floating Rate Notes under its R1 billion Unsecured Subordinated Callable Note Programme. Interest is payable at a floating rate of 3 Month JIBAR plus 209 bps on 22 February, 22 May, 22 August and 22 November each year until 22 November 2022. From this date, the floating rate increases to 3 Month JIBAR plus 313.5 bps until the final maturity date of 22 November 2027. The first interest payment date is 22 February 2018.

Nedbank
On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme. Interest is payable quarterly in arrears at a floating rate of 3 Month JIBAR plus 5.65%. The first interest payment date is 1 October 2017 and the first call date in 1 July 2022.

Old Mutual plc
On 24 November 2017, Old Mutual plc repurchased £389 million of its outstanding £450 million 7.875 per cent subordinated debt securities (Tier 2 subordinated 2025 securities) and £159 million of its outstanding £500 million 8 per cent subordinated debt securities (Tier 2 subordinated 2021 securities) through tender offers. All repurchased securities were cancelled on 24 November 2017. Following cancellation of these securities, the aggregate principal amounts outstanding of the £450 million securities was £61 million and the aggregate principal amount outstanding of £500 million securities was £341 million. The difference of £102 million between the cash paid to repurchase and redeem £389 million of Tier 2 subordinated 2025 securities and £159 million nominal of Tier 2 subordinated 2021 securities and the IFRS book value of this debt at the date of repurchase has been recognised in profit or loss. Refer to note D6 and note G7 for more information.

On 3 February 2017, Old Mutual plc repurchased all of the £273 million Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. In addition to repaying the nominal value of the securities, £29 million was paid to holders of the securities for accrued interest and a premium in excess of nominal value. The premium was recognised directly in equity.

Other activities during the year

Old Mutual plc Legacy Pension Schemes

During the year, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements resulted in the buy-in of the benefits of the two schemes with effect from 13 June 2017. This was converted to a full buy-out into individual annuity policies in October 2017 and wind-up of both schemes completed on 30 November 2017.

In order to effect the transaction, Old Mutual plc made a one off contribution of £27 million into the two schemes, which together with derecognising of the combined existing surplus for the schemes, resulted in a £57 million charge in the consolidated statement of comprehensive income.

Old Mutual plc no longer has any liability in respect of these two schemes, including administration and funding. Old Mutual plc had previously been contributing £7 million of cash funding annually to the two schemes.

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 2016. The significant accounting policies are described in the relevant notes.

In the current year, the Group applied significant judgement determining whether Nedbank and Old Mutual Wealth should be classified as discontinued operations and as assets and liabilities held for sale and distribution. However, these classifications did not have any valuation impact on the underlying assets and liabilities. Refer to note A4 for more information.

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	K	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 and joint ventures	I1	I1/I2/I3
Tax	D1	D1/H7/J4

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued

A4: Discontinued operations and disposal groups held for sale

The Group announced at its preliminary results announcement in 2016, and in various subsequent updates, that the long-term interests of its shareholders and other stakeholders would be best served by a managed separation of the Group into its four constituent businesses:

- Emerging Markets, the South African incorporated emerging markets financial services business with a focus on Africa;
- Nedbank Limited (Nedbank), the South African incorporated retail and corporate bank with a significant presence in Africa;
- Old Mutual Wealth, the UK incorporated wealth and asset management business; and
- OM Asset Management plc (OMAM), the US incorporated asset management business.

As described in note A2, the disposal of the majority of the Group's shareholding in OMAM was completed on 18 November 2017 and managed separation of the other businesses is planned to be achieved through the execution of the following remaining steps:

- the distribution of the Old Mutual Wealth shares to existing Old Mutual shareholders and the listing of Old Mutual Wealth, which it is intended will incorporate a secondary public offering. Old Mutual Wealth will have a premium listing on the LSE and a secondary listing on the JSE.
- the creation of a new South African holding company, Old Mutual Limited (OML), which will acquire Old Mutual plc (consisting primarily of Emerging Markets and Nedbank pursuant to a scheme of arrangement under UK law).
- the distribution of the OML shares to existing Old Mutual plc shareholders and the listing of OML. OML will be primary listed on the JSE with a standard listing on the LSE and secondary listings on the ZSE, NSX and MSE.
- after the listing of OML and a period thereafter to allow for the share register to settle, OML anticipates unbundling (in terms of SA law) to its shareholders a significant portion of its shareholding in Nedbank, whilst retaining a strategic minority interest. Nedbank is primary listed on the JSE and secondary listed on the NSX.

Nedbank and Old Mutual Wealth comprised two of the Groups reported segments. In anticipation of the execution of the Group's managed separation strategy through distribution of Old Mutual Wealth shares and the planned subsequent distribution of a significant portion of the Group's stake in Nedbank (resulting in the probable loss of control of these businesses), the Group's entire interests in the assets and liabilities of these businesses have been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. In addition, these businesses have been presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017, as required by IFRS. Comparative information have been re-presented accordingly.

This judgement was done based on the facts and circumstances which existed at 31 December 2017 when the Directors made a formal assessment of whether the businesses should be classified as held for distribution. It was determined that although a number of minor internal reorganisations remained to be implemented, as at 31 December 2017, the businesses in their current state could have been distributed. The Directors considered that it was highly probable that the Nedbank and Old Mutual Wealth business would be distributed within a period of twelve months based on interactions with South African and UK regulators, positive interactions with the relevant tax authorities and interactions with the South African government. The Directors have also taken into account the likelihood of the Court approval of the scheme in concluding that the businesses should be classified as held for distribution.

Note that following the planned distribution of Nedbank shares, the Group will revalue its residual associate interest at the market value prevailing at the time and will commence equity accounting of its interest as a continuing operation from that date.

The phased reduction of the Group's majority stake in OMAM began in 2016. 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). As a consequence of the plans to dispose of these businesses, IAM was classified as held for sale in the consolidated statement of financial position at 31 December 2016. In addition IAM was presented as a discontinued operation in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016, as required by IFRS. From 18 November 2017, the Group's remaining 0.0008% stake in OMAM was accounted at fair value within investments and securities. More information about the accounting treatment following each tranche of the sell down of the Groups stake in OMAM can be found in note B1.

Further information on discontinued operations is provided in note A4.1 and further information on assets and liabilities classified as held for sale and distribution is provided in note A4.2. Due to the material contribution of Nedbank and Old Mutual Wealth to the Group's consolidated financial statements, the Group elected to present disclosures of certain material assets and liabilities classified as held for distribution within the respective notes that they relate to. Information on other held for sale assets and liabilities have been included in note A4.2.2.

A4.1: Discontinued operations

The following tables present the income statement from discontinued operations, after the elimination of intercompany transactions (note A4.1(a)), the statement of comprehensive income from discontinued operations (note A4.1(b)) and net cash flows from discontinued operations (note 4.1(c)) for the year ended 31 December 2017. Comparative information for the year ended 31 December 2016 has been re-presented as required by IFRS.

(a) Income statement from discontinued operations

	Notes	Year ended 31 December 2017	£m Year ended 31 December 2016
Revenue			
Gross earned premiums		**148**	142
Outward reinsurance		**(87)**	(84)
Net earned premiums		**61**	58
Investment return (non-banking)		**5,174**	6,446
Banking interest and similar income		**4,382**	3,677
Banking trading, investment and similar income		**283**	241
Fee and commission income, and income from service activities		**2,577**	2,570
Other income		**12**	42
Total revenue		**12,489**	13,034
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(155)**	(199)
Reinsurance recoveries		**139**	169
Net claims and benefits incurred		**(16)**	(30)
Change in investment contract liabilities		**(4,308)**	(5,671)
Credit impairment charges		**(193)**	(228)
Finance costs		**(6)**	(6)
Banking interest payable and similar expenses		**(2,731)**	(2,311)
Fee and commission expenses, and other acquisition costs		**(361)**	(409)
Change in third-party interest in consolidated funds		**(644)**	(574)
Other operating and administrative expenses		**(2,988)**	(2,773)
Total expenses		**(11,247)**	(12,002)
Share of associated undertakings' and joint ventures' (losses)/profits after tax		**(45)**	5
Profit on disposal of subsidiaries, associated undertakings and strategic investments		**24**	6
Profit before tax from discontinued operations		**1,221**	1,043
Income tax expense	D1(e)	**(340)**	(362)
Profit after tax from discontinued operations		**881**	681
Attributable to:			
Equity holders of the parent		**524**	394
Non-controlling interests			
Ordinary shares		**323**	265
Preferred securities		**34**	22
Profit after tax from discontinued operations		**881**	681

Financials

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued
A4: Discontinued operations and disposal groups held for sale continued

A4.1: Discontinued operations continued
(b) Statement of comprehensive income from discontinued operations

		£m
	Year ended 31 December 2017	Year ended 31 December 2016
Profit after tax from discontinued operations	**881**	681
Items that will not be reclassified subsequently to profit or loss		
Fair value movements – property revaluation	**11**	1
Net measurement gains/(losses) on defined benefit plans	**31**	(21)
Income tax on items that will not be reclassified to profit or loss	**(9)**	6
	33	(14)
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments – fair value gains/(losses)	**1**	(4)
Currency translation differences/exchange differences on translating foreign operations	**(75)**	(148)
Share of other comprehensive income of investments accounted for using the equity method	**43**	(1)
Other movements	**3**	(15)
	(28)	(168)
Total other comprehensive income for the financial year from discontinued operations	**5**	(182)
Total comprehensive income for the financial year from discontinued operations	**886**	499
Attributable to:		
Equity holders of the parent	**528**	290
Non-controlling interests		
Ordinary shares	**324**	187
Preferred securities	**34**	22
	886	499

(c) Net cash flows from discontinued operations

		£m
	Year ended 31 December 2017	Year ended 31 December 2016
Operating activities	**6,076**	4,190
Investing activities	**(5,285)**	(4,330)
Financing activities[1]	**(195)**	466
Net cash flows from discontinued operations	**596**	326

1 Excludes dividend and financing payments made with Old Mutual plc.

A4.2: Assets and liabilities held for sale and distribution

The following table presents detail of the assets and liabilities that have been classified as held for sale and distribution at 31 December 2017. More information on material assets and liabilities held for distribution can be found in the notes to which they relate and information on other held for sale assets and liabilities can be found in note A4.2.2. Accounting standards do not require comparative periods to be re-presented for assets and liabilities classified as held for sale and distribution. The comparative information at 31 December 2016 as presented in the consolidated statement of financial position therefore includes the assets and liabilities of the Group on a line-by-line basis. Note A4.2 should be read in conjunction with the consolidated statement of financial position to obtain a comparable view of the Group's assets and liabilities at 31 December 2017.

At 31 December 2017								£m
		Held for distribution		Held for sale				
	Notes	Nedbank	Old Mutual Wealth	Emerging Markets	Nedbank	Old Mutual Wealth	Elimination of intra-segment balances	Total
Assets								
Goodwill and other intangible assets	H1	664	1,201	–	–	198	–	2,063
Mandatory reserve deposits with central banks		1,147	–	–	–	–	–	1,147
Property, plant and equipment		531	18	–	23	–	–	572
Investment property		–	–	43	–	–	–	43
Deferred tax assets	H7(a)	11	22	–	–	9	–	42
Investments in associated undertakings and joint ventures		401	3	–	–	–	–	404
Deferred acquisition costs	H3	–	555	–	–	4	–	559
Reinsurers' share of policyholder liabilities	G6.1	6	2,908	–	–	–	–	2,914
Loans and advances	G1.1	42,391	199	–	–	–	(23)	42,567
Investments and securities	G2.1	9,468	64,350	–	–	–	–	73,818
Current tax receivable		13	–	–	–	–	–	13
Trade, other receivables and other assets		1,044	499	–	–	204	(128)	1,619
Derivative financial instruments	G4.1	1,785	87	–	–	–	(30)	1,842
Cash and cash equivalents		1,009	1,970	–	–	147	(126)	3,000
Total assets		58,470	71,812	43	23	562	(307)	130,603
Liabilities								
Life insurance contract liabilities	G6.1	136	489	–	–	–	–	625
Investment contract liabilities	G6.1	1,082	59,139	–	–	–	–	60,221
Third-party interests in consolidated funds		–	7,605	–	–	–	–	7,605
Borrowed funds	G7.1	3,078	–	–	–	–	(47)	3,031
Provisions and accruals	H5	–	104	–	–	–	–	104
Deferred revenue	H6	–	214	–	–	–	–	214
Deferred tax liabilities	H7(b)	38	200	–	–	–	–	238
Current tax payable		15	38	–	–	33	–	86
Trade, other payables and other liabilities		1,425	1,334	–	–	186	(662)	2,283
Amounts owed to bank depositors	G8.1	46,047	–	–	–	–	(281)	45,766
Derivative financial instruments	G4.1	1,395	433	–	–	–	(33)	1,795
Inter-segment funding – liabilities		–	782	–	–	–	(782)	–
Total liabilities		53,216	70,338	–	–	219	(1,805)	121,968
Net assets		5,254	1,474	43	23	343	1,498	8,635

Group financial statements

Notes to the consolidated financial statements continued

A: Significant accounting policies continued

A4: Discontinued operations and disposal groups held for sale continued

A4.2: Assets and liabilities held for sale and distribution continued

The following table show the assets and liabilities that have been classified as held for sale at 31 December 2016. Refer to note A4.2.2 for more information:

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	3	17	1	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	119	17	6,475	1,959	8,570
Liabilities					
Life insurance contract liabilities	–	–	10	–	10
Investment contract liabilities	–	–	6,154	–	6,154
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
Net assets	118	17	211	1,178	1,524

A4.2.1: Impairment testing relating to the assets held for sale and distribution

At 31 December 2017, no impairment losses have been recognised for the Nedbank and Old Mutual Wealth businesses, which have been classified and presented as discontinued operations in the consolidated income statement and as held for distribution in the consolidated statement of financial position in terms of the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. This reflects the fact that fair value less cost to distribute of each business was determined to be in excess of the carrying value of each business at 31 December 2017.

The fair value less cost to distribute of Nedbank was determined by reference to its quoted market price and the ZAR/GBP foreign exchange rate as at 31 December 2017. At 31 December 2017, the fair value less cost to distribute exceeded the carrying value of Nedbank. The Group therefore concluded that goodwill and other intangible assets related to the Nedbank are not impaired. The fair value less cost to distribute of Old Mutual Wealth is not observable in a quoted active market and accordingly it has been determined by reference to external broker valuation reports and an internal valuation performed for goodwill impairment testing. As such, the conclusion of this matter has required significant judgement and the use of estimates.

At 31 December 2017, the Group has concluded that the fair value less costs to distribute exceeded the carrying value of Old Mutual Wealth and therefore no impairment losses of goodwill and other intangible assets have been recognised.

In addition, no other impairments for property, plant and equipment, investment properties or other intangible assets have been recognised as a result of classifying these businesses as held for distribution.

A4.2.2: Analysis of other held for sale assets and liabilities

The following provides details of other significant held for sale assets and liabilities not analysed elsewhere in these consolidated financial statements:

Emerging Markets

Current and prior year

At 31 December 2017, Emerging Markets classified as held for sale investment properties with a carrying value of £43 million (December 2016: £116 million) as it is expected that they will be sold within 12 months of the reporting date. Transfer of these properties is expected to complete within the next 12 months of the reporting date.

Nedbank

Current and prior year

Following an internal review of its own office space requirements, at 31 December 2017, Nedbank classified as held for sale buildings with a carrying value of £23 million (2016: £17 million) that are no longer required and which are being marketed for sale.

Old Mutual Wealth

On 19 December 2017, the Group announced that it has agreed to sell the Single Strategy asset management business of Old Mutual Wealth to the Single Strategy Management team and funds managed by TA Associates. The proposed transaction is subject to customary closing conditions, including regulatory approvals and conditions relating to the transfer of the Multi-asset business to be retained by Old Mutual Wealth. At 31 December 2017, the related assets and liabilities have been classified as held for sale. Refer to note A2 for more information.

No impairment loss was recognised in profit or loss for the year ended 31 December 2017, as the expected net proceeds of in the region of £600 million is in excess of the fair value of less cost to sell.

Prior year

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. The principal financial assets and liabilities included within these amounts 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.

A goodwill impairment loss of £46 million was recognised in profit or loss for the year ended 31 December 2016 as the net asset value of the business exceeded the net proceeds. The sale was completed on 9 January 2017.

Institutional Asset Management

Current and prior year

On 9 March 2016, the Group announced its managed separation strategy, which included the phased reduction of its majority stake in OM Asset Management plc (OMAM), part of the Institutional Asset Management segment. As such, the assets and liabilities of OMAM were classified as held for sale at 31 December 2016.

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 therefore concluded that the goodwill related to OMAM was not impaired.

At 31 December 2017, the Group held 1,000 shares in OMAM. Refer to note A2 for more information.

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued

A5: Liquidity analysis of the consolidated statement of financial position

The Group's consolidated 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 consolidated statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

The following consolidated 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).

A6: Standards, amendments to standards, and interpretations adopted in the 2017 annual financial statements

The following amendments to the accounting standards, issued by the IASB and endorsed by the EU, have been adopted by the Group from 1 January 2017 with no material impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IAS 12 'Income Taxes', recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017
- Amendments to IAS 7 'Statement of Cash Flows', disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- Amendments to IFRS 12 'Disclosure of Interests in other entities' (part of Improvements to IFRS 2014 to 2016 Cycle).

A7: Future standards, amendments to standards and interpretations not early-adopted in the 2017 annual financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

- IFRS 9: 'Financial Instruments'
- IFRS 15: ‘Revenue from Contracts with Customers’
- IFRS 16: ‘Leases’
- IFRS 17: ‘Insurance Contracts’

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

One of the Group's associate investments, ETI, held by its' 55% percent subsidiary, Nedbank, will report results for the year ended 31 December 2017 subsequent to the release of the Group's audited consolidated financial statements. As allowed by IAS 28, the Group uses ETI's most recent public information (the quarter ended 30 September 2017) to determine its share of ETI's earnings. As ETI's most recent public information does not include the transitional impact of IFRS 9 and IFRS 15, the Group's disclosure of the transitional impact of these standards excludes our share of ETI's transitional impact.

IFRS 9 'Financial Instruments'

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 and will be implemented by the Group from 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. IFRS 7's enhanced disclosure requirements, as a result of the adoption if IFRS 9, will result in improved credit risk disclosures and increased transparency with respect to impairment judgements and estimates.

The business that is most impacted by the implementation of IFRS 9 is Nedbank, which has been classified as held for distribution at 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9. Furthermore, on the adoption of IFRS 9, the Group has adopted the amendment to IFRS 9 'Prepayment Features with Negative Compensation'.

Classification and measurement

Financial assets are classified based on (i) the business model within which the financial assets are held and managed and (ii) the contractual cash flow characteristics of the financial assets, whether the cash flows represent 'solely payments 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' business model).

Financial assets are measured at fair value through other comprehensive income (FVOCI) 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' business model'). 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 is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at fair value through profit or loss (FVTPL). All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at fair value through profit or loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that 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.

For equity investments that are neither held for trading nor contingent consideration, the Group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment 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. Alternatively where the Group does not make the aforementioned election, fair value changes are recognised in profit or loss. This election is made on an investment by investment basis.

On the initial application of IFRS 9, an entity may revoke its previous designation of financial assets and financial liabilities measured at fair value through profit or loss (fair value option) with the loans being reclassified into amortised cost or FVOCI depending on the entity's business model for the asset.

Group financial statements
Notes to the consolidated financial statements continued

A: Significant accounting policies continued

A7: Future standards, amendments to standards and interpretations not early-adopted in the 2017 annual financial statements continued

IFRS 9 'Financial Instruments' continued

Impairments
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 IFRS 9 impairment implementation progressed during 2017. The following were the main areas of focus for 2017:

- Finalisation of the IFRS 9 impairment model methodology
- Implementation of an IT framework facilitating efficient model execution and management
- Development, build and testing of IFRS 9 impairment models with respect to a substantial portion of the Group's portfolios, leveraging off the aforementioned IT framework; and
- Documentation and implementation of the relevant control environment and related governance processes.

Transitional impact
The implementation of the IFRS 9 ECL requirements increases balance sheet impairments, predominantly in loans and advances, at 1 January 2018 by approximately £244 million with reserves decreasing by approximately £176 million on an after-tax basis. The following areas will continue to receive attention as the implementation of IFRS 9 progresses during the 2018 financial reporting period:

- The embedding of the IT framework into the operations of the business
- Further refinement of certain models
- the documentation; implementation of the relevant control environment and related governance processes
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Observing local and international industry trends with respect to IFRS 9 adoption.

The majority of the impact of the adoption of IFRS 9 ECL requirements will be in Nedbank, which is the Group's 55% owned subsidiary. Nedbank has reported that they are expecting increases in balance sheet impairments at 1 January 2018 by approximately £190 million with reserves decreasing by approximately £137 million on an after-tax basis.

The impact on reserves of the new impairment requirements is management's best estimate and this could change when the financial statements are presented for the year ending 31 December 2018.

The Group has implemented the following classification and measurement changes on adoption of IFRS 9:

- Revocation of the fair value through profit or loss designation for certain loans and advances, amounts owed to depositors and long-term debt instruments to facilitate the implementation of macro fair-value hedge accounting of interest rate risk and hedge accounting of inflation risk. It is anticipated that the aforementioned changes will reduce accounting volatility experienced with respect to fair value through profit or loss accounting;
- Classified certain debt instruments as Fair Value through Profit or loss in order to eliminate or significantly reduce an accounting mismatch;
- Reclassified certain loans from amortised cost including the IFRS 9 ECL impact above to FVOCI and FVTPL due to the Group's business models for the affected portfolios; and
- Reviewed the effective interest rate calculation for certain loans based on the additional guidance provided in IFRS 9.

The current estimates of the impact of the implementation of the IFRS 9 classification and measurement requirements decreases reserves at 1 January 2018 by approximately £27 million, £12 million of which relating to the businesses classified as held for distribution and £15 million relating to the continuing businesses.

Ongoing work is continuing in the group to finalise the implementation of classification and measurement. Therefore, these estimates are based on current information available and accounting policies, assumptions, judgements and estimation techniques which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

The impact of the adoption in the standards is not expected to result in the capital ratios of the businesses being below their statutory minimum.

IFRS 15 'Revenue from Contracts with Customers'

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 clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective and will be implemented by the Group from 1 January 2018. The Group has applied the standard retrospectively with the cumulative effect of initial application recognised in opening retained earnings at 1 January 2018 and accordingly the Group will not restate comparative figures.

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 client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

Nedbank performed an assessment to determine the impact of the new standard on the Group's statement of financial position and performance, which has to date resulted in the measurement of the Group's customer loyalty programmes being reviewed.

Nedbank has concluded that loyalty points awarded to clients represent consideration payable to our customer's customer in terms of IFRS 15's guidance. IFRS 15 requires revenue to be decreased by the amount expected to be payable to customers, which is recognised as a liability until payment is affected. The liability for the amount expected to be paid to customers under the loyalty programme increases by approximately £18 million on transition and £13 million on an after-tax basis.

Based on a high level evaluation by the other businesses the Group has assessed that there should be no material impacts on the adoption of the standard although this work, principally in the asset management business, is ongoing.

IFRS 16 'Leases'

IFRS 16 'Leases' (IFRS 16) was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019. All of the Group's businesses will be impacted by the adoption of IFRS 16.

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 or 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 and which transitional approach it will follow.

IFRS 17 'Insurance Contracts'

The IASB issued IFRS 17 'Insurance Contracts' (IFRS 17) in May 2017 as a replacement for IFRS 4 Insurance Contracts. The adoption of this standard will primarily impact the Emerging Markets and Old Mutual Wealth businesses.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts or investment contracts with discretionary participation features.

The Group will commence assessing the impact of IFRS 17 during 2018.

Group financial statements
Notes to the consolidated financial statements continued

B: Segment information
B1: Basis of segmentation
Segment presentation
Composition of segments
The Group's reported segments are Emerging Markets, Nedbank, Old Mutual Wealth, Institutional Asset Management (IAM) 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). In determining the Group's adjusted operating profit (AOP), all these businesses have been classified as core operations for all reporting periods. For all reporting periods, Old Mutual Bermuda is classified as non-core in determining the Group's AOP.

For the years ended 31 December 2017 and 31 December 2016, Emerging Markets and plc Head Office and Old Mutual Bermuda have been classified as continuing operations in the IFRS consolidated income statement, while Nedbank and Old Mutual Wealth have been classified as discontinued operations for the years ended 31 December 2017 and 31 December 2016. IAM was classified as a discontinued operation in the IFRS consolidated income statement for the year ended 31 December 2016. The classification of these businesses as discontinued operations is consistent with the requirements of IFRS, given the Group's stated strategic intentions.

Nedbank and Old Mutual Wealth have further been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. IAM was classified as held for sale at 31 December 2016. Refer to note A4 for more information.

Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.

Segmental treatment of businesses classified as discontinued operations
Consistent with the Group's AOP policy as described in the basis of preparation of adjusted operating profit on page 145, the Group has continued to recognise Nedbank, Old Mutual Wealth's and IAM operating results within the Group's AOP despite these businesses being classified as discontinued operations in the IFRS consolidated income statement. The results of IAM have been included in 2016 and 2017 to the extent that it was a subsidiary or an associate.

During the year, the Group sold down its holding in IAM through a number of separate transactions which were completed on 18 November 2017. As a result of these transactions the IAM operating segment for the year ended 31 December 2017 includes the consolidated operating results of OMAM for the period from 1 January 2017 to 19 May 2017, at which time Group ceased to have a controlling interest, and exerted significant influence over OMAM. Consistent with accounting guidance applicable where an associate investment is classified as held for sale, the Group's remaining investment in OMAM was recorded as an investment in securities from 19 May 2017 to 30 June 2017. From 1 July 2017 to 18 November 2017, the Group's remaining interest in OMAM was reflected as an investment in securities. On 18 November 2017, the Group's stake in OMAM further reduced to 1,000 shares which are currently recorded as investments and securities within the plc Head Office segment. Refer to note A2 for more information. The operating result of IAM for the year ended 31 December 2016 also includes Rogge Global Partners Limited up to the date of disposal on 31 May 2016. Amendments to the segmental basis of preparation of AOP during the year.

The long-term investment return on excess assets, previously shown within plc Head Office segment is now included in AOP of the Emerging Markets segment for all periods. This is consistent with where the excess assets are managed and will be managed in the future. Comparative information in the adjusted operating profit statement – segment information for the year ended 31 December 2016 has been re-presented accordingly.

Effective 1 January 2017, management of Old Mutual Life Assurance Company (South Africa) Limited offshore branches and OMI-Guernsey, previously reported in the Old Mutual Wealth segment, have been transferred to Emerging Markets as part of the execution of the Group's managed separation strategy. Comparative information in the consolidated statement of financial position – segment information at 31 December 2016 (note B4) has been re-presented by transferring total assets of £2,237 million and total liabilities of £2,208 million, from Old Mutual Wealth to Emerging Markets. The operating results of these segments have not been re-presented in 2016 as the income statement impact is considered not material. These changes did not affect the total equity, adjusted operating profit or profit after tax of the Group as previously reported.

Other changes in segmental presentation
During 2017 the Group performed a further analysis of the investment and securities held by consolidated investment funds which resulted in the identification of 64 million Old Mutual plc shares at 31 December 2017 (2016: 61 million; 2015: 51 million shares) held by these funds. These shares in Old Mutual plc have been treated as treasury shares and consequentially resulted in a direct decrease in the value of equity and the value of investment and securities of £163 million (2016: £145 million). Comparative information in the consolidated statement of financial position, consolidated statement of changes in equity and Comparative information in the consolidated statement of financial position – segment information at 31 December 2016 (note B4) have been restated accordingly. An opening adjustment of £116 million was recognised directly in reserves at 1 January 2016. The consolidated income statement for the year ended 31 December 2016 has not been restated as the impact is considered to be not material.

The consolidated income statement for the year ended 31 December 2016 has been restated for the reallocation of other operating and administrative expenses to fee and commission expenses, and other acquisition costs. This restatement had no impact on the net assets or equity attributable to ordinary equity holders of the Group.

Assessment of performance
The Group's segmental results are analysed and reported on a basis consistent with the way that management and the Board 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.

Revenues generated by the segments
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 (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, continuing businesses:
- Emerging Markets – life assurance, property & casualty, asset management and banking

Core operations, discontinued businesses:
- Nedbank – banking, asset management and life assurance
- Old Mutual Wealth – life assurance and asset management
- Institutional Asset Management – asset management

Non-core operations, continuing businesses:
Old Mutual Bermuda – life assurance

Financials

B2: Gross earned premiums and deposits to investment contracts

Year ended 31 December 2017	**£m Emerging Markets**
Life insurance contracts	**1,639**
Life assurance – investment contracts with discretionary participation features	**1,645**
Property & casualty	**941**
Gross earned premiums	**4,225**
Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits	**1,887**

Year ended 31 December 2016 (Re-presented)[1]	£m Emerging Markets
Life insurance contracts	1,393
Life assurance – investment contracts with discretionary participation features	1,525
Property & casualty	808
Gross earned premiums	3,726
Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits	1,656

1 The year ended 31 December 2016 has been re-presented to reflect Old Mutual Wealth as a discontinued operation. Refer to note A4 for more information.

Group financial statements

Notes to the consolidated financial statements continued

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2017

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	**4,225**	**–**
Outward reinsurance		**(391)**	**–**
Net earned premiums		**3,834**	**–**
Investment return (non-banking)	D2	**4,804**	**–**
Banking interest and similar income	D3	**256**	**4,382**
Banking trading, investment and similar income	D4	**6**	**283**
Fee and commission income, and income from service activities	D5	**690**	**1,101**
Other income		**117**	**24**
Total revenue[2]		**9,707**	**5,790**
Expenses			
Claims and benefits (including change in insurance contract provisions)		**(5,417)**	**–**
Reinsurance recoveries		**315**	**–**
Net claims and benefits incurred		**(5,102)**	**–**
Change in investment contract liabilities		**(1,770)**	**–**
Credit impairment charges		**(42)**	**(193)**
Finance costs	D6	**(42)**	**–**
Banking interest payable and similar expenses	D7	**(75)**	**(2,731)**
Fee and commission expenses, and other acquisition costs	D8	**(526)**	**(9)**
Change in third-party interest in consolidated funds		**–**	**–**
Other operating and administrative expenses	D9	**(1,302)**	**(1,845)**
Income tax attributable to policyholder returns		**(81)**	**–**
Total expenses		**(8,940)**	**(4,778)**
Share of associated undertakings' and joint ventures' profits/(losses) after tax	I2(a)	**10**	**(49)**
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**–**	**–**
Adjusted operating profit/(loss) before tax and non-controlling interests		**777**	**963**
Income tax expense	D1(a)	**(214)**	**(244)**
Non-controlling interests		**(27)**	**(351)**
Adjusted operating profit/(loss) after tax and non-controlling interests		**536**	**368**
Adjusting items after tax and non-controlling interests	C1(a)	**58**	**7**
Profit/(loss) after tax from continuing operations		**594**	**375**
Profit from discontinued operations after tax	A4.1	**–**	**–**
Profit/(loss) after tax attributable to equity holders of the parent		**594**	**375**

1 The Basis of preparation, in note B1, explains the amendments to the segmental basis of preparation of AOP, the composition of the segments and the segmental treatment of businesses classified as discontinued operations

2 Included within total revenue prior to consolidation adjustments are the following amounts derived from inter-segment trading: Emerging Markets: £73 million (2016: £75 million); Nedbank: £11 million (2016: £9 million); Old Mutual Wealth: £5 million (2016: £2 million) and Institutional Asset Management: £2 million (2016: £6 million).

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Consolidation adjustments[1]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[1]	Discontinued operations[1]	IFRS Income statement
148	–	–	–	4,373	–	–	(148)	4,225
(87)	–	–	–	(478)	–	–	87	(391)
61	–	–	–	3,895	–	–	(61)	3,834
4,425	6	6	1,390	10,631	46	(26)	(5,174)	5,477
–	–	–	–	4,638	–	–	(4,382)	256
–	–	–	–	289	–	–	(283)	6
1,276	207	–	(12)	3,262	(12)	–	(2,577)	673
(2)	–	–	(17)	122	–	–	(12)	110
5,760	213	6	1,361	22,837	34	(26)	(12,489)	10,356
(155)	–	–	–	(5,572)	–	67	155	(5,350)
139	–	–	–	454	–	–	(139)	315
(16)	–	–	–	(5,118)	–	67	16	(5,035)
(4,308)	–	–	–	(6,078)	–	–	4,308	(1,770)
–	–	–	–	(235)	–	–	193	(42)
–	(6)	(66)	–	(114)	(126)	–	6	(234)
–	–	–	–	(2,806)	–	–	2,731	(75)
(295)	(5)	–	(70)	(905)	20	–	361	(524)
–	–	–	(1,309)	(1,309)	–	–	644	(665)
(712)	(147)	(70)	18	(4,058)	(491)	(15)	2,988	(1,576)
(66)	–	–	–	(147)	147	–	–	–
(5,397)	(158)	(136)	(1,361)	(20,770)	(450)	52	11,247	(9,921)
–	9	–	–	(30)	(6)	–	45	9
–	–	–	–	–	197	–	(24)	173
363	64	(130)	–	2,037	(225)	26	(1,221)	617
(44)	(18)	43	–	(477)	(101)	(2)	340	(240)
–	(20)	–	–	(398)	49	–	–	(349)
319	26	(87)	–	1,162	(277)	24	(881)	28
(220)	(14)	(84)	(24)	(277)	277	–	–	–
99	12	(171)	(24)	885	–	24	(881)	28
–	–	–	–	–	–	–	881	881
99	12	(171)	(24)	885	–	24	–	909

Financials

Group financial statements
Notes to the consolidated financial statements continued

B: Segment information continued

B3: Adjusted operating profit statement – segment information for the year ended 31 December 2016 (Restated)[1]

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	3,726	–
Outward reinsurance		(314)	–
Net earned premiums		3,412	–
Investment return (non-banking)	D2	1,834	–
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		6,141	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		(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	(430)	(8)
Change in third-party interest in consolidated funds		–	–
Other operating and administrative expenses	D9	(1,035)	(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(a)	10	(6)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	–	–
Adjusted operating profit/(loss) before tax and non-controlling interests		639	799
Income tax expense	D1(a)	(170)	(199)
Non-controlling interests		(17)	(288)
Adjusted operating profit/(loss) after tax and non-controlling interests		452	312
Adjusting items after tax and non-controlling interests	C1(a)	(100)	(30)
Profit/(loss) after tax from continuing operations		352	282
Profit from discontinued operations after tax	A4.1	–	–
Profit/(loss) after tax attributable to equity holders of the parent		352	282

1 The Basis of preparation, in note B1, explains the amendments to the segmental basis of preparation of AOP, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Consolidation adjustments[1]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[1]	Discontinued operations[1]	£m IFRS Income statement
142	–	–	–	3,868	–	–	(142)	3,726
(84)	–	–	–	(398)	–	–	84	(314)
58	–	–	–	3,470	–	–	(58)	3,412
5,827	–	34	712	8,407	(69)	(13)	(6,446)	1,879
–	–	–	–	3,906	–	–	(3,677)	229
–	–	–	–	255	–	–	(241)	14
1,168	500	–	(26)	3,152	(17)	–	(2,570)	565
11	1	–	5	105	–	–	(42)	63
7,064	501	34	691	19,295	(86)	(13)	(13,034)	6,162
(199)	–	–	–	(3,706)	–	24	199	(3,483)
169	–	–	–	391	–	–	(169)	222
(30)	–	–	–	(3,315)	–	24	30	(3,261)
(5,671)	–	–	–	(6,216)	–	–	5,671	(545)
–	–	–	–	(272)	–	–	228	(44)
–	(6)	(88)	–	(127)	(7)	–	6	(128)
–	–	–	–	(2,401)	–	–	2,311	(90)
(392)	(9)	–	(19)	(858)	24	–	409	(425)
–	–	–	(691)	(691)	–	–	574	(117)
(617)	(356)	(118)	19	(3,619)	(407)	(16)	2,773	(1,269)
(94)	–	–	–	(144)	144	–	–	–
(6,804)	(371)	(206)	(691)	(17,643)	(246)	8	12,002	(5,879)
–	11	–	–	15	–	–	(5)	10
–	–	–	–	–	19	–	(6)	13
260	141	(172)	–	1,667	(313)	(5)	(1,043)	306
(47)	(36)	54	–	(398)	(106)	–	362	(142)
–	(36)	–	–	(341)	66	–	–	(275)
213	69	(118)	–	928	(353)	(5)	(681)	(111)
(217)	3	(9)	–	(353)	353	–	–	–
(4)	72	(127)	–	575	–	(5)	(681)	(111)
–	–	–	–	–	–	–	681	681
(4)	72	(127)	–	575	–	(5)	–	570

Group financial statements

Notes to the consolidated financial statements continued

B: Segment information continued

B4: Consolidated statement of financial position – segment information at 31 December 2017

	Notes	Emerging Markets[2]	Nedbank
Assets			
Goodwill and other intangible assets	H1	**397**	**–**
Mandatory reserve deposits with central banks		**6**	**–**
Property, plant and equipment	H2(a)	**482**	**–**
Investment property	H2(b)	**1,904**	**–**
Deferred tax assets	H7(a)	**64**	**–**
Investments in associated undertakings and joint ventures	I2(a)	**107**	**–**
Deferred acquisition costs	H3	**185**	**–**
Reinsurers' share of policyholder liabilities	G6	**439**	**–**
Loans and advances	G1	**1,282**	**–**
Investments and securities	G2	**38,944**	**–**
Current tax receivable		**17**	**–**
Trade, other receivables and other assets	H4	**1,159**	**–**
Derivative financial instruments	G4	**242**	**–**
Cash and cash equivalents		**1,511**	**–**
Assets held for sale and distribution	A4.2	**43**	**58,492**
Inter-segment funding – assets		**–**	**–**
Total assets		**46,782**	**58,492**
Liabilities			
Life insurance contract liabilities	G6	**9,509**	**–**
Investment contract liabilities	G6	**28,928**	**–**
Property & casualty liabilities	G6	**494**	**–**
Third-party interests in consolidated funds		**–**	**–**
Borrowed funds	G7	**688**	**–**
Provisions and accruals	H5	**109**	**–**
Deferred revenue	H6	**83**	**–**
Deferred tax liabilities	H7(b)	**304**	**–**
Current tax payable		**91**	**–**
Trade, other payables and other liabilities	H8	**2,546**	**–**
Amounts owed to bank depositors	G8	**742**	**–**
Derivative financial instruments	G4	**298**	**–**
Liabilities held for sale and distribution	A4.2	**–**	**53,216**
Inter-segment funding – liabilities		**–**	**–**
Total liabilities		**43,792**	**53,216**
Net assets[1]		**2,990**	**5,276**
Equity			
Equity attributable to equity holders of the parent		**2,768**	**2,679**
Non-controlling interests		**222**	**2,597**
Ordinary shares	H10(b)(i)	**222**	**2,220**
Preferred securities	H10(b)(ii)	**–**	**377**
Total equity		**2,990**	**5,276**

1 The Basis of preparation, in note B1, explains the amendments to the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations

2 The net assets of Emerging Markets exclude £269 million (2016: £258 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.

				£m
Old Mutual Wealth	plc Head Office[1]	Non-core operation	Consolidation adjustments[1]	Total
–	–	–	–	397
–	–	–	–	6
–	–	–	–	482
–	–	–	–	1,904
–	–	1	–	65
–	–	–	–	107
–	–	–	(1)	184
–	–	–	(187)	252
–	–	–	–	1,282
–	12	54	4,092	43,102
–	45	1	–	63
–	99	2	44	1,304
–	34	2	(33)	245
–	542	72	(289)	1,836
63,835	–	–	8,233	130,603
–	782	23	(805)	–
63,835	1,514	155	11,054	181,832
–	–	11	–	9,520
–	–	–	(188)	28,740
–	–	–	–	494
–	–	–	4,868	4,868
–	461	–	(23)	1,126
–	19	14	–	142
–	–	–	(1)	82
–	–	–	–	304
–	11	–	–	102
–	98	6	(121)	2,529
–	–	–	–	742
–	–	–	(30)	268
61,235	–	–	7,517	121,968
782	23	–	(805)	–
62,017	612	31	11,217	170,885
1,818	902	124	(163)	10,947
1,818	902	124	(163)	8,128
–	–	–	–	2,819
–	–	–	–	2,442
–	–	–	–	377
1,818	902	124	(163)	10,947

Financials

Group financial statements

Notes to the consolidated financial statements continued

B: Segment information continued

B4: Consolidated statement of financial position – segment information at 31 December 2016 (Restated)[1]

	Notes	Emerging Markets	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(a)	57	29
Investments in associated undertakings and joint ventures	I2(a)	143	388
Deferred acquisition costs	H3	179	–
Reinsurers' share of policyholder liabilities	G6	552	6
Loans and advances	G1	1,210	41,703
Investments and securities	G2	35,516	8,844
Current tax receivable		20	33
Trade, other receivables and other assets	H4	885	966
Derivative financial instruments	G4	228	1,040
Cash and cash equivalents		1,876	1,556
Assets held for sale and distribution	A4.2	119	17
Inter-segment funding – assets		–	–
Total assets		43,295	56,791
Liabilities			
Life insurance contract liabilities	G6	9,310	172
Investment contract liabilities	G6	25,720	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	73	1
Deferred tax liabilities	H7(b)	203	39
Current tax payable		100	13
Trade, other payables and other liabilities	H8	2,953	2,081
Amounts owed to bank depositors	G8	643	44,915
Derivative financial instruments	G4	295	784
Liabilities held for sale and distribution	A4.2	1	–
Inter-segment funding – liabilities		4	–
Total liabilities		40,596	51,982
Net assets		2,699	4,809
Equity			
Equity attributable to equity holders of the parent		2,484	2,476
Non-controlling interests		215	2,333
Ordinary shares	H10(b)(i)	215	1,992
Preferred securities	H10(b)(ii)	–	341
Total equity		2,699	4,809

1 The Basis of preparation, in note B1, explains the amendments to the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

Old Mutual Wealth	Institutional Asset Management	Plc Head Office[1]	Non-core operations	Consolidation adjustments[1]	Total £m
1,434	–	–	–	–	2,471
–	–	–	–	–	1,111
18	–	–	–	–	892
–	–	–	–	–	1,697
8	–	–	2	–	96
1	–	10	–	–	542
580	–	–	–	(3)	756
2,863	–	–	–	(306)	3,115
220	–	–	–	(25)	43,108
48,966	–	309	53	6,700	100,388
21	–	–	–	–	74
568	–	157	3	(163)	2,416
–	–	31	27	14	1,340
730	–	611	22	52	4,847
6,475	1,959	–	–	–	8,570
–	–	874	58	(932)	–
61,884	1,959	1,992	165	5,337	171,423
416	–	–	84	–	9,982
51,281	–	–	–	(307)	77,599
–	–	–	–	–	482
–	–	–	–	7,981	7,981
–	–	1,017	–	(89)	4,694
29	–	6	7	–	160
220	–	–	–	(4)	290
193	–	5	–	–	440
21	–	10	–	–	144
806	–	226	6	(960)	5,112
–	–	–	–	(249)	45,309
1	–	39	–	42	1,161
6,264	781	–	–	–	7,046
785	85	58	–	(932)	–
60,016	866	1,361	97	5,482	160,400
1,868	1,093	631	68	(145)	11,023
1,868	527	631	68	(145)	7,909
–	566	–	–	–	3,114
–	566	–	–	–	2,773
–	–	–	–	–	341
1,868	1,093	631	68	(145)	11,023

Group financial statements
Notes to the consolidated financial statements continued

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.

	Notes	Year ended 31 December 2017	£m Year ended 31 December 2016
(Expense)/income			
Goodwill impairment and impact of acquisition accounting	C1(b)	**(186)**	(278)
Net profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**197**	19
Short-term fluctuations in investment return	C1(d)	**125**	(26)
Investment return adjustment for Group equity and debt instruments held in policyholder and consolidated investment funds	C1(e)	**(79)**	(43)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**2**	17
Institutional Asset Management equity plans	C1(g)	**(33)**	(20)
Credit-related fair value losses on Group debt instruments	C1(h)	**(128)**	(24)
Managed separation and business standalone costs	C1(i)	**(100)**	–
Income/(expenses) from resolution of plc Head Office pre-existing items	C1(j)	**(27)**	–
Old Mutual Wealth business transformation costs	C1(k)	**(74)**	(102)
Voluntary customer remediation provision	C1(l)	**(69)**	–
Total adjusting items before tax and non-controlling interests		**(372)**	(457)
Tax on adjusting items	D1(d)	**46**	38
Non-controlling interest on adjusting items		**49**	66
Total adjusting items after tax and non-controlling interests		**(277)**	(353)

(b) Goodwill impairment and impact of acquisition accounting

The application of acquisition accounting results in deferred acquisition costs and deferred revenue existing in the acquired entity at the point of acquisition that are not recognised under IFRS. These are reversed on acquisition in the consolidated statement of financial position and are 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 businesses 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 2017	Continuing Operations			Discontinued operations		£m
	Emerging Markets	**plc Head Office**	**Nedbank**	**Old Mutual Wealth**	**Institutional Asset Management**	**Total**
Impairment of goodwill and other intangible assets	**(85)**	**–**	**–**	**(1)**	**–**	**(86)**
Amortisation of acquired PVIF	**(2)**	**–**	**–**	**(37)**	**–**	**(39)**
Amortisation of acquired deferred costs and revenue	**–**	**–**	**–**	**8**	**–**	**8**
Amortisation of other acquired intangible assets	**(13)**	**–**	**(1)**	**(39)**	**(2)**	**(55)**
Change in acquisition date provisions	**1**	**–**	**–**	**(1)**	**–**	**–**
Acquisition costs	**–**	**–**	**–**	**(12)**	**–**	**(12)**
Deferred consideration and other acquisition date provisions	**11**	**–**	**8**	**(21)**	**–**	**(2)**
	(88)	**–**	**7**	**(103)**	**(2)**	**(186)**

Year ended 31 December 2016						£m
	Continuing Operations			Discontinued operations		
	Emerging Markets	plc Head Office	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total
Impairment of goodwill and other intangible assets	(64)	–	–	(46)	–	(110)
Impairment of investment in associated undertakings	–	–	(50)	–	–	(50)
Amortisation of acquired PVIF	(3)	–	–	(45)	–	(48)
Amortisation of acquired deferred costs and revenue	–	–	–	7	–	7
Amortisation of other acquired intangible assets	(14)	–	–	(39)	(2)	(55)
Acquisition costs	–	–	–	(17)	(4)	(21)
Deferred consideration and other acquisition date provisions	6	(7)	–	–	–	(1)
	(75)	(7)	(50)	(140)	(6)	(278)

The impairment of goodwill and other intangible assets and impairment of investment in associated undertakings relate to:

Emerging Markets
Of the goodwill impairment charge of £85 million (2016: £64 million) recognised during the year, £69 million (2016: £64 million) relates to the UAP (East Africa cash generating unit) and £16 million (2016: £nil) relates to the Aiva business in Uruguay. Refer to note H1 for more information.

Old Mutual Wealth
On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy. During the year ended 31 December 2016, a goodwill impairment of £46 million was recognised being the excess of the net asset value of the business compared with the expected net proceeds. Refer to note A2 for further information.

Nedbank
For the year ended 31 December 2016 an impairment loss of £50 million was recognised in relation to Nedbank's investment in Ecobank Transnational Incorporated (ETI), an associated undertaking. No further impairment was recognised during the year ended 31 December 2017.

(c) Net profit on disposal of subsidiaries, associated undertakings and strategic investments

The net profit on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

	Notes	**Year ended 31 December 2017**	Year ended 31 December 2016 £m
Continuing operations			
Emerging Markets		**81**	3
plc Head Office		**92**	10
		173	13
Discontinued operations			
Nedbank		**–**	(12)
Old Mutual Wealth		**24**	–
Institutional Asset Management		**–**	18
Total net profit on disposal of subsidiaries, associated undertakings and strategic investments		**197**	19

Financials

Group financial statements

Notes to the consolidated financial statements continued

C: Other key performance information continued

C1: Operating profit adjusting items continued

(c) Net profit on disposal of subsidiaries, associated undertakings and strategic investments continued

Emerging Markets

Current year transactions

Sale of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)
On 13 October 2017, the Emerging Markets completed the sale of its 26% stake in Kotak Mahindra Old Mutual Life Insurance Limited (Kotak) to its joint venture partner Kotak Mahindra Bank Limited. A profit on disposal of £81 million was recognised on this transaction.

Refer to note A2 for more information.

Prior year transactions

During the year ended 31 December 2016, Emerging Markets reduced or disposed of its holdings in a number of associated undertakings resulting in a net profit on disposal of £3 million.

Plc Head Office

Current year transactions

Sale of OM Asset Management plc (OMAM)
During the year ended 31 December 2017, plc Head Office sold 58.3 million ordinary shares in OMAM through a number of separate transactions. As a consequence, the Group's effective interest in OMAM's equity decreased from 51.7% to 0.0008%. A total profit on disposal of £83 million was recognised on these transactions. Refer to note A2 for more information.

Sale of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)
Old Mutual plc recognised a profit of £7 million on the cancellation of the put option it held in relation to 23% of the issued shares of Kotak.

Other individually immaterial transactions
During the year ended 31 December 2017, plc Head Office disposed of a number of individually immaterial businesses that resulted in a total net profit on disposal of £2 million.

Prior year transactions

During the year ended 31 December 2016, plc Head Office 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.

Nedbank

Prior year transactions

On 3 October 2016, Nedbank acquired an additional 10.9% stake in Banco Unico. 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.

Old Mutual Wealth

Current year transactions

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy. A profit on disposal of £24 million, was recognised on the transaction. Refer to note A2 for more information.

Institutional Asset Management

Prior year transactions

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. A profit on disposal of £10 million was recognised reflecting the directors' assessment of the likely final amount recoverable.

During the year ended 31 December 2016, Institutional Asset Management received additional income of £8 million from earn-outs on affiliates disposed in prior periods.

(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 2017**	Year ended 31 December 2016
Emerging Markets		
Old Mutual Insure[1] (2017 & 2016: Cash: 90%; Equities: 10%)	**7.4**	7.4
Old Mutual South Africa – (2017 & 2016: Cash: 75%; Equities: 25%)	**8.0**	8.0
Rest of Africa – (2016 & 2017: Cash: 57%; Equities: 43%)	**8.5**	8.5
Old Mutual Wealth – (2017: Cash: 94%; Equities: 6%; 2016: Cash: 80%; Equities: 20%)	**1.0**	1.0

1 The long-term investment rate for Old Mutual Insure relates solely to its South African property & casualty businesses.

Analysis of short-term fluctuations in investment return

Year ended 31 December 2017			**£m**
	Emerging Markets	**Old Mutual Wealth**	**Total**
Actual shareholder investment return	**300**	**5**	**305**
Less: Long-term investment return	**173**	**7**	**180**
Short-term fluctuations in investment return	**127**	**(2)**	**125**

Year ended 31 December 2016 (Re-presented)[1]			£m
	Emerging Markets (Re-presented)[1]	Old Mutual Wealth	Total
Actual shareholder investment return	120	7	127
Less: Long-term investment return	147	6	153
Short-term fluctuations in investment return	(27)	1	(26)

1 Long-term investment return on excess assets (2016: £20 million), previously shown within the AOP of plc Head Office is now included in AOP of Emerging Markets for all periods. As a result, the related actual shareholder investment return (2016: £9 million) and short-term fluctuations in investment return (December 2016: £(11) million) on these excess assets, previously show within the AOP adjusting items of plc Head Office, are now included in the AOP adjusting items of Emerging Markets for all reporting periods.

Group financial statements
Notes to the consolidated financial statements continued

C: Other key performance information continued
C1: Operating profit adjusting items continued

(e) Investment return adjustment for Group equity and debt instruments held in policyholder and consolidated investment funds
AOP includes investment returns on policyholder investments in Group equity and debt instruments held by the Group's life funds and consolidated investment 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 of the related policyholder liability. During the year ended 31 December 2017, the investment return adjustment increased AOP by £79 million (year ended 31 December 2016: £43 million increase).

(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 £2 million for the year ended 31 December 2017 (year ended 31 December 2016: £17 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 19 May 2017, the date that OMAM was deconsolidated from the Group, these instruments were revalued, the impact of which was a loss of £33 million (year ended 31 December 2016: loss of £20 million). Refer to note A2 and note B1 for more information.

(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. Therefore they have been excluded from AOP. For the year ended 31 December 2017, due to narrowing of credit spreads, a net loss of £26 million was recognised (year ended 31 December 2016: net loss of £24 million).

The difference of £102 million between the cash paid to repurchase and redeem £389 million of Tier 2 subordinated 2025 securities and £159 million nominal of Tier 2 subordinated 2021 securities and the IFRS book value of this debt at the date of repurchase has been recognised in profit or loss.

(i) Managed separation and business standalone costs
For the year ended 31 December 2017, one-off costs related to the implementation of managed separation recognised in the IFRS income statement have been excluded from AOP on the basis that they are not representative of the operating activity of the Group. These costs relate to the wind-down of the Old Mutual plc Head Office, to capacitate the businesses in readiness to operate as standalone businesses and the execution of various transactions required to implement the managed separation strategy. They are not expected to persist in the long term as they relate to a fundamental restructuring of the Group, which is not operational in nature, rather than more routine reorganisations and project activity which would be seen as part of the usual course of business. The treatment and the disclosure of these costs as an adjusting item is also intended to make these costs more visible to the readers of the financial statements in the context of publicly disclosed estimates previously given in relation to these items.

The table below summarises the managed separation and business standalone costs incurred for the year ended 31 December 2017:

	£m Year ended 31 December 2017
Plc wind-down costs	(31)
Business standalone costs	(32)
Advisory costs	(34)
Transaction costs	(3)
Total managed separation and business standalone costs	**(100)**

AOP in prior periods has not been re-presented for managed separation and business standalone costs. The table below summarises the equivalent costs incurred during the year ended 31 December 2016, which were included in AOP:

	£m Year ended 31 December 2016
Plc wind-down costs	(8)
Business standalone costs	(5)
Transaction advisory costs	(18)
Total managed separation and business standalone costs	(31)

(j) Income/(expense) from resolution of plc Head Office pre-existing items

For the year ended 31 December 2017, income/(expense) from resolution of plc Head Office pre-existing items recognised in the IFRS income statement have been excluded from the calculation of AOP. These items relate to the crystallisation of plc Head Office pre-existing matters and the related income and costs are deemed not to be reflective of the underlying operating activity of the Group.

The table below summarises the income/(expense) from resolution of plc Head Office pre-existing items for the year ended 31 December 2017:

	£m Year ended 31 December 2017
Insurance and indemnity costs	**(27)**
Income/(expense) from resolution of plc Head Office pre-existing items	**(27)**

Expenses of £20 million were incurred on insuring and de-risking certain indemnities associated with businesses previously owned by the Group. In addition, costs of £7 million were incurred in disposing of the Group's captive insurance entitiy which covered plc Head Office and subsidiary companies.

No amounts related to the resolution of plc Head Office pre-existing items were recorded in the comparative period.

(k) 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 involved replacing many aspects of the existing UK platform, and on completion the outsourcing of associated business processing under a long-term outsourcing agreement. Contracts related to the UK Platform Transformation with IFDS and DST were ended by mutual agreement effective as of 2 May 2017. At the same time, Old Mutual Wealth announced a contract with FNZ to complete the delivery the UK Platform Transformation Programme.

Under IFRS requirements, these costs and the costs of decommissioning existing technology and migrating of services to FNZ are included in IFRS profit or loss. However, long-term costs that are directly attributable to the programme are excluded from AOP on the basis that this significant near term investment relates to a fundamental reorganisation of the business and is not reflective of the underlying costs of the business.

For the year ended 31 December 2017, platform transformation costs totalled £74 million (year ended 31 December 2016: £102 million).

(l) Voluntary customer remediation provision

As detailed in note H5, the Group has provided £69 million (2016: £nil) in respect of voluntary customer remediation following the recommendations of a thematic review by the Financial Conduct Authority (FCA). The provision has been recognised in the IFRS consolidated statement of financial position on the basis that the business is demonstrably committed to these costs. For the purposes of AOP, these costs have been excluded on the basis that they relate to redress for charges levied in the past, rather than reductions in future customer charges.

Group financial statements

Notes to the consolidated financial statements continued

C: Other key performance information continued

C2: Earnings and earnings per share

	Source of guidance	Notes	Pence Year ended 31 December 2017	Year ended 31 December 2016 (Restated)[1]
Basic earnings per share	IFRS	C2(a)	**19.3**	12.0
Diluted earnings per share	IFRS	C2(b)	**18.9**	11.7
Adjusted operating earnings per share	Group policy	C2(c)	**24.3**	19.4
Headline earnings per share	JSE Listing Requirements	C2(d)	**16.5**	14.1
Diluted headline earnings per share	JSE Listing Requirements	C2(d)	**16.1**	13.8

1 Basic, diluted, headline and diluted headline earnings per share for the year ended 31 December 2016 have been restated to reflect the consolidation adjustments related to own shares held by consolidated investment funds. Refer to note B1 for more information.

(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 consolidated related undertakings. These shares are regarded as treasury shares.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

	Notes	£m Year ended 31 December 2017	Year ended 31 December 2016 (Re-presented)[1]
Profit for the financial year attributable to equity holders of the parent from continuing operations		**385**	176
Profit for the financial year attributable to equity holders of the parent from discontinued operations	A4.1	**524**	394
Profit for the financial year attributable to equity holders of the parent		**909**	570
Dividends paid to holders of perpetual preferred callable securities, net of tax credits		**(15)**	(14)
Profit attributable to ordinary equity holders		**894**	556

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Total dividends paid to holders of perpetual preferred callable securities of £15 million for the year ended 31 December 2017 (year ended 31 December 2016: £14 million) are stated net of tax credits of £nil (year ended 31 December 2016: £3 million).

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 2017	Year ended 31 December 2016 (Restated)[1]
Weighted average number of ordinary shares in issue	**4,931**	4,929
Shares held in charitable foundations and trusts	**(21)**	(21)
Shares held in ESOP and similar trusts	**(134)**	(135)
Adjusted weighted average number of ordinary shares	**4,776**	4,773
Shares held in policyholder and consolidated investment funds	**(141)**	(131)
Shares held in Black Economic Empowerment trusts	**(2)**	(7)
Weighted average number of ordinary shares used to calculate basic earnings per share	**4,633**	4,635
Basic earnings per ordinary share (pence)	**19.3**	12.0

1 The weighted average number of ordinary shares used to calculate basic earnings per share and basic earnings per ordinary share (pence) for the year ended 31 December 2016 have been restated to reflect the consolidation adjustments related to own shares held by consolidated investment funds. Refer to note B1 for more information.

(b) Diluted earnings per share

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

The 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:

	Notes	**Year ended 31 December 2017**	Year ended 31 December 2016 (Restated)[1]
Profit attributable to ordinary equity holders (£m)		**894**	556
Dilution effect on profit relating to share options issued by subsidiaries (£m)		**(7)**	(7)
Diluted profit attributable to ordinary equity holders of the parent (£m)		**887**	549
Weighted average number of ordinary shares (millions)	C2(a)	**4,633**	4,635
Adjustments for share options held by ESOP and similar trusts (millions)		**69**	59
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**3**	7
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		**4,705**	4,701
Diluted earnings per ordinary share (pence)		**18.9**	11.7

1 The weighted average number of ordinary shares used in to calculate diluted earnings per share and diluted earnings per ordinary share (pence) for the year ended 31 December 2016 have been restated to reflect the consolidation adjustments related to own shares held by consolidated investment funds. Refer to note B1 for more information.

(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:

			£m
	Notes	**Year ended 31 December 2017**	Year ended 31 December 2016
Profit for the financial year attributable to equity holders of the parent		**909**	570
Adjusting items	C1(a)	**372**	457
Tax on adjusting items	D1(d)	**(46)**	(38)
Non-core operations	B3	**(24)**	5
Non-controlling interest on adjusting items		**(49)**	(66)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)		**1,162**	928
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)	C2(a)	**4,776**	4,773
Adjusted operating earnings per share (pence)		**24.3**	19.4

Group financial statements

Notes to the consolidated financial statements continued

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:

					£m
		Year ended 31 December 2017		Year ended 31 December 2016 (Restated)[1]	
	Notes	**Gross**	**Net of tax and non-controlling interests**	Gross	Net of tax and non-controlling interests
Profit for the financial year attributable to equity holders of the parent			**909**		570
Dividends paid to holders of perpetual preferred callable securities			**(15)**		(14)
Profit attributable to ordinary equity holders			**894**		556
Adjustments:					
Impairments of goodwill and other intangible assets (IAS36)		**86**	**59**	113	89
Impairment of investment in associated undertakings (IAS28)		**–**	**–**	50	28
Loss on disposal of property and equipment (IAS16)		**3**	**1**	2	1
Profit on disposal of subsidiaries, associated undertakings and strategic investments (including amounts recycled from the foreign currency translation reserve) (IFRS3)		**(197)**	**(193)**	(19)	(20)
Other adjustments		**10**	**4**	1	1
Headline earnings		**(98)**	**765**	147	655
Dilution effect on earnings relating to share options issued by subsidiaries			**(7)**		(7)
Diluted headline earnings (£m)			**758**		648
Weighted average number of ordinary shares (millions)	C2(a)		**4,633**		4,635
Diluted weighted average number of ordinary shares (millions)	C2(b)		**4,705**		4,701
Headline earnings per share (pence)			**16.5**		14.1
Diluted headline earnings per share (pence)			**16.1**		13.8

1 The weighted average number of ordinary shares (millions), diluted weighted average number of ordinary shares (millions), headline earning per share and diluted headline earnings per share (pence) for the year ended 31 December 2016 have been restated to reflect the consolidation adjustments related to own shares held by consolidated investment funds. Refer to note B1 for more information.

C3: Dividends

			£m
	Ordinary dividend payment date	**Year ended 31 December 2017**	Year ended 31 December 2016
2015 Second interim dividend paid – 6.25p per 11 3/7p ordinary share	26 April 2016	–	299
2016 Interim dividend paid – 2.67p per 11 3/7p ordinary share	28 October 2016	–	127
2016 Second interim dividend paid – 3.39p per 11 3/7p ordinary share	28 April 2017	161	–
2017 Interim dividend paid – 3.53p per 11 3/7p ordinary share	31 October 2017	169	–
Dividends to ordinary equity holders		330	426
Dividends paid to holders of perpetual preferred callable securities		15	17
Dividend payments for the year		345	443

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 3.57 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 30 April 2018 to shareholders on the register at the close of business on 6 April 2018. The dividend will absorb an estimated £171 million of shareholders' funds.

On 3 February 2017, all of the Group's outstanding perpetual preferred callable securities were redeemed. At this date a final dividend payment of £15 million was made to the holders of the securities.

D: Other consolidated income statement notes

Except where otherwise indicated, other consolidated income statement notes, included in section D, are presented for continuing operations only. Following the classification of Nedbank and Old Mutual Wealth as discontinued operations, on 31 December 2017, as described in note A4, the income statement line items attributable to these businesses have been represented in a single line in the consolidated income statement. Unless expressly stated otherwise, the comparative information in the consolidated income statement and the related notes have been re-presented in accordance with the requirements of IFRS, to exclude discontinued operations.

D1: Income tax expense

This note analyses separately, the income tax expense recognised in profit or loss for the year from both continuing and discontinued operations and the various factors that have contributed to the composition of the charge for both continuing and discontinued operations.

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 includes 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 or 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 or 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.

Group financial statements
Notes to the consolidated financial statements continued

D: Other consolidated income statement notes continued

D1: Income tax expense continued

(a) Analysis of total income tax expense

The total income tax expense for the year from continuing operations comprises:

		£m
Continuing operations	**Year ended 31 December 2017**	Year ended 31 December 2016 (Re-presented)[1]
Current tax		
United Kingdom	**(45)**	(23)
Overseas tax		
– South Africa	**160**	186
– Rest of Africa	**27**	20
– Rest of the world[2]	**27**	9
Withholding taxes	**9**	9
Adjustments to current tax in respect of prior years	**(17)**	(19)
Total current tax	**161**	182
Deferred tax		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**82**	(60)
Effect on deferred tax of changes in tax rates	**–**	20
Recognition of previously unrecognised deferred tax assets	**1**	–
Adjustments to deferred tax in respect of prior years	**(4)**	–
Total deferred tax	**79**	(40)
Total income tax expense	**240**	142

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information
2 Rest of the world includes taxes originating in India, Latin America and the United States.

(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 continuing operations from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate of the continuing operations is explained below:

		£m
Continuing operations	**Year ended 31 December 2017**	Year ended 31 December 2016 (Re-presented)[1]
Profit before tax	**617**	306
Tax at UK standard rate of 19.25% (2016: 20.0%)	**119**	61
Different tax rate or basis on overseas operations	**67**	42
Untaxed and low taxed income[2]	**(108)**	(103)
Disallowable expenses	**115**	73
Adjustments to current tax in respect of prior years	**(17)**	(19)
Net movement on deferred tax assets not recognised	**13**	30
Adjustments to deferred tax in respect of prior years	**(4)**	–
Effect on deferred tax of changes in tax rates	**–**	20
Withholding taxes	**1**	1
Income tax attributable to policyholder returns	**54**	37
Total income tax expense	**240**	142

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information
2 This includes capital gains taxed at a lower rate than the corporate tax rate.

(c) Income tax relating to components of other comprehensive income

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:

		£m
	Year ended 31 December 2017	Year ended 31 December 2016
Measurement gains on defined benefit plans	**8**	(8)
Property revaluation	**7**	–
Income tax on items that will not be reclassified subsequently to profit or loss	**15**	(8)
Available-for-sale reserves	**(3)**	(4)
Income tax on items that may be reclassified subsequently to profit or loss	**(3)**	(4)
Income tax expense relating to components of other comprehensive income	**12**	(12)

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

		£m
Continuing and discontinued operations	**Year ended 31 December 2017**	Year ended 31 December 2016 (Re-presented)[1]
Income tax expense – continuing operations	**240**	142
Income tax expense – discontinued operations	**340**	362
Tax on adjusting items		
Goodwill impairment and impact of acquisition accounting	**11**	19
Net profit on disposal of subsidiaries, associates and strategic investments	**(13)**	(3)
Short-term fluctuations in investment return	**(14)**	–
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**–**	(3)
Institutional Asset Management equity plans	**10**	6
Credit-related fair value losses on Group debt instruments	**20**	–
Managed separations and business standalone costs	**4**	–
Old Mutual Wealth business transformation costs	**14**	19
Old Mutual Wealth voluntary customer remediation provision	**14**	–
Total tax on adjusting items	**46**	38
Income tax attributable to policyholders returns	**(147)**	(144)
Tax on non-core operations	**(2)**	–
Income tax on adjusted operating profit	**477**	398

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

(e) Discontinued operations: Analysis of total income tax expense

The total income tax expense for the year from discontinued operations comprises:

		£m
Discontinued operations	**Year ended 31 December 2017**	Year ended 31 December 2016
Current tax		
United Kingdom	**94**	79
Overseas tax		
– South Africa	**244**	215
– Rest of Africa	**11**	8
– Europe	**3**	15
– Rest of the world[1]	**7**	13
Adjustments to current tax in respect of prior years	**(3)**	(1)
Total current tax	**356**	329
Deferred tax		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**(11)**	34
Effect on deferred tax of changes in tax rates	**(1)**	1
Adjustments to deferred tax in respect of prior years	**(4)**	(2)
Total deferred tax	**(16)**	33
Total income tax expense	**340**	362

1 Rest of the world includes taxes originating in the United States.

Financials

Group financial statements
Notes to the consolidated financial statements continued

D: Other consolidated income statement notes continued
D1: Income tax expense continued

(f) Discontinued operations: 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 of discontinued operations is explained below:

Discontinued operations	Year ended 31 December 2017	£m Year ended 31 December 2016
Profit before tax	**1,221**	1,043
Tax at UK standard rate of 19.25% (2016: 20%)	**235**	209
Different tax rate or basis on overseas operations	**74**	73
Untaxed and low taxed income	**(7)**	(23)
Disallowable expenses	**(3)**	22
Adjustments to current tax in respect of prior years	**(3)**	(1)
Net movement on deferred tax assets not recognised[1]	**(14)**	4
Adjustments to deferred tax in respect of prior years	**(4)**	(2)
Effect on deferred tax of changes in tax rates	**(1)**	1
Withholding taxes	**1**	1
Income tax attributable to policyholder returns	**62**	78
Total income tax expense	**340**	362

1 This includes recognition of a deferred tax asset in Old Mutual Wealth (£15 million) previously unrecognised.

D2: Investment return (non-banking)
This note analyses the investment return from the non-banking activities of the Group's continuing operations.

Continuing operations	Year ended 31 December 2017	£m Year ended 31 December 2016 (Re-presented)[1]
Interest and similar income		
Loans and advances	**1**	1
Investments and securities	**1,305**	990
Cash and cash equivalents	**82**	75
Total interest and similar income	**1,388**	1,066
Dividend income – investments and securities	**380**	389
Fair value gains recognised in income	**3,528**	189
Rental income from investment properties	**159**	125
Fair value gains on the revaluation of investment property	**26**	92
Foreign currency (losses)/gains	**(4)**	18
Total amounts recognised in profit or loss	**5,477**	1,879
Total interest income for assets not at fair value through profit or loss	**18**	13
The fair value gains/(losses) shown above are analysed according to their IAS 39 categorisations as follows:		
Held-for-trading (including derivatives)	**(26)**	(12)
Designated at fair value through profit or loss	**3,554**	201
	3,528	189

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

D3: Banking interest and similar income

This note analyses the interest earned on loans and advances from the banking activities of the Group's continuing operations.

Continuing operations	Year ended 31 December 2017	Year ended 31 December 2016 (Re-presented)[1]
		£m
Loans and advances	**244**	217
Mortgage loans	**53**	51
Overdrafts	**6**	6
Term loans and other[2]	**185**	160
Investments and securities	**12**	12
Government and government-guaranteed securities	**9**	1
Other debt securities, preference shares and debentures	**3**	11
Total interest and similar income	**256**	229

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information
2 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 banking activities of the Group's continuing operations.

Continuing operations	Year ended 31 December 2017	Year ended 31 December 2016 (Re-presented)[1]
		£m
Rental income from investment property	**1**	1
Net exchange and other non-interest income	**1**	1
Net trading income[2]	**4**	12
Total banking trading, investment and similar income	**6**	14

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information
2 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 continuing banking operations.

D5: Fee and commission income, and income from service activities

This note analyses the fees and commission, earned by the Group's continuing operations, 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 2017					**£m**
Continuing operations	**Life and savings**	**Asset management**	**Banking**	**Property & casualty**	**Total**
Fee and commission income	**245**	**290**	**45**	**49**	**629**
Transaction and performance fees	**1**	**9**	**24**	**–**	**34**
Change in deferred revenue	**11**	**(1)**	**–**	**–**	**10**
	257	**298**	**69**	**49**	**673**

Year ended 31 December 2016 (Re-presented)[1]					£m
Continuing operations	Life and savings	Asset management	Banking	Property & casualty	Total
Fee and commission income	231	233	36	34	534
Transaction and performance fees	1	6	18	–	25
Change in deferred revenue	7	(4)	–	3	6
	239	235	54	37	565

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Fee and commission income, and income from service activities include £144 million (2016: £122 million) related to trust and fiduciary fees.

Group financial statements

Notes to the consolidated financial statements continued

D: Other consolidated income statement notes continued

D6: Finance costs

Finance costs relate to the borrowed funds in the Group's continuing operations, 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 in the Group's continuing operations.

Continuing operations	Note	Year ended 31 December 2017 (£m)	Year ended 31 December 2016 (Re-presented)[1] (£m)
Interest payable on borrowed funds		**102**	102
Senior debt and term loans		**–**	7
Subordinated debt		**115**	108
Interest rate swaps		**(13)**	(13)
Fair value gains and losses on borrowed funds		**132**	26
Borrowed funds[2]		**116**	34
Derivative instruments used as economic hedges		**16**	(8)
Total finance costs excluding banking activities		**234**	128
Finance costs from banking activities	D7	**19**	30
Total Group finance costs on debt instruments		**253**	158
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		**132**	26

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information
2 Fair value gains and losses on borrowed funds for the year ended 31 December 2017 includes £102 million relating to the difference between the cash paid to repurchase and redeem £389 million of Tier 2 subordinated 2025 securities and £159 million nominal of Tier 2 subordinated 2021 securities and the IFRS book value of this debt at the date of repurchase.

D7: Banking interest payable and similar expense

This note analyses the interest and similar expenses from the banking activities of the Group's continuing operations.

Continuing operations	Notes	Year ended 31 December 2017 (£m)	Year ended 31 December 2016 (Re-presented)[1] (£m)
Amounts owed to bank depositors		**75**	90
Deposits and loan accounts		**16**	19
Current and savings accounts		**17**	19
Negotiable certificates of deposit		**23**	22
Long-term debt instruments	D6	**19**	30
Total interest payable and similar expenses		**75**	90

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as a discontinued operations. Refer to note A4 for more information.

D8: Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs from the Group's continuing operations.

Year ended 31 December 2017 (£m)

Continuing operations	Life and savings	Asset management	Property & casualty	Total
Fee and commission expenses	**185**	**44**	**146**	**375**
Change in deferred acquisition costs	**9**	**(2)**	**1**	**8**
Other acquisition costs	**141**	**–**	**–**	**141**
	335	**42**	**147**	**524**

Year ended 31 December 2016 (Restated)[1] (£m)

Continuing operations	Life and savings	Asset management	Property & casualty	Total
Fee and commission expenses	194	49	127	370
Change in deferred acquisition costs	1	(1)	3	3
Other acquisition costs	57	(5)	–	52
	252	43	130	425

1 Fee and commission expenses (Life and savings) for the year ended 31 December 2016 of £80 million have been restated for the reallocation from other operating and administrative expenses. Refer to note B1 for more information. In addition the year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Fee and commission expenses, and other acquisition costs include £10 million (2016: £10 million) related to trust and fiduciary fees.

D9: Other operating and administrative expenses

This note gives further detail on the items included within other operating and administrative expenses of the Group's continuing operations as well as an analysis of the operating segments our employees work in.

(a)(i) Other operating and administrative expenses include:

Continuing operations	Notes	Year ended 31 December 2017 (£m)	Year ended 31 December 2016 (Restated)[1] (£m)
Staff costs	D9(b)	**649**	545
Amortisation of present value of acquired in-force business and other intangible assets		**26**	25
Impairment of goodwill and other intangible assets		**86**	67
Operating lease rentals – banking		**9**	6
Operating lease rentals – non-banking		**7**	6
Depreciation		**33**	25
Computer, software and processing costs		**10**	8
Marketing and communications and travel costs		**75**	75
Other operating and administrative expenses		**681**	512
		1,576	1,269

1 Other operating and administrative expenses for the year ended 31 December 2016 of £80 million have been restated for the reallocation from other operating and administrative expenses to fee and commission expenses, and other acquisition costs. Refer to note B1 for more information. In addition the year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Operating lease payments principally represent rentals payable by the Group for the rental of buildings and equipment.

Group financial statements

Notes to the consolidated financial statements continued

D: Other consolidated income statement notes continued

D9: Other operating and administrative expenses

(a)(ii) Analysis of underlying Emerging Markets other operating and administrative expenses

The table below provides an analysis of underlying Emerging Markets operating and administrative expenses.

	Notes	**Year ended 31 December 2017** £m	Year ended 31 December 2016 £m
Total other operating and administrative expenses	D9(a)(i)	**1,576**	1,269
Exclude:			
plc Head Office and Old Mutual Bermuda		**(85)**	(134)
Consolidation of funds		**(30)**	(26)
Elimination of transactions with discontinued operations and non-AOP costs		**(159)**	(74)
Emerging Markets operating and administrative expenses		**1,302**	1,035
Expenses excluded from cost base			
Impairment of other intangible assets		**(1)**	(3)
Operational finance costs		**(64)**	(44)
Investment management expenses excluded from operating and administrative expenses		**(127)**	(82)
One-off business standalone costs		**(14)**	–
Underlying Emerging Markets operating and administrative expenses		**1,096**	906

(b) Staff costs

£m

		Year ended 31 December 2017			Year ended 31 December 2016		
	Note	**Continuing operations**	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Wages and salaries		**453**	**916**	**1,369**	394	808	1,202
Social security costs		**6**	**50**	**56**	7	41	48
Defined contribution plans		**10**	**85**	**95**	9	70	79
Defined benefit plans	J1(b)	**1**	**(11)**	**(10)**	2	(9)	(7)
Other retirement benefits	J1(b)	**(2)**	**12**	**10**	(1)	7	6
Bonus and incentive remuneration		**111**	**357**	**468**	89	344	433
Share-based payments							
Cash settled	J2(e)	**4**	**12**	**16**	–	6	6
Equity settled	J2(e)	**17**	**49**	**66**	13	51	64
Other		**49**	**125**	**174**	32	107	139
		649	**1,595**	**2,244**	545	1,425	1,970

(b)(i) Average number of employees

	Year ended 31 December 2017	Year ended 31 December 2016
		Number
The average number of persons employed by the Group is as follows:		
Emerging Markets	**28,145**	28,565
plc Head Office	**150**	263
Non-core operations (Old Mutual Bermuda)	**18**	18
Total – continuing operations	**28,313**	28,846
Old Mutual Wealth	**3,832**	3,649
Nedbank	**32,752**	34,875
Institutional Asset Management	**498**	1,157
Total – discontinued operations	**37,082**	39,681
Total	**65,395**	68,527

(c) Fees to Group's auditors

Included in other operating and administrative expenses are fees paid to the Group's auditors, which is analysed between continuing and discontinued operations as follows:

	Year ended 31 December 2017			Year ended 31 December 2016		£m
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Fees for audit services						
Group	**2.0**	**–**	**2.0**	1.6	–	1.6
Subsidiaries	**5.2**	**10.7**	**15.9**	3.5	9.8	13.3
Pension schemes	**–**	**0.2**	**0.2**	0.1	0.1	0.2
Total audit fees	**7.2**	**10.9**	**18.1**	5.2	9.9	15.1
Fees for non-audit services						
Audit-related assurance	**0.2**	**1.0**	**1.2**	0.5	0.4	0.9
Taxation compliance	**–**	**0.2**	**0.2**	0.1	1.2	1.3
Corporate finance transactions	**0.2**	**–**	**0.2**	–	–	–
Other non-audit services	**0.1**	**0.1**	**0.2**	0.5	1.0	1.5
Total non-audit services	**0.5**	**1.3**	**1.8**	1.1	2.6	3.7
Total Group auditors' remuneration	**7.7**	**12.2**	**19.9**	6.3	12.5	18.8

In addition to the above, fees of £4.3 million (2016: £3.3 million) were payable to other auditors in respect of joint audit arrangements of Nedbank.

Group financial statements

Notes to the consolidated financial statements continued

E: Financial assets and liabilities

E1: Categories of financial instruments

The analysis of assets and liabilities of the Group's continuing operations into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the table below. 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.

The categories of financial instruments classified as held for sale and distribution at 31 December 2017 is presented in note E7(a). Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution.

The comparative information presented at 31 December 2017, therefore includes the categories of financial assets and liabilities for the composition of the Group as at 31 December 2016. This note should be read in conjunction with Note E7(a) to obtain a comparable view of the Group's categories of financial instruments at 31 December 2017.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss, 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 2017								**£m**
Measurement basis			**Fair value (note E3)**			**Amortised cost (note E5)**		
	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	**6**	–	–	–	–	6	–	–
Investments in associated undertakings and joint ventures[1]	**107**	–	–	–	–	–	–	107
Reinsurers' share of policyholder liabilities	**252**	–	–	–	–	1	–	251
Loans and advances	**1,282**	–	–	–	–	1,282	–	–
Investments and securities	**43,102**	–	43,047	55	–	–	–	–
Trade, other receivables and other assets	**1,304**	–	–	–	–	1,234	–	70
Derivative financial instruments	**245**	245	–	–	–	–	–	–
Cash and cash equivalents	**1,836**	–	–	–	–	1,836	–	–
Total assets that include financial instruments	**48,134**	245	43,047	55	–	4,359	–	428
Assets held for sale and distribution (note E7(a))	**130,603**	–	–	–	–	–	–	130,603
Total other non-financial assets	**3,095**	–	–	–	–	–	–	3,095
Total assets	**181,832**	**245**	**43,047**	**55**	**–**	**4,359**	**–**	**134,126**
Liabilities								
Life insurance contract liabilities	**9,520**	–	–	–	–	–	–	9,520
Investment contract liabilities	**28,740**	–	17,197	–	–	–	–	11,543
Third-party interest in consolidation of funds	**4,868**	–	4,868	–	–	–	–	–
Borrowed funds	**1,126**	–	787	–	–	–	339	–
Trade, other payables and other liabilities	**2,529**	–	122	–	–	–	1,816	591
Amounts owed to bank depositors	**742**	–	–	–	–	–	742	–
Derivative financial instruments	**268**	268	–	–	–	–	–	–
Total liabilities that include financial instruments	**47,793**	268	22,974	–	–	–	2,897	21,654
Liabilities held for sale and distribution (note E7(a))	**121,968**	–	–	–	–	–	–	121,968
Total other non-financial liabilities	**1,124**	–	–	–	–	–	–	1,124
Total liabilities	**170,885**	**268**	**22,974**	**–**	**–**	**–**	**2,897**	**144,746**

1 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

At 31 December 2016 (Restated)[1,2,3,4]								£m
Measurement basis			Fair value (note E3)			Amortised cost (note E5)		
	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[5]	542	–	139	–	–	–	–	403
Reinsurers' share of policyholder liabilities[6]	3,115	–	2,560	–	–	7	–	548
Loans and advances[2,3]	43,108	1,264	3,592	2	–	38,239	–	11
Investments and securities[1]	100,388	3,183	92,970	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	156,867	6,055	99,261	959	3,278	45,633	–	1,681
Assets held for sale and distribution	8,570	–	–	–	–	–	–	8,570
Total other non-financial assets	5,986	–	–	–	–	–	–	5,986
Total assets	171,423	6,055	99,261	959	3,278	45,633	–	16,237
Liabilities								
Life insurance contract 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[4]	45,309	446	3,240	–	–	–	41,623	–
Derivative financial instruments	1,161	1,161	–	–	–	–	–	–
Total liabilities that include financial instruments	151,838	2,900	80,291	–	–	–	47,431	21,216
Liabilities held for sale and distribution	7,046	–	–	–	–	–	–	7,046
Total other non-financial liabilities	1,516	–	–	–	–	–	–	1,516
Total liabilities	160,400	2,900	80,291	–	–	–	47,431	29,778

1 Investments and securities of £46 million were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as held for trading. Accordingly, the designated at fair value through profit or loss and held-for-trading and categories have been restated to reflect the correct classification. In addition, investments and securities has been restated for the elimination of own shares held by consolidated investment funds (£145 million) that was identified in the current year.

2 Loans and advances of £801 million were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as loans and receivables. Accordingly, the held-for-trading and loans and receivables categories have been restated to reflect the correct classification

3 Loans and advances of £197 million were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as loans and receivables. Accordingly, the designated at fair value through profit or loss and loans and receivables categories have been restated to reflect the correct classification

4 Amounts owed to depositors of £550 million were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial liabilities at amortised cost. Accordingly, the designated at fair value through profit or loss and financial liabilities at amortised cost categories have been restated to reflect the correct classification

5 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted

6 Reinsurers' share of policyholder liabilities categorised as designated at fair value through profit or loss of £2,560 million relate to investment contracts of Old Mutual Wealth where management of assets are ceded to third parties through a reinsurance arrangements. Due to the nature of these arrangements, there is no transfer of insurance risk.

Group financial statements
Notes to the consolidated financial statements continued

E: Financial assets and liabilities continued

E2: Fair values of financial assets and liabilities
The description of the determination of fair value and the fair value hierarchies of financial assets and liabilities described in this section applies to financial assets and liabilities for all the businesses.

(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
- 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 the fair value of the underlying assets contained in the related policy.

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 relate to the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles and are recognised at fair value. The fair value of pooled investments is based on 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 modelling technique.

Investments in associated undertakings and joint ventures that are measured at fair value
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 proportionate share of the fair value of the net assets of each fund.

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

(a) Determination of fair value continued

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

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

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

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

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

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

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

The determination of the fair value on an instrument does not necessarily represent the price that the Group accept for the sale of the instrument or the price the Group would pay to exit the liability.

(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.

Group financial statements
Notes to the consolidated financial statements continued

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 table below presents a summary of the financial assets and liabilities of the Group's continuing operations 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 K and in terms of the fair value hierarchy described in note E2.

The fair value hierarchy of financial assets and liabilities classified as held for sale and distribution at 31 December 2017 is presented in note E7(b). Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the fair value hierarchy of financial assets and liabilities for the composition of the Group as at 31 December 2016. This note should be read in conjunction with Note E7(b) to obtain a comparable view of the Group's fair value hierarchy of financial assets and liabilities at 31 December 2017.

Detailed analysis

At 31 December 2017				£m
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	245	–	243	2
Derivative financial instruments – assets	245	–	243	2
Designated (fair value through profit or loss)	43,047	26,199	15,631	1,217
Investments and securities	43,047	26,199	15,631	1,217
Available-for-sale financial assets (fair value through other comprehensive income)	55	55	–	–
Investments and securities	55	55	–	–
Total financial assets measured at fair value	43,347	26,254	15,874	1,219
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	268	–	268	–
Derivative financial instruments – liabilities	268	–	268	–
Designated (fair value through profit or loss)	22,974	447	22,527	–
Investment contract liabilities[1]	17,197	–	17,197	–
Third-party interests in consolidated funds	4,868	–	4,868	–
Borrowed funds	787	399	388	–
Other liabilities	122	48	74	–
Total financial liabilities measured at fair value	23,242	447	22,795	–

1 Investment contract liabilities amount excludes £11,543 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'.

At 31 December 2016 (Restated)[1]				£m
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	6,055	1,523	4,503	29
Loans and advances	1,264	346	918	–
Investments and securities	3,183	906	2,277	–
Other financial assets	268	268	–	–
Derivative financial instruments – assets	1,340	3	1,308	29
Designated (fair value through profit or loss)	99,261	71,745	25,948	1,568
Investments in associated undertakings and joint ventures	139	–	–	139
Reinsurers' share of policyholder liabilities	2,560	2,560	–	–
Loans and advances	3,592	206	3,381	5
Investments and securities	92,970	68,979	22,567	1,424
Available-for-sale financial assets (fair value through other comprehensive income)	959	55	880	24
Loans and advances	2	2	–	–
Investments and securities	957	53	880	24
Total financial assets measured at fair value	106,275	73,323	31,331	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)	80,291	52,631	27,070	590
Investment contract liabilities[2]	67,515	52,011	14,914	590
Third-party interests in consolidated funds	7,981	–	7,981	–
Borrowed funds	935	570	365	–
Other liabilities	620	50	570	–
Amounts owed to bank depositors	3,240	–	3,240	–
Total financial liabilities measured at fair value	83,191	53,887	28,688	616

1 The following adjustments have been made to the fair value hierarchy previously presented for December 2016:
- loans and advances of £801 million that were presented as held-for-trading assets (Level 2) were reclassified as loans and receivables;
- loans and advances of £197 million that were presented as designated at fair value through profit or loss (Level 2) were reclassified as loans and receivables;
- investments and securities of £46 million that were presented as held-for-trading (Level 2) were reclassified as designated at fair value through profit or loss (Level 2);
- investments and securities of £270 million that were presented as designated at fair value through profit or loss (Level 1) were reclassified as Level 2.
  In addition, investments and securities designated as fair value through profit or loss (Level 1) have been restated for the elimination of own shares held by consolidated investment funds (£145 million) that was identified in the current year;
- borrowed funds of £348 million that were presented as designated fair value through profit or loss (Level 1) were reclassified as Level 2;
- amounts owed to bank depositors of £550 million that were presented at fair value through profit or loss (Level 2) were reclassified as financial liabilities at amortised cost.

2 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'.

Group financial statements
Notes to the consolidated financial statements continued

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
The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year. Movements during the year include both continuing operations and assets and movements of assets and liabilities classified as held for sale and distribution. A single line item at the end of the movement table is included to reflect the carrying value transferred to assets or liabilities held for sale and distribution at 31 December 2017.

Year ended 31 December 2017						£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	29	139	5	1,424	24	1,621
Total net fair value (losses)/gains recognised in:						
– profit or loss	(26)	1	3	53	–	31
– other comprehensive income	1	–	–	–	–	1
Purchases and issues	4	88	–	806	–	898
Sales and settlements	(3)	(39)	(5)	(84)	–	(131)
Transfers in	–	–	–	445	–	445
Transfers out	–	–	–	(245)	–	(245)
Foreign exchange and other	(3)	2	(1)	45	–	43
Transferred to assets held for sale and distribution	–	(191)	(2)	(1,227)	(24)	(1,444)
Total Level 3 financial assets	2	–	–	1,217	–	1,219
Unrealised fair value (losses)/gains relating to assets held at 31 December 2017 recognised in profit or loss	(26)	–	–	72	–	46

At 31 December 2017, the carrying value of Level 3 assets comprised £2 million of derivative assets held by Old Mutual Bermuda business and £1,217 million of investments and securities held by Emerging Markets. The assets held by Emerging Markets principally comprise private company shares and unlisted pooled investments held by policyholder funds for which the bulk of the investment risk is borne by policyholders. As at 31 December 2017, all Level 3 assets held by Old Mutual Wealth and Nedbank had been transferred into assets held for sale and distribution and are therefore not included within the closing amounts shown above. Old Mutual Wealth's Level 3 assets are held by linked funds, with policyholders bearing all of the investment risk, and are matched exactly by Level 3 investment contract liabilities.

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 and from investments in associated undertakings by Nedbank.

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 principally relates to investments held by Old Mutual Wealth that were previously shown within Level 2 and which are no longer being actively priced. Transfers out of Level 3 assets principally comprise investments held by Old Mutual Wealth that were not being repriced and that have been transferred into Level 2 as they are now actively priced.

Year ended 31 December 2017				£m
		Held-for-trading	Designated fair value through profit or loss	Total
	Other liabilities	Derivatives	Investment contract liabilities	
Level 3 financial liabilities				
At beginning of the year	**19**	**7**	**590**	**616**
Total net fair value (gains)losses recognised in profit or loss for the year	**6**	**(7)**	**(23)**	**(24)**
Purchases and issues	**–**	**–**	**616**	**616**
Sales and settlements	**–**	**–**	**(23)**	**(23)**
Transfers in	**–**	**–**	**167**	**167**
Transfers out	**–**	**–**	**(152)**	**(152)**
Foreign exchange and other	**–**	**–**	**(8)**	**(8)**
Transferred to liabilities held for sale and distribution	**(25)**	**–**	**(1,167)**	**(1,192)**
Total Level 3 financial liabilities	**–**	**–**	**–**	**–**
Unrealised fair value losses/(gains) relating to liabilities held at 31 December 2017 recognised in profit or loss	**–**	**–**	**–**	**–**

As at December 2017, all Level 3 liabilities held by Old Mutual Wealth and Nedbank have been transferred into liabilities held for sale and distribution and are therefore not included in the closing amounts shown above. No Level 3 liabilities were held by any of the other Group businesses at 31 December 2017.

Year ended 31 December 2016						£m
	Held-for-trading	Designated at 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	18	51	1	1,280	–	1,350
Total net fair value (losses)/gains recognised in the profit or loss for the year	(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)
Foreign exchange and other	5	27	2	60	3	97
Transferred to held-for-sale	–	–	–	(67)	–	(67)
Total Level 3 financial assets	29	139	5	1,424	24	1,621
Unrealised fair value (losses)/gains relating to assets held at 31 December 2016 recognised in profit or loss	(4)	14	–	63	–	73

Group financial statements

Notes to the consolidated financial statements continued

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

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 gains relating to liabilities held at 31 December 2016 recognised in profit or loss	2	7	13	22

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

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 multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as 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. 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.

The table below summarises the significant inputs to value instruments categorised as Level 3 hierarchy in the Group's continuing operations and their sensitivity to changes in the inputs used. The significant inputs to value instruments categorised as Level 3 hierarchy classified as held for sale and distribution at 31 December 2017 are presented in note E7(c). Consistent with the requirements of accounting standards, the comparative period has not been re-presented for financial assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the financial assets and liabilities for the composition of the Group as at 31 December 2016. This note should be read in conjunction with Note E7(c) to obtain a comparable view of the Group's significant inputs to value instruments categorised as Level 3 hierarchy at 31 December 2017.

Types of financial instruments	Fair values		Significant unobservable input	Fair value measurement sensitivity to unobservable inputs	
	At 31 December 2017 £m	At 31 December 2016 £m		**At 31 December 2017 £m**	At 31 December 2016 £m
Assets					
Investments in associated undertakings and joint ventures	**–**	139	Valuation multiples	**Favourable: nil** **Unfavourable: nil**	Favourable: 13 Unfavourable: 16
Investments and securities	**1,217**	1,448	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return, Cost of capital Inflation rates Market adjusted price Exchange price of infrequently traded shares	**Favourable: 110** **Unfavourable: 90**	Favourable: 213 Unfavourable: 223
Loans and advances	**–**	5	Correlations Volatilities Credit spreads	**Favourable: nil** **Unfavourable: nil**	Favourable: nil Unfavourable: 1
Derivatives	**2**	29	Interest rates Volatilities	**Favourable: 1** **Unfavourable: 1**	Favourable: 10 Unfavourable: 9
Liabilities					
Investment contract liabilities	**–**	590	Interest rates Volatilities	**Favourable: nil** **Unfavourable: nil**	Favourable: 59 Unfavourable: 59
Other liabilities	**–**	19	Valuation multiples	**Favourable: nil** **Unfavourable: nil**	Favourable: 1 Unfavourable: 1
Derivatives	**–**	7	Volatilities	**Favourable: nil** **Unfavourable: nil**	Favourable: 7 Unfavourable: 16

All the business segments have performed analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. 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.

Group financial statements
Notes to the consolidated financial statements continued

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at Fair Value continued

(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 of the Group's continuing operations only:

		£m
	At 31 December 2017	At 31 December 2016
Pooled investments	**416**	427
Unlisted and stale price pooled investments	**416**	405
Suspended funds	**–**	22
Unlisted debt and equity	**718**	643
Private equity investments	**4**	344
Other	**79**	34
	1,217	1,448

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% (2016: 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 £28 million (2016: £59 million) favourable to £62 million (2016: £62 million) unfavourable on profit or loss and assets. The impact on liabilities will be in the range of £nil (2016: £17 million) favourable and £nil (2016: £19 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.

Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes financial instruments designated as fair value through profit or loss for the composition of the Group as at 31 December 2016.

Change in fair value due to change in credit risk						£m
	At 31 December 2017			At 31 December 2016		
	Maximum exposure to credit risk	**Current financial year**	**Cumulative**	Maximum exposure to credit risk	Current financial year	Cumulative
Loans and advances	**–**	**–**	**–**	3,609	(1)	–
Investments and securities	**6,998**	**(3)**	**(15)**	8,064	(7)	(12)
	6,998	**(3)**	**(15)**	11,673	(8)	(12)

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.

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. Consistent with the requirements of accounting standards, the comparative period has not re-presented for assets and liabilities classified as held for sale and distribution. The comparative information therefore includes items in the Group's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39 for the composition of the Group as at 31 December 2016.

Change in fair value due to change in credit risk								£m
	At 31 December 2017				At 31 December 2016			
	Fair value	**Current financial year**	**Cumulative**	**Contractual maturity amount**	Fair value	Current financial year	Cumulative	Contractual maturity amount
Borrowed funds	**787**	**(26)**	**124**	**908**	935	24	98	871
Amounts owed to bank depositors	**–**	**–**	**–**	**–**	3,790	4	9	3,787
	787	**(26)**	**124**	**908**	4,725	28	107	4,658

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.

Group financial statements

Notes to the consolidated financial statements continued

E: Financial assets and liabilities continued

E5: Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principally investments and securities categorised as held-to-maturity loans and advances, certain borrowed funds and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Group's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer the financial liability in an involuntary liquidation or distressed sale.

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

Fair value hierarchy for assets and liabilities not measured at fair value classified as held for sale and distribution at 31 December 2017, is presented separately from that of the continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017 therefore includes the fair value hierarchy for those assets and liabilities for which the fair value is different to the carrying value for the composition of the Group as at 31 December 2016.

					£m
	Carrying value				Fair value
Continuing operations at 31 December 2017		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowed funds	**339**	**76**	**277**	**–**	**353**

					£m
	Carrying value				Fair value
Classified as assets and liabilities held for sale and distribution at 31 December 2017		Level 1	Level 2	Level 3	Total
Financial assets					
Loans and advances	**37,721**	**–**	**–**	**37,492**	**37,492**
Investments and securities	**3,227**	**1,432**	**1,500**	**–**	**2,932**
Financial liabilities					
Borrowed funds	**3,004**	**1,431**	**1,533**	**–**	**2,964**

At 31 December 2016 (Restated)[1]					£m
	Carrying value				Fair value
		Level 1	Level 2	Level 3	Total
Financial assets					
Loans and advances	38,239	–	–	37,738	37,738
Investments and securities	3,278	1,278	1,983	–	3,261
Financial liabilities					
Borrowed funds	3,759	1,704	1,936	–	3,640

1 In Loans and advances of £801 million were included in the previous year as held-for-trading assets, whereas these instruments were classified and measured as financial assets at amortised cost. Loans and advances of £197 million were included in the previous year as designated at fair value through profit or loss, whereas these instruments were classified and measured as financial assets at amortised cost. Accordingly, the held-for-trading, designated at fair value through profit or loss and financial assets at amortised cost categories have been restated to reflect the correct classification.

Investments and securities

For investments and securities shown within notes E1 and E7(a) as either held-to-maturity investments and loans and receivables in terms of IAS 39 and therefore not carried at fair value, the fair value has been determined based either on available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

As at 31 December 2017, all of the assets of Nedbank had been transferred to assets held for sale and distribution, including all of the Group's investments and securities classified as either held-to-maturity investments or loans and receivables. All of the Group's remaining investments and securities were carried at fair value.

Loans and advances
Loans and advances shown within notes E1 and E7(a) as loans and receivables in terms of IAS 39 and therefore not carried at fair value, principally comprise variable rate financial assets and are classified as Level 3. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rates change.

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

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.

As at 31 December 2017, all of the assets of Nedbank were transferred to assets held for sale and distribution, representing most of the Group's loans and advances. The remaining amount of £1,282 million is held by Emerging Markets, for which the carrying value is considered a reasonable approximation of the fair value.

Borrowed funds
Borrowed funds are shown within notes E1 and E7(a) as financial liabilities at amortised cost in terms of IAS39, and therefore not carried at fair value. The fair value is determined using either available market prices (Level 1), or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2). During 2017 most of the Group's borrowed funds not held at fair value were either redeemed or transferred to assets held for sale and distribution.

Fair value hierarchy for items for which carrying value is considered an approximation of fair value

Other financial assets
The carrying values of cash and cash equivalents, mandatory deposits with central banks 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 are 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.

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.

Group financial statements
Notes to the consolidated financial statements continued

E: Financial assets and liabilities continued

E6: Master netting or similar agreements

The Group offsets financial assets and liabilities in the consolidated 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 table presents information on the potential effect of netting offset arrangements after taking into consideration these types of agreements of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the potential effect of netting offsetting arrangements for the composition of the Group as at 31 December 2016.

At 31 December 2017 £m

	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	Amounts that may be netted off on the occurrence of a future event[1]	Position not available to be offset
Financial assets					
Derivative financial instruments – assets	**245**	**–**	**245**	**(209)**	**36**
Cash and cash equivalents	**1,867**	**(31)**	**1,836**	**–**	**1,836**
Financial liabilities					
Trade, other payables and other liabilities	**2,560**	**(31)**	**2,529**	**(6)**	**2,523**
Derivative financial instruments – liabilities	**268**	**–**	**268**	**(209)**	**59**

At 31 December 2016 £m

	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	Amounts that may be netted off on the occurrence of a future event[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	(674)	487

1 This represents the amounts that could be offset in the event of default and includes collateral received/pledged at the reporting date. These arrangements are typically governed by master netting and collateral arrangements. Details of the Group's security lending arrangements can be found in note G3, Securities Lending.

E7: Categories of financial instruments classified as held for sale and distribution

(a) Categories of financial assets and liabilities

The following table provides an analysis of the categories of financial instruments of assets and liabilities classified as held for sale and distribution. Refer to note A4 for more information about businesses classified as held for sale and distribution. These notes should be read in conjunction with note E1 in order to obtain a comparable view of the Group's categories of financial instruments of assets and liabilities classified as held for sale and distribution at 31 December 2017.

At 31 December 2017								£m
		Fair value (note E7(b))			Amortised cost			
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	1,147	–	–	–	–	1,147	–	–
Investments in associated undertakings and joint ventures	404	–	191	–	–	–	–	213
Reinsurers' share of policyholder liabilities	2,914	–	2,525	–	–	6	–	383
Loans and advances	42,567	1,170	3,674	2	–	37,721	–	–
Investments and securities	73,818	3,277	66,136	1,178	2,962	265	–	–
Trade, other receivables and other assets	1,619	297	–	–	–	624	–	698
Derivative financial instruments	1,842	1,842	–	–	–	–	–	–
Cash and cash equivalents	3,000	–	–	–	–	3,000	–	–
Total assets that include financial instruments	127,311	6,586	72,526	1,180	2,962	42,763	–	1,294
Total other non-financial assets	3,292	–	–	–	–	–	–	3,292
Total assets	**130,603**	**6,586**	**72,526**	**1,180**	**2,962**	**42,763**	**–**	**4,586**
Liabilities								
Life insurance contract liabilities	625	–	–	–	–	–	–	625
Investment contract liabilities	60,221	–	60,221	–	–	–	–	–
Third-party interest in consolidation of funds	7,605	–	7,605	–	–	–	–	–
Borrowed funds	3,031	–	27	–	–	–	3,004	–
Trade, other payables and other liabilities	2,283	445	–	–	–	–	697	1,141
Amounts owed to bank depositors	45,766	1,385	3,268	–	–	–	41,113	–
Derivative financial instruments	1,795	1,795	–	–	–	–	–	–
Total liabilities that include financial instruments	121,326	3,625	71,121	–	–	–	44,814	1,766
Total other non-financial liabilities	642	–	–	–	–	–	–	642
Total liabilities	**121,968**	**3,625**	**71,121**	**–**	**–**	**–**	**44,814**	**2,408**

Group financial statements
Notes to the consolidated financial statements continued

E: Financial assets and liabilities continued

E7: Categories of financial instruments classified as held for sale and distribution continued

(b) Disclosure of financial assets and liabilities held for sale and distribution measured at fair value

The table below presents a summary of the Group's financial assets and liabilities included in assets and liabilities held for sale and distribution, 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 K 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. This note should be read in conjunction with note E3 in order to obtain a comparable view of the Group's financial assets and liabilities held for sale and distribution measured at fair value at 31 December 2017.

At 31 December 2017				£m
	Total	Level 1	Level 2	Level 3
Financial assets held for sale and distribution measured at fair value				
Held-for-trading (fair value through profit or loss)	6,586	602	5,984	–
Loans and advances	1,170	–	1,170	–
Investments and securities	3,277	304	2,973	–
Other financial assets	297	297	–	–
Derivative financial instruments – assets	1,842	1	1,841	–
Designated (fair value through profit or loss)	72,526	58,053	13,053	1,420
Investments in associated undertakings and joint ventures	191	–	–	191
Reinsurers' share of policyholder liabilities	2,525	2,525	–	–
Loans and advances	3,674	184	3,488	2
Investments and securities	66,136	55,344	9,565	1,227
Available-for-sale financial assets (fair value through equity)	1,180	3	1,153	24
Loans and advances	2	2	–	–
Investments and securities	1,178	1	1,153	24
Total financial assets held for sale and distribution measured at fair value	80,292	58,658	20,190	1,444
Financial liabilities held for sale and distribution measured at fair value				
Held-for-trading (fair value through profit or loss)	3,625	418	3,182	25
Other liabilities	445	418	2	25
Amounts owed to bank depositors	1,385	–	1,385	–
Derivative financial instruments – liabilities	1,795	–	1,795	–
Designated (fair value through profit or loss)	71,121	57,399	12,555	1,167
Investment contract liabilities	60,221	57,399	1,655	1,167
Third-party interests in consolidated funds	7,605	–	7,605	–
Borrowed funds	27	–	27	–
Other liabilities	–	–	–	–
Amounts owed to bank depositors	3,268	–	3,268	–
Total financial liabilities held for sale and distribution liabilities measured at fair value	74,746	57,817	15,737	1,192

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

The table below summarises the significant inputs to value instruments categorised as Level 3 of the fair value hierarchy and their sensitivity to changes in the inputs used.

Types of financial instruments	Fair values	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	At 31 December 2017 £m		At 31 December 2017 £m
Assets			
Investments in associated undertakings and joint ventures	191	Valuation multiples	Favourable: 18 Unfavourable: 22
Investments and securities	1,251	Valuation multiples Correlations Volatilities Credit spreads Market adjusted price Exchange price of infrequently traded shares	Favourable: 125 Unfavourable: 127
Loans and advances	2	Credit spreads Discount rates	Favourable: nil Unfavourable: nil
Liabilities			
Investment contract liabilities	1,167	Interest rates Volatilities	Favourable: 117 Unfavourable: 117
Other liabilities	25	Discount rates Valuation multiples	Favourable: 2 Unfavourable: 3

Financials

Group financial statements

Notes to the consolidated financial statements continued

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.

The Group measures its Group Solvency in accordance with the EU Solvency II Directive. At 31 December 2017, the unaudited Group Solvency II surplus was estimated to be £1.5 billion. Further information on the Group's capital management policy is disclosed in the Finance Review section on page 7.

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 Group’s businesses 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 applicable to 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.

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 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.

Group financial statements
Notes to the consolidated financial statements continued

F: Capital and financial risk management
F3: Financial risk management continued
(a) Credit risk continued
(ii) Maximum exposure to credit risk
The table below represents the maximum exposure to credit risk, without taking into account the value of any collateral obtained and are presented for the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for financial assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the maximum exposure to credit risk for the composition of the Group as at 31 December 2016.

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 2017	At 31 December 2016
Mandatory reserve deposits with central banks	**6**	1,111
Reinsurers' share of policyholder liabilities	**252**	3,115
Loans and advances	**1,282**	43,108
Investments and securities	**15,174**	25,841
Government and government-guaranteed securities	**5,413**	7,931
Other debt securities, preference shares and debentures	**5,403**	13,463
Short-term funds and securities treated as investments	**4,100**	4,133
Other	**258**	314
Other assets	**1,119**	1,782
Derivative financial instruments – assets	**245**	1,340
Cash and cash equivalents	**1,836**	4,847
Financial guarantees and other credit-related contingent liabilities	**–**	1,976
Loan commitments and other credit-related commitments	**–**	5,273
Included within assets held for sale and distribution	**75,527**	258
	95,441	88,651

(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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Historical VaR (one-day, 99%) by risk type								
Foreign exchange	**0.3**	0.5	**0.1**	0.1	**0.7**	1.5	**0.2**	0.2
Interest rate	**1.3**	1.0	**0.7**	0.5	**2.3**	2.0	**1.9**	0.7
Equity product	**0.2**	0.2	**0.1**	0.1	**0.8**	0.5	**0.2**	0.1
Other	**0.6**	0.4	**0.4**	0.3	**1.0**	0.8	**0.8**	0.5
Diversification	**(0.9)**	(0.7)	**–**	–	**–**	–	**(1.6)**	(0.5)
Total VaR exposure	**1.4**	1.5	**0.8**	0.6	**2.4**	3.0	**1.4**	1.0

Group financial statements
Notes to the consolidated financial statements continued

F: Capital and Financial risk management continued
F3: Financial risk management continued
(b) Market risk continued
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
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not re-price for interest rate changes.

The Group employs various analytical techniques to measure interest rate sensitivity monthly within the banking book on both an earnings and economic value basis (where appropriate) for banking book balance sheets with the Group with material exposure to interest rate risk in the banking book. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, the Group approves the use of prepayment models for the hedging of fixed rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits, where appropriate.

At the reporting date, the net interest income sensitivity of the banking book for a one percent parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately £79 million (2016: £69 million), which is within the board's approved risk limit. The Group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pre-tax net interest income of similar amounts should interest rates increase by one percent. Net interest income sensitivity is actively managed through on-and off-balance-sheet interest rate risk management strategies for the Group's expected interest rate view and impairment sensitivity.

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 Group's 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 table below is therefore a reflection of the foreign currency exposures in their respective currencies for the continuing businsesses. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the maximum exposure to credit risk for the composition of the Group as at 31 December 2016.

At 31 December 2017						**£m**
	ZAR	**GBP**	**USD**	**EUR**	**Other**	**Total**
Assets						
Mandatory reserve deposits with central banks	–	–	–	–	6	6
Investments in associated undertakings and joint ventures	85	18	1	–	3	107
Reinsurers' share of policyholder liabilities	202	–	1	–	49	252
Loans and advances	580	–	495	–	207	1,282
Investments and securities	33,047	567	7,600	144	1,744	43,102
Trade, other receivables and other assets	1,105	22	105	–	72	1,304
Derivative financial instruments – assets	210	33	2	–	–	245
Cash and cash equivalents	935	570	246	2	83	1,836
Total financial assets	36,164	1,210	8,450	146	2,164	48,134
Assets held for sale and distribution	52,296	64,961	8,574	1,393	3,379	130,603
Total non-financial assets	2,240	46	388	–	421	3,095
Total assets	90,700	66,217	17,412	1,539	5,964	181,832
Liabilities						
Life insurance contract liabilities	8,922	–	99	–	499	9,520
Investment contract liabilities	24,082	121	3,135	–	1,402	28,740
Third-party interest in consolidation of funds	4,868	–	–	–	–	4,868
Borrowed funds	560	461	17	–	88	1,126
Trade, other payables and other liabilities	2,183	95	63	–	188	2,529
Amounts owed to bank depositors	–	–	625	–	117	742
Derivative financial instruments – liabilities	267	–	1	–	–	268
Total financial liabilities	40,882	677	3,940	–	2,294	47,793
Liabilities held for sale and distribution	47,122	62,499	7,432	1,291	3,624	121,968
Total non-financial liabilities	853	31	74	–	166	1,124
Total liabilities	88,857	63,207	11,446	1,291	6,084	170,885

Group financial statements
Notes to the consolidated financial statements continued

F: Capital and financial risk management

F4: Currency translation risk continued

At 31 December 2016 (Restated)[1]						£m
	ZAR	GBP	USD	EUR	Other	Total
Assets						
Mandatory reserve deposits with central banks	1,078	–	–	–	33	1,111
Investments in associated undertakings and joint ventures	481	27	7	–	27	542
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	37,496	46,250	11,983	1,244	3,415	100,388
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	82,882	52,299	14,951	1,512	5,223	156,867
Assets held for sale and distribution	133	29	2,513	5,866	29	8,570
Total non-financial assets	2,910	2,126	412	4	534	5,986
Total assets	85,925	54,454	17,876	7,382	5,786	171,423
Liabilities						
Life insurance contract liabilities	8,994	416	148	–	424	9,982
Investment contract liabilities	22,582	44,508	6,768	1,028	2,713	77,599
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
Liabilities held for sale and distribution	1	25	1,335	5,656	29	7,046
Total non-financial liabilities	771	487	57	9	192	1,516
Total liabilities	84,864	52,400	11,084	6,981	5,071	160,400

1 The currency translation risk table (investments in securities) at 31 December 2016 has been restated for the elimination of own shares held by consolidated investment funds (£145 million) that was identified in the current year. Comparative information at 31 December 2016 has been restated accordingly.

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 capital 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 policyholder and banking liabilities are generally repayable on demand, the Group's expectation is that policyholders and banking depositors will only require funds on an ongoing basis. 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.

Old Mutual plc has access to a £764 million (2016: £764 million) multi-currency revolving credit facility. £73 million of the facility matures in August 2019, a further £73 million of the facility matures in August 2020 and the remaining £618 million of the facility matures in August 2021. At 31 December 2017 none of this facility was drawn. Further details, together with information on the Group's borrowed funds, are given in note G7.

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 pages 58 to 69)

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 and insurance contracts are set out in notes G4, G6, G7 and G8.

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities

The analysis of financial assets and liabilities of the Group's continuing operations are set out in the following notes. In order to provide further insight into significant line items in the statement of financial position for the businesses classified as held for sale and distribution at 31 December 2017, additional information has been presented after the information presented for the continuing operations, within the notes to which they relate.

The individual notes where additional information on financial assets and liabilities classified as held for sale and distribution are provided are loans and advances (note G1.1), investment and securities (note G2.1); derivative financial investments (note G4.1), insurance and investment contracts (note G6.1), borrowed funds (note G7.1) and amounts owed to bank depositors (note G8.1).

All financial assets and liabilities notes which require a movement analysis will include the information for all items, including movements in assets and liabilities classified as held for sale or distribution for the year. Therefore, the amounts reflected in the movement tables will not agree to the consolidated income statement amounts presented as the results of the discontinued operations are recognised on a single line in the consolidated income statement. At the end of the movement analysis, a single line item will indicate the value of the assets or liabilities that have been transferred to assets and liabilities held for sale or distribution.

Consistent with the requirements of accounting standards, the comparative period has not been re-presented for financial assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the financial assets and liabilities for the composition of the Group as at 31 December 2016.

The notes listed above should be read in conjunction with notes relating to the continuing operations (notes G1, G2, G4, G6, G7 and G8), in order to obtain a comparable view of the Group's significant financial assets and liabilities at 31 December 2017.

G1: Loans and advances

The Group extends advances to individuals and to the corporate, commercial and public sectors through its banking operations in South Africa, Namibia, Kenya and Zimbabwe.

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

Allowances for loan impairment represent management's estimate of the losses incurred in the loans and advances portfolios at the reporting date.

The Group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with potential future defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic 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.

Within portfolios, 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. These statistical analyses use, as primary inputs, the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such 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 be used when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable.

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account. For example, the business prospects for the client, the realisable value of collateral, the Group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective-interest-rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

(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		£m
		At 31 December 2017	At 31 December 2016
Home loans		**198**	8,772
Commercial mortgages		**155**	9,085
Unsecured retail lending		**932**	2,215
Other term loans		**1**	6,068
Other loans to clients		**40**	7,099
Net finance leases and instalment debtors	G1(e)	**–**	6,221
Deposits placed under reverse purchase agreements		**–**	923
Overdrafts		**58**	1,182
Preference shares and debentures		**–**	1,184
Credit cards		**–**	877
Factoring accounts		**–**	296
Policyholder loans		**72**	278
Properties in possession		**–**	15
Remittances in transit		**–**	22
Gross loans and advances		**1,456**	44,237
Provisions for impairment		**(174)**	(1,129)
Specific provisions	G1(d)(ii)	**(146)**	(820)
Portfolio provisions	G1(d)(ii)	**(28)**	(309)
Total net loans and advances		**1,282**	43,108

At 31 December 2017, total net loans and advances of £42,567 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G1.1 for more information.

(a)(i) Loans and advances by sector

		£m
	At 31 December 2017	At 31 December 2016
Individuals	**1,109**	17,178
Financial services, insurance and real estate	**15**	11,378
Banks	**–**	1,756
Manufacturing	**21**	2,230
Building and property development	**1**	553
Transport, storage and communication	**3**	2,535
Retailers, catering and accommodation	**–**	537
Wholesale and trade	**156**	1,963
Mining and quarrying	**8**	1,645
Agriculture, forestry and fishing	**69**	1,538
Government and public sector	**2**	205
Other services	**72**	2,719
Total gross loans and advances	**1,456**	44,237

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G1: Loans and advances continued

(a) Categories of loans and advances continued

(a)(ii) Loans and advances geographical analysis

		£m
	At 31 December 2017	At 31 December 2016
South Africa	**733**	38,727
Rest of Africa	**708**	2,891
Europe	**–**	1,995
Asia	**–**	361
United States	**–**	31
Other	**15**	232
Total gross loans and advances	**1,456**	44,237

(b) Analysis of loans and advances

Non-performing loans included above had a book value less impairment provisions of £39 million (2016: £755 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, £529 million (2016: £14,707 million) is receivable within one year of the reporting date and is regarded as current. £753 million (2016: £28,401 million) is regarded as non-current based on the maturity profile of the assets.

Of the gross loans and advances at 31 December 2017 shown above, £1,391 million (2016: £43,978 million) relates to balances held by the Group's continuing banking operations.

No impairments have been raised against policyholder loans as they are fully secured by amounts owing to policyholder liabilities.

(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 2017	At 31 December 2016
Neither past due nor impaired	**1,017**	41,219
Past due but not impaired	**167**	1,334
Past due but less than 1 month	**89**	814
Past due, greater than 1 month but less than 3 months	**53**	505
Past due, greater than 3 months but less than 6 months	**17**	1
Past due, greater than 6 months but less than 1 year	**4**	5
Past due more than 1 year	**4**	9
Impaired loans and advances individually impaired	**272**	1,684
Gross loans and advances	**1,456**	44,237
Provisions for impairment	**(174)**	(1,129)
Total net loans and advances	**1,282**	43,108

(c)(ii) Credit rating analysis of loans neither past due nor impaired

The credit quality of neither past due nor impaired loans and advances can be further analysed by credit rating as follows:

								£m
	At 31 December 2017				At 31 December 2016			
	Investment grade	**Sub-investment grade**	**Internally rated**	**Total**	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	**–**	**–**	**164**	**164**	2,016	5,339	500	7,855
Commercial mortgages	**–**	**–**	**118**	**118**	4,533	4,120	163	8,816
Credit cards	**–**	**–**	**–**	**–**	108	622	2	732
Overdrafts	**–**	**–**	**47**	**47**	331	628	121	1,080
Policyholder loans	**–**	**–**	**72**	**72**	–	–	249	249
Other loans to clients[1]	**–**	**–**	**616**	**616**	4,358	2,291	804	7,453
Preference shares and debentures	**–**	**–**	**–**	**–**	857	157	170	1,184
Net finance leases and instalment debtors	**–**	**–**	**–**	**–**	201	5,334	152	5,687
Factoring accounts	**–**	**–**	**–**	**–**	36	245	–	281
Trade, other bills and bankers' acceptances	**–**	**–**	**–**	**–**	1	–	–	1
Term loans	**–**	**–**	**–**	**–**	4,931	1,914	91	6,936
Remittances in transit	**–**	**–**	**–**	**–**	2	–	20	22
Deposits placed under reverse purchase agreements	**–**	**–**	**–**	**–**	617	306	–	923
Gross loans and advances	**–**	**–**	**1,017**	**1,017**	17,991	20,956	2,272	41,219

1 Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

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 2017, the Group recognised collateral of £nil (2016: £15 million) in the consolidated 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.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G1: Loans and advances continued
(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:

						£m
	Year ended 31 December 2017			Year ended 31 December 2016		
	Specific impairment	**Portfolio impairment**	**Total impairment**	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the year	**820**	**309**	**1,129**	529	230	759
Acquisitions through business combinations	**–**	**–**	**–**	1	4	5
Impairment charge	**298**	**7**	**305**	338	(5)	333
Credit impairment charges[1]	**228**	**7**	**235**	277	(5)	272
Recoveries of amounts previously written off	**70**	**–**	**70**	61	–	61
Amounts written off against the provision[2]	**(547)**	**2**	**(545)**	(249)	(3)	(252)
Foreign exchange and other movements	**(2)**	**4**	**2**	201	83	284
Transfer to assets held for sale and distribution[3]	**(423)**	**(294)**	**(717)**	–	–	–
Balance at end of the year	**146**	**28**	**174**	820	309	1,129

1 Included in the credit impairment charge are the transfers between specific and portfolio provisions
2 Of the £547 million specific impairment written off against the provision, £269 million relates to long outstanding loans Emerging Markets that were written off as they were deemed to be irrecoverable
3 Amounts transferred to assets held for sale and distribution relate to Nedbank and Old Mutual Wealth that have been classified as held for distribution. Refer to note A4 for more information.

(d)(ii) Impairment of loans and advances – by classification

						£m
	At 31 December 2017			At 31 December 2016		
	Specific impairment	**Portfolio impairment**	**Total impairment**	Specific impairment	Portfolio impairment	Total impairment
Home loans	**5**	**–**	**5**	89	37	126
Commercial mortgages	**4**	**–**	**4**	34	31	65
Properties in possession	**–**	**–**	**–**	2	–	2
Credit cards	**–**	**–**	**–**	69	8	77
Overdrafts	**2**	**–**	**2**	30	7	37
Other loans to clients[1]	**135**	**28**	**163**	529	151	680
Net finance lease and instalment debtors	**–**	**–**	**–**	67	75	142
Total provision for impairments	**146**	**28**	**174**	820	309	1,129

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:

Amounts receivable under finance leases – At 31 December				£m
	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	2017	2016	**2017**	2016
Within one year	**–**	2,016	**–**	1,586
In the second to fifth years inclusive	**–**	5,264	**–**	4,100
After five years	**–**	688	**–**	535
	–	7,968	**–**	6,221
Less: unearned finance income	**–**	(1,747)	**–**	–
Present value of minimum lease payments receivable	**–**	6,221	**–**	6,221

None of the continuing operations have entered into any finance lease agreements with customers.

G1.1: Assets held for sale and distribution: Loans and advances

(a) Categories of loans and advances classified as held for sale and distribution

The following table provides an analysis of the categories of loans and advances that are classified as assets held for sale and distribution. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment losses:

		£m
	Notes	**At 31 December 2017**
Home loans		**8,945**
Commercial mortgages		**9,643**
Unsecured retail lending		**1,196**
Other term loans		**5,879**
Other loans to clients		**6,179**
Net finance leases and instalment debtors		**6,692**
Deposits placed under reverse purchase agreements		**1,031**
Overdrafts		**1,136**
Preference shares and debentures		**1,113**
Credit cards		**943**
Factoring accounts		**326**
Policyholder loans[1]		**181**
Properties in possession		**9**
Remittances in transit		**10**
Trade, other bills and bankers' acceptances		**1**
Gross loans and advances		**43,284**
Provisions for impairment		**(717)**
Specific provisions	G1.1(c)(i)	**(423)**
Portfolio provisions	G1.1(c)(i)	**(294)**
Total net loans and advances		**42,567**

1 Policyholder loans relate to the Old Mutual Wealth business only.

Financials

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G1.1: Assets held for sale and distribution: Loans and advances

(a) Categories of loans and advances classified as held for sale and distribution continued

(a)(i) Loans and advances classified as held for sale and distribution – sector analysis

	£m At 31 December 2017
Individuals	**15,776**
Financial services, insurance and real estate	**12,519**
Banks	**1,223**
Manufacturing	**3,375**
Building and property development	**576**
Transport, storage and communication	**2,121**
Retailers, catering and accommodation	**564**
Wholesale and trade	**1,627**
Mining and quarrying	**1,673**
Agriculture, forestry and fishing	**342**
Government and public sector	**693**
Other services	**2,795**
Total gross loans and advances	**43,284**

(a)(ii) Loans and advances classified as held for sale and distribution – geographical analysis

	£m At 31 December 2017
South Africa	**39,076**
Rest of Africa	**2,035**
Europe	**1,577**
Asia	**457**
United States	**26**
Other	**113**
Total gross loans and advances	**43,284**

(b) Credit quality of loans and advances classified as held for sale and distribution

(b)(i) Age analysis of loans and advances classified as held for sale and distribution

The table below gives an age analysis of loans and advances, representing primarily the exposures of the banking operations, classified as held for sale and distribution:

	£m At 31 December 2017
Neither past due nor impaired	40,843
Past due but not impaired	1,272
Past due but less than 1 month	270
Past due, greater than 1 month but less than 3 months	838
Past due, greater than 3 months but less than 6 months	122
Past due, greater than 6 months but less than 1 year	5
Past due more than 1 year	37
Impaired loans and advances individually impaired	1,169
Gross loans and advances	**43,284**
Provisions for impairment	(717)
Total net loans and advances	**42,567**

(b)(ii) Credit rating analysis of loans and advances classified as held for sale and distribution neither past due nor impaired

The credit quality of loans and advances classified as held for sale and distribution that are neither past due nor impaired can be further analysed by credit rating as follows:

				£m
	At 31 December 2017			
	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	3,807	5,380	199	9,386
Commercial mortgages	3,279	4,634	171	8,084
Credit cards	98	680	4	782
Overdrafts	240	705	82	1,027
Policyholder loans	–	–	181	181
Other loans to clients	4,025	1,858	235	6,118
Preference shares and debentures	940	60	113	1,113
Net finance leases and instalment debtors	208	5,743	132	6,083
Factoring accounts	37	274	–	311
Trade, other bills and bankers' acceptances	–	1	–	1
Term loans	4,689	1,890	147	6,726
Deposits placed under reverse purchase agreements	921	110	–	1,031
Gross loans and advances	18,244	21,335	1,264	40,843

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G1.1: Assets held for sale and distribution: Loans and advances continued

(c) Provision for impairments of loans and advances classified as held for sale and distribution

This section analyses the provisions raised against loans and advances.

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.

(c)(i) Provision for impairments of loans and advances classified as held for sale and distribution – analysis of movements
The table below reconciles the movement in provision for impairments of loans and advances classified as held for sale and distribution for the year ended 31 December 2017:

			£m
	Year ended 31 December 2017		
	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the period	432	285	717
Impairment charge	260	3	263
Credit impairment charges	190	3	193
Recoveries of amounts previously written off	70	–	70
Amounts written off against the provision	(275)	2	(273)
Foreign exchange and other movements	6	4	10
Balance at end of the period	**423**	**294**	**717**

(c)((ii) Impairment of loans and advances classified as held for sale and distribution – by classification

			£m
	At 31 December 2017		
	Specific impairment	Portfolio impairment	Total impairment
Home loans	57	25	82
Commercial mortgages	17	33	50
Properties in possession	1	5	6
Credit cards	74	9	83
Overdrafts	38	1	39
Other loans to clients[1]	162	147	309
Net finance lease and instalment debtors	74	74	148
Total provision for impairments	**423**	**294**	**717**

1 Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

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).

		£m
	At 31 December 2017	At 31 December 2016 (Restated)[1]
Government and government-guaranteed securities	**5,413**	7,931
Other debt securities, preference shares and debentures	**5,403**	13,971
Listed	**1,682**	9,436
Unlisted	**3,721**	4,535
Equity securities	**17,391**	22,614
Listed	**16,626**	21,071
Unlisted	**765**	1,543
Pooled investments	**10,538**	51,426
Listed	**6,452**	22,761
Unlisted	**4,086**	28,665
Short-term funds and securities treated as investments	**4,100**	4,133
Other	**257**	313
Total investments and securities	**43,102**	100,388

1 Additional and enhanced availability of investments and securities information has resulted in the reclassification of a number items within investments and securities. These items were previously classified as pooled investments (£2,175) and have be reclassified to other debt securities, preference shares and debentures (£507 million) and equity securities (£1,524 million). Comparative information at 31 December 2016 has been restated accordingly. In addition, equity securities has been restated for the elimination of own shares held by consolidated investment funds (£145 million) that was identified in the current year. Comparative information at 31 December 2016 has been restated accordingly.

At 31 December 2017, total investments and securities of £73,818 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G2.1 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, £8,690 million (2016: £66,373 million) is regarded as current and £34,412 million (2016: £34,015 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 2017					£m
	Investment grade (AAA to BBB)	**Sub-Investment grade (BB and lower)**	**Internally rated**	**Included through consolidation of funds**	**Total**
Government and government-guaranteed securities	**4,112**	**185**	**344**	**772**	**5,413**
Other debt securities, preference shares and debentures	**2,894**	**589**	**1,920**	**–**	**5,403**
Short-term funds and securities	**2,395**	**131**	**516**	**1,058**	**4,100**
Other	**103**	**17**	**97**	**28**	**245**
	9,504	**922**	**2,877**	**1,858**	**15,161**

At 31 December 2016 (Restated)[1]					£m
	Investment grade (AAA to BBB)	Sub-investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	6,293	42	124	1,472	7,931
Other debt securities, preference shares and debentures	8,647	685	2,636	2,003	13,971
Short-term funds and securities	2,500	3	763	867	4,133
Other	272	–	29	12	313
	17,712	730	3,552	4,354	26,348

1 Additional and enhanced availability of investments and securities information has resulted in the reclassification of a number items within investments and securities. These items were previously classified as pooled investments (£507 million) and have be reclassified to internally rated other debt securities, preference shares and debentures. Comparative information for internally rated other debt securities, preference shares and debentures at 31 December 2016 has been restated accordingly.

Financials

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G2: Investments and securities

(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 Johannesburg Stock Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investment and unlisted investment vehicles.

G2.1: Assets held for sale and distribution – Investments and securities

The table below analyses the investments and securities classified as held for sale and distribution at 31 December 2017:

	£m
Government and government-guaranteed securities	4,398
Other debt securities, preference shares and debentures	8,923
Listed	8,742
Unlisted	181
Equity securities	13,122
Listed	11,784
Unlisted	1,338
Pooled investments	46,553
Listed	17,626
Unlisted	28,927
Short-term funds and securities treated as investments	426
Other	396
Total investments and securities	**73,818**

(a) Debt instruments and similar securities classified as held for sale and distribution

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 2017					£m
	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	1,705	437	10	2,246	4,398
Other debt securities, preference shares and debentures	6,177	119	716	1,911	8,923
Short-term funds and securities	422	–	4	–	426
Other	–	–	–	393	393
	8,304	556	730	4,550	14,140

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 within the continuing operations:

		£m
	At 31 December 2017	At 31 December 2016
Assets lent under securities lending		
Equity	**292**	416
Debt securities	**16**	60
	308	476
Amounts received as collateral for securities lending		
Cash	**286**	474
Debt securities	**44**	34
	330	508

Cash collateral has been recognised in the consolidated statement of financial position with a corresponding liability to return the collateral included in trade, other payables and other liabilities. Of the collateral included in the table above, £44 million (2016: £34 million) can be sold or repledged and £nil (2016: £nil) has been sold or repledged.

At 31 December 2017 and 31 December 2016, the Group provided cash collateral of £8 million and £10 million respectively for security borrowing arrangements.

The businesses classified as held for sale and distribution routinely in the normal course of business enter into various forms of securities lending and securities borrowing transactions.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G4: Derivative financial instruments – assets and liabilities

The Group utilises derivative instruments for both hedging and trading purposes. Economic hedging occurs when a derivative financial instrument is taken out for the management of financial risk. Only where the accounting treatment results in profit or loss volatility 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:

				£m
	Derivative financial instruments			
	Assets		Liabilities	
	2017	2016	**2017**	2016
Equity derivatives	**27**	36	**4**	28
Options written	**–**	–	**–**	8
Options purchased	**27**	30	**–**	–
Futures	**–**	6	**4**	20
Exchange rate contracts	**18**	545	**–**	440
Forwards	**1**	337	**–**	245
Swaps	**17**	186	**–**	167
Options purchased	**–**	14	**–**	–
Futures	**–**	8	**–**	8
Options written	**–**	–	**–**	20
Interest rate contracts	**187**	689	**263**	609
Swaps	**187**	663	**263**	576
Forward rate agreements	**–**	12	**–**	6
Options written	**–**	–	**–**	7
Futures	**–**	14	**–**	20
Credit default swaps	**–**	9	**–**	4
Other derivatives	**13**	9	**1**	–
Derivatives included through consolidation of funds	**–**	52	**–**	80
Total	**245**	1,340	**268**	1,161

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 2017	**268**	**9**	**22**	**113**	**356**	**500**
At 31 December 2016	1,161	134	277	290	681	1,382

At 31 December 2017, total derivative financial assets of £1,842 million and total derivative financial liabilities of £1,795 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets and liabilities held for sale and distribution respectively in the consolidated statement of financial position. Refer to note A4 and note G4.1 for more information.

G4.1: Assets and liabilities held for sale and distribution – Derivative financial instruments

The following table analyses the derivative assets and derivative liabilities classified as held for sale and distribution at 31 December 2017.

At 31 December 2017		£m
	Assets	Liabilities
Equity derivatives	33	72
Options written	–	45
Options purchased	25	–
Futures	8	27
Exchange rate contracts	889	677
Forwards	530	408
Swaps	304	228
Options purchased	53	–
Futures	2	7
Options written	–	34
Interest rate contracts	824	611
Swaps	753	567
Forward rate agreements	50	30
Options purchased	16	–
Futures	4	13
Caps	1	1
Credit default swaps	9	2
Derivatives included through consolidation of funds	87	433
Total	1,842	1,795

The undiscounted contractual maturities of the cash flows of the derivative liabilities 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 2017	1,795	740	327	321	407	1,795

Financials

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

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 2017 and the year ended 31 December 2016.

The table below sets out the notional amounts of derivative contracts used as hedging instruments:

						£m
	At 31 December 2017			At 31 December 2016		
	USD	**ZAR**	**EUR**	USD	ZAR	EUR
Open positions						
Forward contracts	**54**	**3**	**–**	109	136	199
Currency swaps	**–**	**–**	**–**	148	–	–
	54	**3**	**–**	257	136	199

		£m
	At 31 December 2017	At 31 December 2016
Fair value of financial instruments designated as net investment hedges		
ZAR forward foreign exchange contracts	**–**	(8)
EUR forward foreign exchange contracts	**–**	(5)
USD forward foreign exchange contracts	**1**	(16)
USD cross currency swap	**–**	(33)
	1	(62)

The ZAR and USD forward exchange contracts are designated as hedges against foreign currency risk in respect of the Group's investments in its South African and Bermudan operations.

(b) Accounting for other economic hedges (fair value through profit or loss – designated)

Old Mutual plc has designated £341 million fixed-rate debt as fair value through profit or loss in order to reduce an accounting mismatch. The mismatch that this reduces is the fair value movements on the £341 million of interest rate swaps. The changes in the value of the swaps, which are recognised as derivative financial instruments, are recognised in profit or loss. These derivative instruments change the interest profile of the fixed-rate debt into a variable coupon, with changes through profit or 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. The treatment of these types of contracts as separate components, (unbundling), only occurs when there is a small or insignificant of insurance risk in the contract. 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 (i) the performance of a specified pool of contracts or a specified type of contract, (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (iii) 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 not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment 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 or loss when notified.

Reinsurance recoveries in profit or loss are recognised in profit or 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.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued

Insurance contract liabilities
Insurance contract liabilities for African businesses are computed using a gross premium valuation method. Provisions in respect of African business are 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 these guidelines, 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 for immediate annuities and other 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, issued in insurance contracts are recognised as part of the overall measurement of 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 consolidated 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.

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 or 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 general insurance premiums are earned.

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

G6: Insurance and investment contracts continued

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.

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) bond 10-year yield.

The reference rate was relatively volatile over 2017, ranging from 8.5% to 9.8% (2016: 8.6% to 10.0%). At 31 December 2017, the reference discount rate was 9.0% (2016: 9.1%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life assurance businesses during 2017, given the continuance of the hedging program 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 an increase in insurance contract liabilities and a decrease in profit after tax as at 31 December 2017 of £9 million (2016: £3 million), 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 2017.

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 R8,021 million (£479 million) (1.4% of total technical provisions) were held at 31 December 2017 (2016: R7,823 million (£461 million), 1.5% 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.

Old Mutual Bermuda guarantees
Old Mutual Bermuda no longer owns any underlying policies or manages any 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. All remaining business operations, subject to regulatory approvals, are expected to be substantially wound down by 31 December 2018.

Almost all of the remaining GMAB risk relates to policies sold with 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 crystallize on the 10-year anniversary of policies, the remainder of which will be reached in 2018. The market risk attached to the GUO guarantees, and relating to equity and foreign exchange downside risks, is currently being managed by OTM quanto put options which covered circa 102% of the remaining equity and foreign exchange UGO GMAB exposures as at 31 December 2017. This slightly over-hedged position was mainly due to the higher than expected lapses in 2017.

GMAB reserves have decreased from £85 million ($104 million) at 31 December 2016 to £9 million ($12 million) at 31 December 2017, a decrease of £76 million ($92 million), mainly due to the expiration of GMAB guarantees and favourable equity and foreign exchange markets in 2017.

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 £2 million and increase the value of the liability by £1 million, which would result in a net profit for the Group of circa £1 million.

If the Group were to stress the underlying assets and liabilities, by decreasing the current level of volatility by 10%, it would decrease the underlying assets £2 million and decrease the value of the liability by £1 million, which would result in a net loss for the Group of £1 million.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued
(a) Policyholder liabilities
The Group's insurance and investment contracts are analysed as follows:

						£m
	At 31 December 2017			At 31 December 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Total life insurance contract liabilities	**9,520**	**(34)**	**9,486**	9,982	(358)	9,624
Life insurance contract liabilities	**9,379**	**(34)**	**9,345**	9,844	(345)	9,499
Outstanding claims	**141**	**–**	**141**	138	(13)	125
Investment contract liabilities	**28,740**	**–**	**28,740**	77,599	(2,560)	75,039
Unit-linked investment contracts and similar contracts	**17,125**	**–**	**17,125**	66,543	(2,560)	63,983
Other investment contracts	**72**	**–**	**72**	972	–	972
Discretionary participating investment contracts	**11,543**	**–**	**11,543**	10,084	–	10,084
Total life assurance policyholder liabilities	**38,260**	**(34)**	**38,226**	87,581	(2,918)	84,663
Property & casualty liabilities						
Claims incurred but not reported	**79**	**(19)**	**60**	73	(14)	59
Unearned premiums	**154**	**(71)**	**83**	163	(76)	87
Outstanding claims	**261**	**(128)**	**133**	246	(107)	139
Total property & casualty liabilities	**494**	**(218)**	**276**	482	(197)	285
Total policyholder liabilities	**38,754**	**(252)**	**38,502**	88,063	(3,115)	84,948

At 31 December 2017, total gross policyholder liabilities of £60,846 million and total reinsurance share of policyholder liabilities of £2,914 million attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution and assets held for sale and distribution respectively in the consolidated statement of financial position. Refer to note A4 and note G6.1 for more information.

Of the £252 million (2016: £3,115 million) included in reinsurer's share of life assurance policyholder and property & casualty liabilities is an amount of £192 million (2016: £2,919 million) which is classified as current, the remainder being non-current.

(b) Life insurance contracts liabilities

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

	At 31 December 2017			At 31 December 2016		£m
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balance at beginning of the year	**9,844**	**(345)**	**9,499**	7,617	(206)	7,411
Income						
Premium income	**1,893**	**(95)**	**1,798**	1,634	(88)	1,546
Investment income	**1,042**	**–**	**1,042**	678	–	678
Other income	**1**	**–**	**1**	3	–	3
Expenses						
Claims and policy benefits	**(1,912)**	**79**	**(1,833)**	(1,673)	57	(1,616)
Operating expenses	**(569)**	**–**	**(569)**	(468)	–	(468)
Currency translation loss(gain)	**75**	**–**	**75**	2,414	(13)	2,401
Other charges and transfers	**26**	**(90)**	**(64)**	10	(115)	(105)
Taxation	**(24)**	**–**	**(24)**	(10)	–	(10)
Transfer to operating profit	**(381)**	**37**	**(344)**	(352)	20	(332)
Transfer to liabilities held for sale and distribution[1]	**(616)**	**380**	**(236)**	(9)	–	(9)
Balance at end of the year	**9,379**	**(34)**	**9,345**	9,844	(345)	9,499

1 Amounts transferred to liabilities held for sale and distribution at 31 December 2017 relate to Nedbank and Old Mutual Wealth that have been classified as held distribution. Amounts transferred to liabilities held for sale and distribution at 31 December 2016 relate to the disposal of Old Mutual Wealth Italy. Refer to note A2 and A4 for more information.

(c) Unit-linked investment contracts and similar contracts, and other investment contracts

	At 31 December 2017	£m At 31 December 2016
Balance at beginning of the year	**67,515**	60,769
Contributions received	**12,802**	10,100
Maturities	**(297)**	(244)
Withdrawals and surrenders	**(8,317)**	(7,381)
Fair value movements	**6,309**	6,296
Foreign exchange and other movements	**(594)**	3,855
Transfer to liabilities held for sale and distribution[1]	**(60,221)**	(5,880)
Balance at end of the year	**17,197**	67,515

1 Amounts transferred to liabilities held for sale at 31 December 2017 relate to Nedbank and Old Mutual Wealth that have been classified as held distribution. Amounts transferred to liabilities held for sale and distribution at 31 December 2016 relate to the disposal of Old Mutual Wealth Italy. Refer to note A2 and A4 for more information.

(d) Discretionary participating investment contracts

Discretionary participating investment contracts relate to the continuing operations only. None of the businesses classified as held for sale and distribution have issued any discretionary participating investment contracts.

	At 31 December 2017	£m At 31 December 2016
Balance at beginning of the year	**10,084**	7,085
Income		
Premium income	**1,645**	1,525
Investment and other income	**1,516**	366
Other income	**7**	–
Expenses		
Claims and policy benefits	**(1,484)**	(1,170)
Operating expenses	**(68)**	(56)
Other charges and transfers	**(74)**	(6)
Taxation	**(12)**	(2)
Currency translation losses	**42**	2,438
Transfer to operating profit	**(113)**	(96)
Balance at end of the year	**11,543**	10,084

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued
(e) Contractual maturity analysis

The following table shows 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 amounts 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 2017						£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						
Total life insurance contract liabilities	**9,520**	**718**	**1,182**	**6,024**	**20,166**	**28,090**
Life insurance contract liabilities	9,379	577	1,182	6,024	20,166	27,949
Outstanding claims	141	141	–	–	–	141
Investment contract liabilities	**28,740**	**24,690**	**35**	**117**	**4,981**	**29,823**
Unit-linked investment contracts and similar contracts	17,125	12,694	13	68	4,788	17,563
Other investment contracts	72	78	17	40	3	138
Discretionary participating investment contracts	11,543	11,918	5	9	190	12,122
Total life assurance policyholder liabilities	**38,260**	**25,408**	**1,217**	**6,141**	**25,147**	**57,913**
Property & casualty liabilities						
Claims incurred but not reported	79	14	40	18	7	79
Unearned premiums	154	71	38	33	15	157
Outstanding claims	261	142	56	55	8	261
Total property & casualty liabilities	**494**	**227**	**134**	**106**	**30**	**497**
Total policyholder liabilities	**38,754**	**25,635**	**1,351**	**6,247**	**25,177**	**58,410**

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						
Total life insurance contract liabilities	9,982	752	1,289	6,243	21,445	29,729
Life insurance contract liabilities	9,844	614	1,289	6,243	21,445	29,591
Outstanding claims	138	138	–	–	–	138
Investment contract liabilities	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	76,814	1,330	6,434	23,346	107,924
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	77,003	1,476	6,548	23,380	108,407

(f) 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 2017	**%**	**£m**
	Change	**Emerging Markets**
Assumption		
Mortality and morbidity rates – assurance	**10**	**311**
Mortality rates – annuities	**(10)**	**60**
Discontinuance rates	**10**	**7**
Expenses maintenance	**10**	**66**

At 31 December 2016	%	£m	£m
	Change	Emerging Markets	Old Mutual Wealth
Assumption			
Mortality and morbidity rates – assurance	10	316	2
Mortality rates – annuities	(10)	56	–
Discontinuance rates	10	6	(2)
Expenses maintenance	10	65	2

Financials

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G6: Insurance and investment contracts continued
(f) Sensitivity analysis – life assurance continued
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 an increase for insurance contract liabilities and a reduction in net profit after tax of £9 million (2016: £3 million). This impact is calculated with no change in charges paid by policyholders. The impact in 2017 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.

Old Mutual Bermuda
Post the sale of Old Mutual (Bermuda) Limited (renamed Beechwood OMNIA on 30 June 2016) on 31 December 2015, the Group does not own any underlying policies or manage policyholder funds. Beechwood OMNIA, was renamed (OMNIA) effective 29 June 2017, shortly before it was sold to Eli Global ("Global Bankers") on 30 June 2017. The Group continues to provide (re)insurance coverage to OMNIA) in connection with the Guaranteed Minimum Accumulation Benefit (GMAB) guarantees embedded within certain OMNIA policies.

Lapses and partial withdrawals of the underlying (re)insured 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. Additionally in the calculation of insurance contract liabilities for 2017, provision was made for projected claims management expenses. As such expense level also has an impact on Old Mutual Bermuda's insurance liabilities.

This (re)insurance will extend through to the final GMAB maturity in August 2018.

(g) 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 £51 million (2016: £34 million) net of reinsurance. Similarly, an increase of 10% in the ultimate number of claims would result in an additional loss of £51 million (2016: £34 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.

(h) Reinsurance assets – credit risk
None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the consolidated statement of financial position all are considered investment grade with the exception of £87 million of unrated exposures (2016: £189 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances.

G6.1: Liabilities held for sale and distribution – Insurance and investment contracts

The insurance and investment contracts classified as liabilities held for sale and distribution are analysed as follows:

At 31 December 2017			£m
	Gross	Reinsurance	Net
Life assurance policyholder liabilities			
Total life insurance contract liabilities	625	(388)	237
Life insurance contract liabilities	616	(380)	236
Outstanding claims	9	(8)	1
Investment contract liabilities	60,221	(2,526)	57,695
Unit-linked investment contracts and similar contracts	59,139	(2,526)	56,613
Other investment contracts	1,082	–	1,082
Total policyholder liabilities	60,846	(2,914)	57,932

The reinsurers' share of unit-linked investment contracts and similar contracts of £2,526 million (2016: £2,560 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.

G7: Borrowed funds

Types of securities				£m
		At 31 December 2017		
	Notes	Old Mutual plc	Emerging Markets	Total
Senior debt securities and term loans		–	210	210
Term and other loan	G7(a)(iii)	–	210	210
Revolving credit facilities	G7(b)	–	67	67
Subordinated debt securities	G7(d)	461	388	849
Total Borrowed funds		461	665	1,126

At 31 December 2017, total borrowed funds of £3,031 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

Types of securities					£m
		At 31 December 2016			
	Notes	Old Mutual plc	Emerging Markets	Nedbank	Total
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

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued

Maturity analysis
The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for borrowed funds, including interest. It is presented on an undiscounted basis, and will therefore, differ from both the carrying value and fair value of borrowed funds:

			£m
	Old Mutual plc	Emerging Markets	At December 2017
Less than 1 year	32	42	74
Greater than 1 year and less than 5 years	428	197	625
Greater than 5 years	75	610	685
Total non-banking	535	849	1,384
Less than 1 year	–	76	76
Greater than 1 year and less than 5 years	–	217	217
Greater than 5 years	–	6	6
Total banking	–	299	299
Total	535	1,148	1,683

				£m
	Old Mutual plc	Emerging Markets	Nedbank	At 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

Interest rate profile

The interest rate profiles of the Group's borrowed funds are analysed as follows:

	Old Mutual plc[1]	Emerging Markets	£m At 31 December 2017
Fixed rate	**461**	**264**	**725**
Floating rate	**–**	**401**	**401**
Total	**461**	**665**	**1,126**

	Old Mutual plc[1]	Emerging Markets	Nedbank	£m 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

1 Old Mutual plc has interest rate swaps related to £341 million Tier 2 debt. Old Mutual plc receives fixed interest and pays floating interest. These instruments are designated as fair value through profit or loss.

Currency exposure

The currency exposures of the Group's borrowed funds are analysed as follows:

	Old Mutual plc	Emerging Markets	£m At 31 December 2017
ZAR	**–**	**597**	**597**
GBP	**461**	**–**	**461**
USD	**–**	**29**	**29**
Other	**–**	**39**	**39**
Total	**461**	**665**	**1,126**

	Old Mutual plc	Emerging Markets	Nedbank	£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

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
Analysis of security types
(a) Senior debt securities and term loans
(i) Floating rate notes (net of Group holdings)

	Maturity date	At 31 December 2017 £m	At 31 December 2016 £m
Banking – Nedbank Floating rate unsecured senior debt			
R405 million at JIBAR plus 1.30%	Repaid	–	22
R1,035 million at JIBAR plus 0.85%	Repaid	–	61
R806 million at JIBAR plus 0.90%	Repaid	–	48
R786 million at JIBAR plus 1.30%	Repaid	–	27
R241 million at JIBAR plus 1.12%	Repaid	–	14
R472 million at JIBAR plus 1.25%	February 2018	–	28
R1,427 million at JIBAR plus 1.30%	June 2018	–	85
R1,427 million at JIBAR plus 1.45%	February 2019	–	85
R1,472 million at JIBAR plus 1.45%	May 2019	–	149
R612 million at JIBAR plus 1.40%	August 2019	–	37
R90 million at JIBAR plus 1.45%	February 2020	–	5
R80 million at JIBAR plus 2.15%	April 2020	–	5
R476 million at JIBAR plus 1.55%	November 2020	–	28
R830 million at JIBAR plus 1.80%	February 2021	–	49
R1,054 million at JIBAR plus 1.80%	May 2021	–	88
R650 million at JIBAR plus 1.30%	June 2021	–	38
R287 million at JIBAR plus1.75%	August 2021	–	17
R12 million at JIBAR plus 1.55%	February 2022	–	1
R270 million at JIBAR plus 2.00%	February 2023	–	16
R528 million at JIBAR plus 2.00%	May 2023	–	32
R1,980 million at JIBAR plus 2.00%	February 2025	–	118
R500 million at JIBAR plus 2.10%	April 2026	–	30
R750 million at JIBAR plus 2.25%	May 2026	–	45
R302 million at JIBAR plus 2.20%	July 2026	–	18
Total floating rate notes		–	1,046

At 31 December 2017, total floating rate notes of £1,027 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

(ii) Fixed rate notes (net of Group holdings)

	Maturity date	At 31 December 2017 £m	At 31 December 2016 £m
Banking – Nedbank Fixed rate unsecured senior debt			
R1,273 million at 11.39%	September 2019	–	80
R380 million at 9.26%	June 2020	–	23
R1,888 million at 8.92%	November 2020	–	112
R855 million at 9.38%	March 2021	–	52
R417 million at 10.68%	May 2021	–	25
R500 million at 9.29%	June 2021	–	30
R215 million at 8.79%	February 2022	–	13
R280 million at 9.64%	June 2022	–	17
R250 million at 10.66%	February 2023	–	15
R334 million at 10.01%	August 2023	–	21
R952 million at 10.07%	November 2023	–	57
R391 million at 9.73%	March 2024	–	24
R660 million at zero coupon	October 2024	–	18
R2,607 million at 9.44%	February 2025	–	159
R884 million at 10.69%	November 2025	–	53
R800 million at 9.95%	April 2026	–	48
R360 million at 11.15%	May 2026	–	22
R1,739 million at 10.36%	June 2026	–	103
R423 million at 10.50%	July 2026	–	26
R2,000 million at 10.63%	July 2027	–	124
R666 million at 10.94%	November 2027	–	40
		–	1,062
Less: held by other Group companies		–	(20)
Total fixed rate notes (net of Group holdings)		–	1,042

At 31 December 2017, total fixed rate notes (net of Group holdings) of £1,107 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
(a) Senior debt securities and term loans continued
(iii) Term and other loans

	Maturity date	At 31 December 2017 £m	At 31 December 2016 £m
Emerging Markets Floating rate loans			
KES450 million at GOK[4] 182 days TB plus 2.50%[1]	Repaid	**–**	3
$65 million at 3 month JIBAR plus 2.80%[2]	Reclassification[7]	**–**	55
KES950 million rate at KBRR[1,3]	Repaid	**–**	7
R800 million at JIBAR plus 2.75%[1]	July 2018	**48**	47
R1,500 million at JIBAR plus 2.75%[1]	July 2020	**90**	94
KES750 million at CBR[5] plus 2.50%[1]	August 2020	**5**	1
R66 million at 3 month JIBAR plus 5.50%[2]	March 2021	**3**	–
$31 million at 3 month LIBOR plus 3.50%[2]	September 2021	**23**	25
R50 million at 3 month JIBAR plus 5.50%[2]	July 2022	**2**	–
KES900 million rate at GOK[1,4]	November 2022	**5**	–
Emerging Markets Fixed rate loans			
$2 million at 8.24%[1]	Repaid	**–**	2
$3 million at 8.72%[1]	Repaid	**–**	5
$3 million at 8.31%[1]	Repaid	**–**	5
KES101 million at 13.00%[1]	June 2018	**1**	1
KES102 million at 13.50%[1]	June 2018	**1**	1
KES607 million at 12.50%[1]	December 2018	**4**	5
$10 million at 8.31%[1]	April 2019	**3**	2
KES2,000m at 13.00%[2]	July 2019	**14**	17
KES412 million at 11.50%[1]	May 2020	**3**	3
KES1,183 million at 9.20%[1]	August 2020	**4**	4
$10 million at 8.57%[1]	October 2020	**8**	–
KES200 million at 5.00%[1]	July 2022	**1**	2
$20 million at 8.75%[2]	August 2022	**2**	12
$5 million at 13.00%[1]	September 2022	**2**	3
$5 million at 6.50%[2]	June 2023	**3**	3
$5 million at 6.50%[2]	June 2023	**3**	3
$6 million at 6.50%[2]	June 2023	**3**	5
$10 million at 12.00%[1]	December 2023	**5**	7
Total term and other loans		**233**	312
Less: Term loans held by other Group companies		**(23)**	(25)
Total term and other loans (net of Group holding)		**210**	287
Total term and other loans are further analysed as:			
Banking		**180**	192
Non-banking		**53**	120
Total term and other loans[6]		**233**	312

1 Banking term and other loans
2 Non-Banking and other loans
3 Kenya Bank's Reference Rate
4 Government of Kenya
5 Central Bank Rate
6 Emerging Markets term loan facilities totalling £53 million ($74 million) in value, with £39 million ($53 million) drawn, were identified as being in breach of covenant at 31 December 2017. These breaches were not considered to threaten the availability of these facilities. At 9 March 2018, waivers had been received from borrowers with facilities of £29 million ($39 millon) and drawn amounts of £24 million ($32 million) had formally received waivers. The resolution of all other breaches is expected to conclude by 31 March 2018.
7 During the year this loan has been evaluated and classified as other liabilities as it does not relate to corporate borrowing. Comparative information has not been restated as it is not deemed material to the consolidated statements of financial position.

(b) Revolving credit facilities

	Maturity date	At 31 December 2017	At 31 December 2016
			£m
Non-banking			
Emerging Markets – R3,125 million facility at 3 month JIBAR plus 1.60%	February 2019	–	16
Banking			
Emerging Markets – R2,200 million facility at 3 month JIBAR plus 2.50%	July 2019	**58**	18
N$200 million at prime overdraft rate less 1.00%	November 2020	**9**	–
Total revolving credit facilities		**67**	34

Old Mutual plc has access to a £764 million (2016: £764 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 £618 million of the facility matures in August 2021. At 31 December 2017, this facility was undrawn.

In July 2015, Emerging Markets obtained access to a R1,200 million revolving credit facility. In July 2017 the facility has been increased to R2,200 million and its maturity extended to July 2019. At 31 December 2017, R975 million (£58 million) of this facility was drawn (2016: R300 million (£18 million)).

In December 2015, Emerging Markets obtained access to an external R3,125 million revolving credit facility which expires in January 2019 with an option to renew for a further year. At 31 December 2017, this facility was undrawn (2016: R260 million (£16 million)).

In March 2017, Emerging Markets obtained access to an unsecured revolving credit facility from Standard Bank Namibia Limited of N$200 million. The facility bears interest at the prime overdraft rate less 1% which is repayable monthly. A commitment fee of 0.95% is payable monthly on any undrawn capital. The capital is repayable on 24 November 2020.

Certain revolving credit facility arrangements may include guarantees by other subsidiary companies which, in the case of non-performance by the borrower, may limit the amount of distribution the guarantor declares to its parent.

(c) Mortgage-backed securities (net of Group holdings)

	Tier	Maturity date	At 31 December 2017	At 31 December 2016
				£m
Banking – Nedbank				
R600 million JIBAR plus 1.34%	Tier 2	January 2028	–	30
R300 million JIBAR plus 1.54%	Tier 2	January 2028	–	16
R900 million (class A3) at JIBAR plus 1.54%	Tier 2	October 2039	–	50
R110 million (class B) at JIBAR plus 1.90%	Tier 2	October 2039	–	7
R558 million at JIBAR plus 1.20%	Tier 2	February 2042	–	19
R100 million at JIBAR plus 1.45%	Tier 2	February 2042	–	6
R680 million at JIBAR plus 1.55%	Tier 2	February 2042	–	40
R80 million at JIBAR plus 2.20%	Tier 2	February 2042	–	5
R65 million at JIBAR plus 3.00%	Tier 2	February 2042	–	4
Total mortgage-backed securities			–	177
Less: Mortgage-backed securities held by other Group companies			–	(24)
Total mortgage-backed securities (net of Group holdings)			–	153

At 31 December 2017, total mortgage-backed securities (net of Group holdings) of £151 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

Group financial statements
Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued
G7: Borrowed funds continued
(d) Subordinated debt securities (net of Group holdings)

	Tier	Maturity date	At 31 December 2017	£m At 31 December 2016
Non-banking – Old Mutual plc				
£341 million at 8.00%; (2016: £500 million at 8.00%)[1]	Tier 2	June 2021	**400**	569
£61 million at 7.88%; (2016: £450 million at 7.88%)[1]	Tier 2	November 2025	**61**	448
			461	1,017
Non-banking – Emerging Markets				
R300 million at 9.26%	Tier 2	November 2024	**18**	17
R700 million at 3 month JIBAR plus 2.20%	Tier 2	November 2024	**42**	41
R537 million at 3 month JIBAR plus 2.30%	Tier 2	March 2025	**32**	32
R425 million at 9.76%	Tier 2	March 2025	**25**	25
R1,288 million at 3 month JIBAR plus 2.25%	Tier 2	September 2025	**78**	76
R409 million at 10.32%	Tier 2	March 2027	**24**	23
R568 million at 10.90%	Tier 2	September 2027	**35**	33
R500 million at JIBAR plus 2.09%[2]	Tier 2	November 2027	**30**	–
R1,150 million at 10.96%	Tier 2	March 2030	**67**	65
R623 million at 11.35%	Tier 2	September 2030	**37**	36
			388	348
Banking – Nedbank				
$100 million at 3 month USD LIBOR	Tier 2 (secondary)	March 2022	**–**	81
R2,000 million at JIBAR plus 0.47%	Tier 2	July 2022	**–**	120
R1,800 million at JIBAR plus 2.75%	Tier 2	July 2023	**–**	108
R1,200 million at JIBAR plus 2.55%	Tier 2	November 2023	**–**	71
R450 million at JIBAR plus 10.49%	Tier 2	April 2024	**–**	27
R1,737 million at 3 month JIBAR plus 2.55%	Tier 2	April 2024	**–**	105
R300 million at JIBAR plus 2.75%	Tier 2	October 2024	**–**	18
R225 million at JIBAR plus2.75%	Tier 2	January 2025	**–**	14
R1,624 million at JIBAR plus 3.5%	Tier 2	July 2025	**–**	98
R407 million at 11.29%	Tier 2	July 2025	**–**	25
R2,000 million at JIBAR plus 4.00%	Tier 2	September 2026	**–**	118
			–	785
Less: Banking subordinated debt securities held by other Group companies			**–**	(18)
Banking subordinated securities (net of Group holdings)			**–**	767
Total subordinated debt securities			**849**	2,132

1 On 24 November 2017, Old Mutual plc repurchased £389 million of its outstanding £450 million 7.875 per cent subordinated debt securities (Tier 2 subordinated 2025 securities) and £159 million of its outstanding £500 million 8 per cent subordinated debt securities (Tier 2 subordinated 2021 securities) through tender offers. All repurchased securities were cancelled on 24 November 2017. Following cancellation of these securities, the aggregate principal amounts outstanding of the £450 million securities was £61 million and the aggregate principal amount outstanding of £500 million securities was £341 million

2 On 20 November 2017, Old Mutual Insure issued R500 million Unsecured Subordinated Callable Floating Rate Notes under its R1 billion Unsecured Subordinated Callable Note Programme dated 13 November 2017. Interest is payable at a floating rate of 3 Month JIBAR plus 209 bps on 22 February, 22 May, 22 August and 22 November each year until 22 November 2022, the first call date. The first interest payment date is 22 February 2018

3 All callable subordinated debt securities have a first call date five years before the maturity date.

At 31 December 2017, total subordinated debt securities of £746 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

(e) Reconciliation of borrowed funds arising from financing activities

	£m At 31 December 2017
Balance at beginning of the year	**2,132**
Changes from financing cash flows	**(547)**
Proceeds from issue of new borrowed funds	**189**
Redemption of borrowed funds	**(736)**
Non-cash changes	**(736)**
Fair value changes	**(8)**
Effect of changes in foreign exchange rates	**18**
Transfer to liabilities held for sale and distribution	**(746)**
Balance at end of the year	**849**

G7.1: Liabilities held for sale and distribution – Borrowed funds

The table below summarises the Group's borrowed funds classified within liabilities held for sale and distribution as at 31 December 2017. All amounts disclosed relate to the Nedbank segment and banking business.

Types of securities	£m At 31 December 2017
Senior debt securities and term loans[1]	**2,134**
Floating rate notes	**1,027**
Fixed rate notes	**1,107**
Term and other loan	**–**
Mortgage-backed securities[2]	**151**
Subordinated debt securities[3]	**746**
Total Borrowed funds	**3,031**

1 During 2017, five senior debt securities and term loans were repaid and four senior unsecured debt instruments were issued. A sum of £36.9 million was issued with a fixed interest-rate of 9.60%, repayable on 20 February 2024. A sum of £173 million was issued with variable-interest-rates ranging between JIBAR plus 1.29% to 1.50%, repayable by 26 February 2024

2 During 2017, seven Mortgage-backed securities were repaid and seven securitised liabilities were issued. A sum of £80 million was issued at floating interest rates ranging between JIBAR plus 1.05% to 2.70%. These instruments are repayable by 20 February 2022

3 During 2017, two subordinated debt securities were repaid and two subordinated debt instruments were issued. A sum of £6 million was issued at a fixed interest rate of 10.82%, which is repayable 31 July 2029. In addition, a sum of £6 million was issued at a variable interest rate of Jibar plus 2.45%, which is repayable on 2 August 2027. Two Basel III subordinated debt securities were also issued. A sum of £149 million was issued with variable rates ranging between Jibar plus 3.75% to 3.80%. These instruments are redeemable by 26 May 2022.

Group financial statements

Notes to the consolidated financial statements continued

G: Analysis of financial assets and liabilities continued

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 the maturity profile of the anticipated future cash flows, based on contractual maturity dates for amounts owed to bank depositors, including interest. It is presented on an undiscounted basis, and will therefore, differ from the carrying amount of amounts owed to bank depositors:

At 31 December 2017						**£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**
Savings deposits	**130**	**71**	**32**	**2**	**25**	**130**
Negotiable certificates of deposit	**612**	**588**	**97**	**66**	**–**	**751**
Amounts owed to bank depositors	**742**	**659**	**129**	**68**	**25**	**881**

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 2017, amounts owed to bank depositors of £45,766 million attributable to Nedbank have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G8.1 for more information.

G8.1: Liabilities held for sale and distribution – Amounts owed to bank depositors

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for amounts owed to bank depositors, including interest. It relates to amount owed to bank depositors classified as liabilities held for sale and distribution at 31 December 2017 and is presented on an undiscounted basis that will therefore, differ from the carrying amount of amounts owed to bank depositors:

						£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	**4,824**	**4,825**	**–**	**–**	**–**	**4,825**
Savings deposits	**1,830**	**1,826**	**1**	**3**	**–**	**1,830**
Other deposits and loan accounts	**33,005**	**25,067**	**5,866**	**2,802**	**457**	**34,192**
Negotiable certificates of deposit	**4,627**	**1,066**	**2,943**	**1,126**	**–**	**5,135**
Deposits received under repurchase agreements[1]	**1,480**	**1,481**	**–**	**–**	**–**	**1,481**
Amounts owed to bank depositors	**45,766**	**34,265**	**8,810**	**3,931**	**457**	**47,463**

1 The Group, through its South African banking business Nedbank, has pledged debt securities and negotiable certificates of deposit amounting to £1,761 million (2016: £1,128 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.

H: Non-financial assets and liabilities

All non-financial assets and liabilities notes which require a movement analysis will include the information for all items, including movements in assets and liabilities classified as held for sale or distribution for the year. Therefore, the amounts reflected in the movement tables will not agree to the consolidated income statement amounts presented as the results of the discontinued operations are recognised on a single line in the consolidated income statement. At the end of the movement analysis, a single line item will indicate the value of the assets or liabilities that have been transferred to assets and liabilities held for sale or distribution.

Consistent with the requirements of accounting standards, the comparative period has not been re-presented for non-financial assets and liabilities classified as held for sale and distribution. The comparative information presented at 31 December 2017, therefore includes the non-financial assets and liabilities for the composition of the Group as at 31 December 2016.

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 assets 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 of a business. 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
– Brands	15 – 20 years

The estimated useful life is re-evaluated annually.

Other intangible assets acquired in a business combination are impaired if the carrying value is greater than the net recoverable amount.

Group financial statements

Notes to the consolidated financial statements continued

H: Non-financial assets and liabilities continued

H1: Goodwill and other intangible assets continued

(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 consolidated 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 in profit or loss 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 2017 and year ended 31 December 2016.

										£m
	Goodwill		Present value of acquired in-force business development costs		Software development costs		Other intangible assets		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Cost										
Balance at beginning of the year	**2,089**	3,129	**914**	982	**913**	598	**772**	710	**4,688**	5,419
Acquisitions through business combinations[1,2]	**19**	124	**–**		**–**	1	**27**	76	**46**	201
Purchase price adjustments	**–**	(12)	**–**	–	**–**	–	**–**	17	**–**	5
Additions	**–**	–	**–**	–	**185**	132	**2**	9	**187**	141
Disposals or retirements	**–**	–	**–**	–	**(20)**	(12)	**(2)**	–	**(22)**	(12)
Foreign exchange and other movements	**(10)**	409	**–**	12	**19**	194	**(13)**	32	**(4)**	647
Transfer to assets held for sale and distribution[4]	**(1,679)**	(1,561)	**(899)**	(80)	**(907)**	–	**(687)**	(72)	**(4,172)**	(1,713)
Cost at end of the year	**419**	2,089	**15**	914	**190**	913	**99**	772	**723**	4,688
Amortisation and impairment losses										
Balance at beginning of the year	**(471)**	(617)	**(732)**	(751)	**(568)**	(403)	**(446)**	(372)	**(2,217)**	(2,143)
Amortisation charge for the year	**–**	–	**(39)**	(49)	**(60)**	(51)	**(53)**	(55)	**(152)**	(155)
Impairment losses[3]	**(85)**	(110)	**–**	–	**(1)**	(3)	**–**	–	**(86)**	(113)
Disposals or retirements	**–**	–	**–**	–	**16**	10	**2**	–	**18**	10
Foreign exchange and other movements	**9**	(81)	**(1)**	(9)	**(13)**	(121)	**7**	(22)	**2**	(233)
Transfer to assets held for sale and distribution[4]	**394**	337	**757**	77	**537**	–	**421**	3	**2,109**	417
Accumulated amortisation and impairment losses at end of the year	**(153)**	(471)	**(15)**	(732)	**(89)**	(568)	**(69)**	(446)	**(326)**	(2,217)
Carrying amount										
Balance at beginning of the year	**1,618**	2,512	**182**	231	**345**	195	**326**	338	**2,471**	3,276
Balance at end of the year	**266**	1,618	**–**	182	**101**	345	**30**	326	**397**	2,471

1 Goodwill acquired through business combinations for the year ended 31 December 2017 of £19 million relates to the acquisition of Caerus Capital Group Limited (£10 million), several acquisitions by the Old Mutual Wealth Private Client Advisors business (£5 million) and the acquisition of WinTwice Properties (Pty) Ltd and Bedford Square Properties (Pty) Ltd (£4 million). Refer to note A2 for more information

2 Other intangible assets acquired through business combinations for the year ended 31 December 2017 of £27 million relates to the acquisitions of Caerus Capital Group Limited (£10 million), Attivo Investment Management Limited (£7 million) and several acquisitions by the Old Mutual Wealth Private Client Advisors business (£10 million). Refer to note A2 for more information

3 The goodwill impairment loss of £85 million for the year ended 31 December 2017 relate to the East Africa cash generating unit (£69 million) and the Uruguay cash generating unit (£16 million) within Emerging Markets. Of the impairment losses of £110 million for the year ended 31 December 2016, £46 million relates to the disposal of Old Mutual Italy, which completed on 9 January 2017, and £64 million relates to the OMSEA Cash Generating Units within Emerging Markets. Refer to note H1(h) for more information

4 At 31 December 2017, goodwill and other intangible assets attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

(g) Allocation of goodwill to cash generating units
The carrying amount of goodwill relates to the following cash generating units (CGUs):

	At 31 December 2017	At 31 December 2016
		£m
Emerging Markets	**266**	348
Latin America	**–**	70
Columbia Mexico	**51**	–
Uruguay	**4**	–
Old Mutual Southern and East Africa	**–**	114
East Africa	**34**	–
Namibia	**4**	–
Old Mutual South Africa	**–**	164
OM Insure	**3**	–
Mass Foundation segment	**114**	–
Corporate segment	**6**	–
Investment segment	**50**	–
Old Mutual Wealth[1]	**–**	973
Nedbank[1]	**–**	297
Goodwill, net of impairment losses	**266**	1,618

1 At 31 December 2017, goodwill attributable to Nedbank (£297 million) and Old Mutual Wealth (£988 million) have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 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 Cash Generating Units (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. The appropriateness of the CGUs is evaluated on an annual basis. An impairment charge is recognised when the recoverable amount is less than the carrying value.

Emerging Market's CGU's generate revenue through their life assurance, asset management, property & casualty and banking businesses in several regions, but principally in Africa and Latin America.

Determination of Cash Generating Units
At 30 June 2017, the change in the operating structure prompted the separation of the previously reported single Old Mutual Southern and East Africa (OMSEA) CGU into two CGUs for Southern Africa and East Africa. The composition of the East African CGU includes the former Old Mutual Kenya and the recently acquired business interests in UAP and Faulu. The goodwill balance of £114 million of the OMSEA CGU at 31 December 2016 was allocated in its entirety to the East African CGU, which is primarily located in Kenya, on the basis that it related to the acquisitions of UAP and Faulu within that region.

At 31 December 2017, in light of managed separation and the monitoring of the performance of the business, the management of Emerging Markets reconsidered the appropriateness of its CGU's and based on evidence concluded the lowest attributable CGU's should be based on individual countries. The South African CGU have been further allocated into five CGU's being Retail, Mass Foundation, Corporate, Investment and OM Insure, on which basis management have performed goodwill impairment testing.

Therefore, the results of the goodwill testing performed are not directly comparable on a year on year basis.

Value in Use models
In the performance of goodwill impairment testing the Emerging Markets used a discounted cash flow model, which incorporated planned business performance and a risk adjusted discounted rate.

Group financial statements
Notes to the consolidated financial statements continued

H: Non-financial assets and liabilities continued
H1: Goodwill and other intangible assets continued

Critical accounting estimates and judgements – Goodwill and intangible assets continued

(h) Annual impairment testing of goodwill

Impairment losses recognised during H1 2017
An impairment charge of £69 million was recognised in the Emerging Markets segment at 30 June 2017. This impairment of goodwill was principally the result of changes in the CGU definition following the simplification of the Rest of Africa businesses' operating structure. Weaker performance in the East Africa businesses than was anticipated at the time of the previous impairment review also had a minor impact. The following key assumptions were used in the goodwill impairment test performed at 30 June 2017 which included a risk adjusted long-term discount rate of 17.00% and cash flows in year 1 to 3 of 70.0% of the planned business performance; growth in cash flows of 13.0% for years 4 and five and terminal growth rate of 8.5%.

The result of using the above assumptions resulted in the Group recognising an impairment of £69 million in profit or loss relating to the East African CGU. The impairment of goodwill has been allocated to equity holders of the parent (£42 million) and non-controlling interests (£27 million).

Impairment losses recognised during H2 2017
A goodwill impairment charge of £16 million has been recognised in 2017 following further impairment reviews in H2 2017. This was recognised in relation to the Aiva business in Uruguay. This impairment was reflective of the challenging business environment in the country.

Apart for the goodwill impairment losses for East Africa and Uruguay, no other goodwill impairment losses have been recognised in profit or loss for the year ended 31 December 2017.

The following key assumptions have been used in the performance of goodwill impairment testing for the year ended 31 December 2017:

	Discount rate	Year 1 -3 (business plan)	Cash flows Year 4 -5 growth rate	Terminal growth rates
Uruguay	14.35%	100%	3.75%	1.88%
Columbia Mexico	14.35%	100%	5.73%	2.87%
East Africa	17.00%	85%	13.00%	8.50%
Namibia	18.56%	100%	8.00%	4.00%
OM Insure	13.06%	100%	4.80%	2.40%
Investment segment	13.06%	100%	4.80%	2.40%
Corporate segment	13.06%	100%	4.80%	2.40%
Mass Foundation segment	13.06%	100%	4.80%	2.40%

Sensitivities and headroom analysis
The aggregated results of the goodwill testing indicated total headroom of £2,976 million at 31 December 2017. Excluding the results of goodwill impairment testing for the Uruguay CGU, a 1% increase in the discount rate on any of the CGUs' identified would not result in any goodwill impairment being recognised.

The following sensitivities on inputs used in the goodwill impairment testing have indicate that:

- A 1% increase in the discount rate would decrease headroom by £416 million; and
- A 1% decrease in the discount rate would increase headroom by £509 million.

Impairment losses recognised during 2016
A goodwill impairment charge of £64 million for the year ended 31 December 2016 was recognised for the OMSEA CGU.The following key assumptions were used in the performance of goodwill testing for the year ended 31 December 2016:

	Discount rate	Year 1 -3 (business plan)	Cash flows Year 4 -5 growth rate	Terminal growth rates
Latin America	14.90%	100%	17.00%	1.50%
Old Mutual Southern and East Africa	22.30%	100%	18.00%	4.50%
Old Mutual South Africa	14.30%	100%	7.50%	2.40%

Impairment testing relating to the assets held for sale and distribution
At 31 December 2017, no impairment losses have been recognised for the Nedbank and Old Mutual Wealth businesses, which have been classified and presented as discontinued operations in the consolidated income statement and as held for distribution in the consolidated statement of financial position in terms of the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Impairment losses are determined as the deficit between fair value less cost to distribute of each business and the carrying value of each business at 31 December 2017.

The fair value less cost to distribute of Nedbank was determined by reference to its quoted market price and the ZAR/GBP foreign exchange rate as at 31 December 2017. At 31 December 2017, the fair value less cost to distribute exceeded the carrying value of Nedbank and the Group therefore concluded that goodwill and other intangible assets related to the Nedbank are not impaired. The fair value less cost to distribute of Old Mutual Wealth is not observable in a quoted active market and accordingly it has been determined by reference to external broker valuation reports and an internal valuation performed for goodwill impairment testing. As such, the conclusion of this matter has required significant judgement and the use of estimates.

At 31 December 2017, the Group has concluded that the fair value less costs to distribute exceeded the carrying value of Old Mutual Wealth and therefore no impairment losses of goodwill and other intangible assets have been recognised.

In addition, no other impairments for property, plant and equipment, investment properties or other intangible assets have been recognised as a result of classifying these businesses as held for distribution.

Group financial statements
Notes to the consolidated financial statements continued

H: Non-financial assets and liabilities continued
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
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Gross carrying amount								
Balance at beginning of the year	**113**	77	**636**	501	**730**	556	**1,479**	1,134
Additions	**–**	–	**23**	22	**110**	107	**133**	129
Additions from business combinations	**–**	–	**–**	–	**–**	10	**–**	10
Net increase arising from revaluation	**1**	2	**18**	9	**–**	–	**19**	11
Transfers from/(to) investment properties	**5**	2	**151**	(20)	**–**	–	**156**	(18)
Reclassification within property, plant and equipment	**(14)**	–	**14**	–	**–**	–	**–**	–
Disposals	**(1)**	–	**(14)**	(9)	**(25)**	(22)	**(40)**	(31)
Foreign exchange and other movements	**(3)**	35	**(4)**	141	**11**	152	**4**	328
Transfer to assets held for sale and distribution[1]	**(57)**	(3)	**(440)**	(8)	**(587)**	(73)	**(1,084)**	(84)
	44	113	**384**	636	**239**	730	**667**	1,479
Accumulated depreciation and impairment losses								
Balance at beginning of the year	**–**	–	**(117)**	(81)	**(470)**	(353)	**(587)**	(434)
Depreciation charge for the year	**–**	–	**(30)**	(24)	**(92)**	(78)	**(122)**	(102)
Disposals	**–**	–	**6**	6	**16**	19	**22**	25
Foreign exchange and other movements	**–**	–	**5**	(18)	**(10)**	(102)	**(5)**	(120)
Transfer to assets held for sale and distribution[1]	**–**	–	**112**	–	**395**	44	**507**	44
Balance at end of the year	**–**	–	**(24)**	(117)	**(161)**	(470)	**(185)**	(587)
Carrying amount								
Balance at beginning of the year	**113**	77	**519**	420	**260**	203	**892**	700
Balance at end of the year	**44**	113	**360**	519	**78**	260	**482**	892

1 At 31 December 2017, property, plant and equipment attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The carrying value of property, plant and equipment leased to third parties under operating leases included in the above is £52 million (2016: £19 million) and comprises land of £13 million (2016: £3 million) and buildings of £39 million (2016: £16 million).

The value of property, plant and equipment pledged as security is £19 million (2016: £23 million).

The revaluation of land and buildings relates to Emerging Markets and Nedbank. In 2017, Emerging Markets made revaluation gains of £nil on land (2016: £2 million) and £7 million (2016: £5 million) on buildings. Nedbank made revaluation gains of £1 million on land (2016: £nil) and £11 million on buildings (2016: £4 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.

As at 31 December 2017 all the assets of Nedbank had been reclassified as assets held for sale and distribution. As a consequence the carrying value property, plant and equipment as at 31 December 2017 relates to Emerging Markets only.

The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be £23 million (2016: £49 million) and £37 million (2016: £311 million).

Property, plant and equipment are classified as Level 3 in terms of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs.

H2(b): Investment property

	Year ended 31 December 2017	£m Year ended 31 December 2016
Balance at beginning of the year	**1,697**	1,233
Additions	**358**	83
Disposals	**(4)**	(8)
Net gain from fair value adjustments	**30**	94
Transferred from/(to) property, plant and equipment	**(156)**	18
Foreign exchange and other movements	**(38)**	362
Transfer from/(to) assets held for sale and distribution	**17**	(85)
Balance at end of the year	**1,904**	1,697

All of the Group's investment property is held by the Emerging Markets segment, principally within its policyholder funds.

The fair value of investment property leased to third parties under operating leases is as follows:

	Year ended 31 December 2017	£m Year ended 31 December 2016
Freehold	**1,802**	1,499
Leasehold	**102**	198
	1,904	1,697
Rental income from investment property	**160**	126
Direct operating expense arising from investment property that generated rental income	**(32)**	(33)
	128	93

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 arm's 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:

	Year ended 31 December 2017	£m Year ended 31 December 2016
Balance at beginning of the year	**2,216**	1,653
Additions and acquisitions	**381**	105
Disposals	**(12)**	(11)
Net gain from fair value adjustments[1]	**48**	103
Impairments and depreciation	**(30)**	(24)
Reclassification from / (to) other categories of property, plant and equipment	**9**	(2)
Foreign exchange and other movements	**(37)**	485
Transfer to assets held for sale and distribution	**(311)**	(93)
Balance at end of the year	**2,264**	2,216

1 These gains and losses have been included in investment return (non-banking).

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H: Non-financial assets and liabilities continued
H2: Fixed assets continued
H2(c): Fair value hierarchy of the Group's property continued

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

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								£m
	Insurance contracts		Investment contracts		Asset management		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Balance at beginning of the year	**43**	39	**632**	681	**81**	64	**756**	784
New business	**6**	5	**97**	113	**20**	14	**123**	132
Amortisation	**(5)**	(5)	**(116)**	(129)	**(21)**	(24)	**(142)**	(158)
Foreign exchange and other movements	**(1)**	4	**4**	27	**3**	56	**6**	87
Transfer to assets held for sale and distribution[1]	**(10)**	–	**(541)**	(60)	**(8)**	(29)	**(559)**	(89)
Balance at end of the year	**33**	43	**76**	632	**75**	81	**184**	756

1 At 31 December 2017, deferred acquisition costs attributable to Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred acquisition costs attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to assets held for sale and distribution in the consolidated statement of financial position Refer to note A4 for more information.

H4: Trade, other receivables and other assets

	Note	**At 31 December 2017**	At 31 December 2016 (£m)
Debtors arising from direct insurance operations			
Amounts owed by policyholders		**136**	97
Amounts owed by intermediaries		**44**	44
Other		**172**	25
		352	166
Debtors arising from reinsurance operations		**70**	54
Outstanding settlements		**157**	522
Post-employment benefits	J1	**40**	205
Other receivables		**128**	442
Accrued interest and rent		**211**	242
Trading securities and spot positions		**–**	268
Prepayments and accrued income		**55**	175
Other assets		**291**	342
Total trade, other receivables and other assets		**1,304**	2,416

At 31 December 2017, total trade, other receivables and other assets of £1,619 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Based on the maturity profile of the above assets, £793 million (2016: £1,649 million) is regarded as current and £511 million (2016: £767 million) as non-current. No significant balances are past due or impaired.

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H: Non-financial assets and liabilities continued

H5: Provisions and accruals

Year ended 31 December 2017						£m
	Compensation provisions	Restructuring provisions	Surplus Property	Provision for donations	Other	Total
Balance at beginning of the year	36	–	5	64	55	160
Unused amounts reversed	–	–	–	(2)	(15)	(17)
Charge to profit or loss	73	27	6	–	16	122
Utilised during the year	(6)	–	(1)	–	(5)	(12)
Transfer to other liabilities	(1)	–	–	–	(7)	(8)
Foreign exchange and other movements	1	(1)	–	–	1	1
Transfer to liabilities held for sale and distribution[1]	(81)	–	(4)	–	(19)	(104)
Balance at end of the year	22	26	6	62	26	142

1 At 31 December 2017, provisions and accruals attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Analysis of provisions and accruals

Compensation provisions
At 31 December 2017, compensation provisions totalled £22 million (2016: £36 million), with £11 million (2016: £10 million) relating to regulatory uncertainty and multiple causal events and £11 million (2016: £13 million) relating to the provision for claw-back of prescribed claims. This provision is held to allow for the probable 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 of this provision are reviewed annually and are adjusted as and when new circumstances arise.

Of the total client compensation provisions, £21 million (2016: £21 million) is estimated to be payable after more than one year.

Surplus property provisions
The provision for surplus properties in 2017 amounted to £6 million (2016: £5 million). These relates to onerous costs of vacant properties leased by the Group of which £5 million (2016: £5 million) is estimated to be payable after more than one year.

Restructuring provisions
During 2017, plc Head Office and Old Mutual Bermuda recognised £13 million and £14 million restructuring provisions respectively. The plc Head Office restructuring provision relates to redundancy costs expected to be incurred in the wind-down of its operations during 2018. Similar costs of £14 million are provided for Old Mutual Bermuda in relation to its wind-down.

Provisions for donations
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. £62 million (2016: £64 million) is estimated to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions
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 individually immaterial.

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, £97 million (2016: £121 million) is estimated to be payable after one year.

Provisions and accruals classified as held for sale and held for distribution

Compensation provisions: Voluntary remediation provision

As part of its ongoing work to promote fair customer outcomes, the company has conducted product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance 'FG16/8 Fair treatment of long-standing customers in the life insurance sector'. Following these reviews, the company has decided to commence voluntary remediation to customers in certain legacy products, resulting in an additional provision raised during the year of £69 million, including £7 million of programme costs and £13 million of estimated interest.

The voluntary remediation relates to early encashment charges and contribution servicing charges made on pension products and following the re-introduction of annual reviews, compensation payable to a subset of Protection plan holders.

The redress comprises retrospective refunds and compensation, going back to 1 January 2009, and prospective 5% caps on early encashment charges. An FCA press release (3 March 2016) stated that its investigation will focus on disclosure of exit and paid-up charges after December 2008. From 2004 to 2007 the Financial Services Authority published a number of communications on treating customers fairly (TCF) which made it clear that all firms were required to have regard to customers' information needs through the life cycle of a product. Firms were required to implement changes to complete their TCF work no later than December 2008.

The company intends to substantially complete the remediation by the end of 2018.

Key estimates and assumptions in relation to the provision are:

- Protection policy sustainability period assumption of 4 years; and; and
- The programme costs of carrying out the remediation activity and interest on remediation payments.

If past reviews had been carried out correctly, policies would be expected to have funds sufficient to provide up to four years' cover from the current reporting date, on the basis that future premium increases are not applied. This assumption has been used to determine the cost of reconstructing the impacted Protection policies to their expected values.

The programme costs of conducting the remediation activity are highly variable and are subject to a number of uncertainties. In calculating the best estimate of these costs, consideration has been given to such matters as the identification of impacted customers, access to and the quality of customer files, likelihood of the customer contesting the offer, the complexity of the calculations, the level of quality assurance and checking, the ease of contacting and communicating with customers and the level of customer interactions.

Sensitivities relating to the assumptions and uncertainties are provided in the table below:

Assumption	Change in assumption	Consequential change in provision
Protection policy sustainability period assumption reduced to 3 years	Protection policy sustainability period assumption reduced to 3 years	- £3.1 million
Protection policy sustainability period	Protection policy sustainability period assumption increased to 5 years	+£3.3 million
Programme cost per case of conducting the review	+/- 20% of the cost per case	+/- £1.4 million

The Group has not provided for any future potential enforced redress and associated penalties. Disclosure of related contingent liabilities is included in note J4.

Of the total provisions for the businesses classified has held for sale and held for distribution of £104 million, £13 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 consolidated 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										**£m**
	Life and Savings		**Asset Management**		**Property & Casualty**		**Banking**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Balance at beginning of the year	**220**	241	**55**	18	**9**	9	**6**	6	**290**	274
Fees and commission income deferred	**17**	18	**13**	–	**–**	–	**1**	–	**31**	18
Amortisation	**(26)**	(29)	**(16)**	(12)	**–**	–	**–**	–	**(42)**	(41)
Foreign exchange and other movements	**18**	(6)	**1**	49	**(1)**	–	**(1)**	–	**17**	43
Transfer to liabilities held for sale and distribution[1]	**(213)**	(4)	**(1)**	–	**–**	–	**–**	–	**(214)**	(4)
Balance at end of the year	**16**	220	**52**	55	**8**	9	**6**	6	**82**	290

1 At 31 December 2017, deferred revenue attributable to Old Mutual Wealth has been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

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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 2017						**£m**
	At beginning of the year	**Income statement (charge)/ credit**	**Recognised in the SOCI**	**Foreign exchange and other movements[1]**	**Transfer to assets held for sale and distribution[2]**	**At end of the year**
Tax losses carried forward	**25**	**(19)**	**–**	**14**	**(12)**	**8**
Accelerated capital allowances	**–**	**–**	**–**	**–**	**–**	**–**
Other temporary differences	**137**	**27**	**(5)**	**79**	**(179)**	**59**
Deferred fee income	**5**	**(2)**	**–**	**(1)**	**(2)**	**–**
Netted against liabilities	**(71)**	**4**	**–**	**(86)**	**151**	**(2)**
	96	**10**	**(5)**	**6**	**(42)**	**65**

Year ended 31 December 2016						£m
	At beginning of the year	Income statement (charge)/ credit	Recognised in the SOCI	Foreign exchange and other movements[1]	Transfer to assets held for sale and distribution[2]	At end of the year
Tax losses carried forward	27	(7)	–	10	(5)	25
Accelerated capital allowances	1	1	–	(1)	(1)	–
Other temporary differences	323	(1)	4	54	(243)	137
Policyholders tax	(15)	(1)	–	16	–	–
Deferred fee income	8	(3)	–	–	–	5
Netted against liabilities	(60)	5	–	(15)	(1)	(71)
	284	(6)	4	64	(250)	96

1 Includes reclassification of timing differences between categories
2 At 31 December 2017, deferred tax assets attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred tax assets attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The amounts for which no deferred tax asset has been recognised comprise:

				£m
	At 31 December 2017		At 31 December 2016	
	Gross amount	Tax	Gross amount	Tax
Unrelieved tax losses				
Expiring in less than a year	**29**	**8**	11	3
Expiring in the second to fifth years inclusive	**48**	**15**	68	18
Expiring after five years	**1,142**	**194**	1,824	312
	1,219	**217**	1,903	333
Accelerated capital allowances	**24**	**4**	191	33
Other timing differences	**263**	**44**	573	97
	1,506	**265**	2,667	463

In addition to the amounts disclosed in the table above, at 31 December 2017 there was additional unrecognised deferred tax assets totalling £866 million gross amount (£145 million tax) relating to businesses classified as held for sale and distribution.

(b) Deferred tax liabilities

The movement on the deferred tax liabilities account is as follows:

Year ended 31 December 2017						**£m**
	At beginning of the year	**Income statement (credit)/ charge**	**Credited to equity**	**Foreign exchange and other movements[1]**	**Transfer to liabilities held for sale and distribution[2]**	**At end of the year**
Accelerated tax depreciation	**58**	**7**	**–**	**(4)**	**(34)**	**27**
Deferred acquisition costs	**–**	**4**	**–**	**57**	**(20)**	**41**
PVIF	**19**	**(5)**	**–**	**–**	**(14)**	**–**
Other acquired intangibles	**68**	**(11)**	**–**	**–**	**(57)**	**–**
Available for sale securities	**4**	**–**	**(2)**	**–**	**(2)**	**–**
Other temporary differences	**207**	**26**	**11**	**120**	**(257)**	**107**
Capital gains tax	**20**	**46**	**4**	**52**	**(5)**	**117**
Policyholder tax	**135**	**1**	**–**	**(122)**	**–**	**14**
Netted against assets	**(71)**	**4**	**–**	**(86)**	**151**	**(2)**
	440	**72**	**13**	**17**	**(238)**	**304**

Year ended 31 December 2016						£m
	At beginning of the year	Income statement (credit)/ charge	Charged to equity	Foreign exchange and other movements[1]	Transfer to liabilities held for sale and distribution[2]	At end of the year
Accelerated tax depreciation	48	–	–	10	–	58
Deferred acquisition costs	29	(4)	–	(25)	–	–
PVIF	29	(7)	–	(3)	–	19
Other acquired intangibles	61	(9)	–	12	4	68
Available for sale securities	2	–	(1)	3	–	4
Other temporary differences	188	62	(2)	(62)	21	207
Capital gains tax	41	(32)	–	21	(10)	20
Policyholder tax	79	(28)	–	73	11	135
Netted against assets	(60)	5	–	(15)	(1)	(71)
	417	(13)	(3)	14	25	440

1 Includes reclassification of timing differences between categories
2 At 31 December 2017, deferred tax liabilities attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred tax liabilities attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The aggregate amount of temporary differences on which further tax might be due in respect of investments in subsidiaries and branches is estimated at £4.9 billion (2016: £4.6 billion), of which £2.4 billion relates to continuing operations and £2.5 billion to discontinued operations. It is not expected that the disposals of Wealth Management and Nedbank as a result of Managed Separation will give rise to corporate tax charge and there is therefore no requirement to provide for any associated tax. As the Group is able to control the reversal of temporary differences in respect of investments in the continuing operations there is no need to provide for any associated deferred tax liabilities.

Group financial statements
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H: Non-financial assets and liabilities continued
H8: Trade, other payables and other liabilities

	Note	At 31 December 2017	At 31 December 2016
			£m
Amounts payable on direct insurance business			
Funds held under reinsurance business ceded		–	14
Amounts owed to policyholders		233	394
Amounts owed to intermediaries		47	82
Other direct insurance operation creditors		61	17
		341	507
Accounts payable on reinsurance business		54	47
Accruals and deferred income		207	370
Post-employment benefits	J1	38	83
Liability for long-service leave		–	48
Short trading securities, spot positions and other		–	139
Trade creditors		19	1,006
Outstanding settlements		510	795
Securities sold under agreements to repurchase		6	620
Obligations in relation to collateral holdings		297	491
Other liabilities		1,057	1,006
Total trade, other payables and other liabilities		**2,529**	5,112

At 31 December 2017, total trade, other payables and other liabilities of £2,283 million attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Included in the amounts shown above are £2,195 million (2016: £3,046 million) that are regarded as current, with the remainder regarded as non-current.

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.

	At 31 December 2017	At 31 December 2016
		£m
4,932.7 million (2016: 4,929.9 million) Issued ordinary shares of $11^{3}/_{7}$p each	**564**	563

(b) Perpetual preferred callable securities
On 3 February 2017, the Group repurchased all of its outstanding Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. In addition to repaying the nominal value of the securities, £29 million was paid to holders of the securities for accrued interest and a market premium in excess of nominal value. The premium was recognised directly in equity.

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 2017 the non-controlling interests attributable to ordinary shares was £315 million (2016: £253 million).

(ii) Preferred securities

		£m
	At 31 December 2017	At 31 December 2016
Nedbank		
R3,222 million (2016: R3,222 million) non-cumulative preference shares	**19**	18
R2,600 million (2016: R2,000 million) subordinated callable notes	**15**	4
	34	22

(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		£m
	Year ended 31 December 2017	Year ended 31 December 2016
The non-controlling interests' share is analysed as follows:		
Non-controlling interests – ordinary shares	**315**	253
Impact of acquisition accounting	**34**	53
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	**6**	10
Attributable to Institutional Asset Management equity plans	**9**	3
Non-controlling interests' share of adjusted operating profit	**364**	319

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 2017 the increase in adjusted operating profit attributable to non-controlling interests as a result of this was £6 million (2016: £10 million).

(b) Consolidated statement of financial position

(i) Ordinary shares

Reconciliation of movements in non-controlling interests		£m
	At 31 December 2017	At 31 December 2016
Balance at beginning of the year	**2,773**	1,982
Non-controlling interests' share of profit	**315**	253
Non-controlling interests' share of dividends paid	**(177)**	(149)
Disposal of interest in OM Asset Management plc	**(550)**	153
Change in participation in subsidiaries	**74**	–
Foreign exchange and other movements	**7**	534
Balance at end of the year	**2,442**	2,773

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H: Other statement of financial position notes continued

H10: Non-controlling interests continued
(ii) Preferred securities

		£m
	At 31 December 2017	At 31 December 2016
Nedbank		
358.3 million (2016: 358.3 million) non-cumulative preference shares	**272**	272
Repurchased by Nedbank subsidiaries	**(26)**	(26)
	246	246
R2,600 million (2016: R2,000 million) Tier 1 perpetual subordinated instruments	**131**	95
Total	**377**	341

Preferred securities are held at the value of consideration received less unamortised issue costs and are stated net of securities held by Group companies.

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 83,33% 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.

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 plus 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 plus 6.3% with a call date of 26 November 2021.

On 30 June 2017, Nedbank Limited issued a R600 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR plus 5.65% with a call date of 1 July 2022.

These Tier 1 capital instruments are perpetual and subordinated with no redemption date. They 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

Critical accounting estimates and judgements – Investments in subsidiaries, associated undertakings and joint arrangements

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. Any investments held in Old Mutual plc shares are treated as treasury shares and are eliminated as a direct decrease in the value of equity and the value of investment and securities.

The Group has sponsored certain asset backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined 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.

Accounting for the investment in Zimbabwe
Following recent political developments in Zimbabwe, the current macro-economic situation remains fluid, and the market reaction remains volatile. The current risks for our Zimbabwean businesses include the shortage of US dollars, uncertainty of the current levels and growth of equity markets and property prices and reputational issues arising from the postponement of all bonus declarations in light of the current market uncertainty.

The Group has total assets and total liabilities of £2,278 million (2016: £1,777million) and £1,803 million (2016: £1,406 million) respectively in the Zimbabwean business of which £1,031 million (2016: £472 million) are listed financial assets at fair value. In addition the Group has £1,080 million (2016: £775 million) of policyholder liabilities which are backed by primarily investment and securities held by the Group.

The Group has concluded on the following key judgements in the preparation of the Group financial statements: the control and functional currency of the Zimbabwean businesses and the fair value of locally listed financial assets and liabilities.

The Group has concluded that it will consolidate the Zimbabwean businesses as it still has the ability to exercise control. The functional currency of the Zimbabwean businesses, consistent with prior years, is US Dollars. This is evidenced by trade in Zimbabwe being principally conducted in US dollar and that all major goods and services are priced in US Dollar.

The fair value of any financial assets or liabilities was based on the unadjusted quoted prices as the Group believes the traded prices represent fair value in an active and orderly market. The Group has evidenced this through the reviewing the volume and value of trades conducted on the Zimbabwe Stock Exchange (ZSE).

The value of the ZSE index was 144.53 at 31 December 2016, 195.97 at 30 June 2017 and 323.98 at 31 December 2017. Subsequent to year end the ZSE index was 294.55 at 28 February 2018.The ZSE index provides the underlying context of the investment returns earned by the Zimbabwean business.

Group financial statements
Notes to the consolidated financial statements continued

I: Interests in subsidiaries, associates and joint arrangements continued

I1: Subsidiaries

(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 L 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
AIVA Holding Group S.A	Holding company	100	Panama
Faulu Microfinance Bank Limited	Lending	67	Kenya
Old Mutual Insure Limited	Property & casualty	100	Republic of South Africa
Nedbank Group Limited[1,4]	Banking	55	Republic of South Africa
Nedbank Limited[2,4]	Banking	100	Republic of South Africa
Banco Único, SA[4]	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
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[4]	Holding company	100	England and Wales
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
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[4]	Asset management	100	England and Wales
UAP Holdings Limited[3]	Holding company	61	Kenya

1 Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE (Johannesburg, South Africa)
2 Nedbank Limited is a 100% subsidiary of Nedbank Group Limited. The Group's effective ownership is 55%
3 Two significant minority anchor shareholders in UAP have the rights to collectively put up to an aggregate 6% shareholding in UAP to the Group at any time before the third anniversary of the effective date of the UAP shareholders agreement (i.e. in September 2018), while the Group owns less than a 66.67% shareholding in UAP at a price determinable in accordance with the UAP shareholders' agreement. The exercise price of the minority anchor shareholders' put option at the Last Practicable Date is in the order of £24 million (R400 million)
4 Entities are part of the businesses classified as held for distribution.

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.

(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 2017	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited[1]	Other subsidiaries	Total Emerging Markets	Total £m
Consolidated statement of financial position							
Total assets	**58,492**	**–**	**648**	**417**	**6,435**	**7,500**	**65,992**
Total liabilities	**(53,216)**	**–**	**(524)**	**(282)**	**(5,413)**	**(6,219)**	**(59,435)**
Net assets	**5,276**	**–**	**124**	**135**	**1,022**	**1,281**	**6,557**
Non-controlling interests	**2,597**	**–**	**62**	**80**	**80**	**222**	**2,819**
Consolidated income statement							
Total revenue	**5,790**	**213**	**214**	**155**	**1,677**	**2,046**	**8,049**
Profit before tax	**966**	**30**	**48**	**16**	**266**	**330**	**1,326**
Income tax expense	**(246)**	**(6)**	**(16)**	**(4)**	**(47)**	**(67)**	**(319)**
Profit after tax for the financial year	**720**	**24**	**32**	**12**	**219**	**263**	**1,007**
Non-controlling interests	**346**	**2**	**8**	**(22)**	**15**	**1**	**349**

1 The financial information of UAP Holdings Limited (UAP) represents the results of UAP for year ended 31 December 2017 and the consolidated statement of financial position at 31 December 2017 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 2017, dividends of £166 million (2016: £154 million) was paid to non-controlling interests in Nedbank Group Limited and £4 million (2016: £10 million) was paid to the non-controlling interest in OM Asset Management plc (OMAM) up to 19 May 2017, the date OMAM was deconsolidated from the Group. Refer to note A2 for more information on the disposal of OMAM.

At 31 December 2016	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited	Other subsidiaries	Total Emerging Markets	Total £m
Consolidated 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
Consolidated 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)/credit	(199)	(30)	(15)	(2)	(26)	(43)	(272)
Profit after tax for the financial year	538	94	26	8	133	167	799
Non-controlling interests	256	31	(7)	(3)	(2)	(12)	275

Group financial statements
Notes to the consolidated financial statements continued

I: Interests in subsidiaries, associates and joint arrangements continued

I1: Subsidiaries continued

(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

During the year, the Group's sold down its stake in OMAM through a series of transactions as described in note A2. As a result, the Group no longer considered that it exercised control over the business in accordance with the requirements set out in IFRS 10 'Consolidated Financial Statements', from 19 May 2017. This resulted in OMAM being deconsolidated from the Group financial statements from this date. On 18 November 2017, the Group's stake in OMAM further reduced to 1,000 shares which have been accounted for as investments and securities within the plc Head Office segment. Refer to note A2 and note B1 for more information.

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 2017	Nature of activities	Percentage holding	Measurement method	Carrying value £m	Group share of profit £m
Private equity associates and associate companies					
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance[1,6]	**Life assurance**	**26%**	**Equity accounted**	**–**	**11**
Two Rivers Lifestyle Centre[2]	**Property**	**50%**	**Equity accounted**	**31**	**(2)**
Squarestone Growth LLP[3]	**Property**	**32%**	**Equity accounted**	**18**	**1**
Kabokweni Plaza Shareblock Proprietary Limited[4]	**Property**	**49%**	**Equity accounted**	**6**	**1**
Newtown Motor Dealership (Pty) Ltd[4]	**Property**	**50%**	**Equity accounted**	**6**	**–**
Other individually immaterial associates					
Other				**12**	**–**
Total investment in associate undertakings				**73**	**11**
Joint ventures					
Unlisted					
Old Mutual Guodian Life Insurance Company Ltd[5]	**Life assurance**	**50%**	**Equity accounted**	**34**	**(2)**
Total investment in Joint ventures				**34**	**(2)**
Total investments in associates and joint ventures				**107**	**9**

1 Country of operation: India
2 Country of operation: Kenya
3 Country of operation: United Kingdom
4 Country of operation: Republic of South Africa
5 Country of operation: China
6 On 13 October 2017, the Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The conclusion of the transaction also terminated the joint venture arrangement, extinguishing the respective put and call option arrangements between the parties relating to a 23% stake in the joint venture. Refer to note A2 for more information.

Of the total carrying value of associates and joint ventures, £nil (2016: £139 million) relates to those which are measured at fair value and £107 million (2016: £403 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 Groups' contractual rights to jointly control the entity.

Group financial statements
Notes to the consolidated financial statements continued

I: Interests in subsidiaries, associates and joint arrangements continued

I2: Investments in associated undertakings and joint ventures continued

At 31 December 2016

	Nature of activities	Percentage holding	Measurement method	Carrying value £m	Group share of profit £m (Re-presented)[1]
Private equity associates and associate companies					
Listed					
Ecobank Transnational Incorporated	Banking	21%	Equity accounted	235	–
Individually immaterial associates					
Unlisted					
Kotak Mahindra Old Mutual Life Insurance	Life assurance	26%	Equity accounted	45	9
Two Rivers Lifestyle Centre	Property	50%	Equity accounted	54	–
Masingita Property Investment Holdings (Pty) Ltd	Property Development	35%	Fair value	16	–
Odyssey Developments (Pty) Ltd	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 investments in associate undertakings				503	10
Joint ventures					
Unlisted					
Old Mutual Guodian Life Insurance Company Ltd	Life assurance	50%	Equity accounted	36	(2)
Banco Unico, S.A.	Banking	38%	Equity accounted	–	2
Curo Fund Services	Asset Management	50%	Equity accounted	3	–
Total investments in joint ventures				39	–
Total investments in associates and joint ventures				542	10

1 The Group share of profit from investments in associated undertakings and joint ventures for the year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

(b) Aggregate financial information of material investments in associated undertakings and joint ventures

The Group's investment in Ecobank Transnational Incorporated (ETI) has been classified as assets held for sale and distribution as part of the assets of Nedbank. The carrying value of the investment in ETI at 31 December 2017 was £198 million. The aggregate financial information for ETI is as follows:

At 31 December		£m
	Ecobank Transnational Incorporated 2017	Ecobank Transnational Incorporated 2016
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	**215**	144
Statement of comprehensive income		
Revenue	**1,050**	1,043
Profit from continuing operations	**147**	158
Post-tax loss from discontinued operations	**1**	(1)
Other comprehensive income/(loss)	**81**	(471)
Total comprehensive income/(loss)	**229**	(314)
Statement of financial position		
Current assets	**8,759**	9,678
Non-current assets	**6,613**	7,238
Current liabilities	**7,401**	8,309
Non-current liabilities	**6,479**	7,037
Net assets	**1,492**	1,570

As in previous financial years, one of the Group's associate investments, ETI, will report results for the year ended 31 December 2017 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 2017 (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 2017 and 31 December 2017 are required based on publicly available information. The resulting equity accounted earnings is translated from US dollar to rand 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 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 the Group’s strategic investment in ETI decreased from £235 million (R4.0 billion) to £198 million (R3.3 billion) during the year, due to a combination of the rand strengthening against the US dollar and the Group's share of losses incurred by ETI during the 12 months to 30 September 2017.

The market value of the Group’s investment in ETI, based on its quoted share price, was £198 million (R3.6 billion) on 31 December 2017 and £252 million (R4.1 billion) on 28 February 2018. Based on the Group's 2016 value-in-use (VIU) calculation, management determined that an impairment provision of £50 million (R1.0 billion) was appropriate. This reduced the carrying value of the Group’s investment in ETI to £235 million (R4.0 billion) at 31 December 2016. This calculation is required to be revisited at each reporting period where the indicators of impairment are reconsidered and the VIU calculation reassessed taking into account any future changes in estimates and assumptions.

Based on management's 2017 assessment there are no observable indicators of further impairment at 31 December 2017 and insufficient observable indicators that the impairment loss recognised in 2016 has decreased. The £50 million (R1.0 billion) impairment recognised in 2016 has therefore not been reversed in the current reporting period. ETI has been 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. The Group 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 have improved in 2017 and management expects further improvements in 2018 and beyond.

Group financial statements

Notes to the consolidated financial statements continued

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 amounts for investment in associated undertakings and joint ventures at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for the aggregate amounts for investment in associated undertakings and joint ventures in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the capital commitments for the composition of the Group as at 31 December 2016.

		£m
	Year ended 31 December 2017	Year ended 31 December 2016
Total assets	**1,700**	4,147
Total liabilities	**(1,193)**	(3,610)
Total revenues	**438**	699

(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 2017	Year ended 31 December 2016
Balance at beginning of the year	**542**	514
Net additions of investment in associated undertakings and joint ventures	**61**	93
Share of profit after tax	**(36)**	4
Transfer of investments in associate companies to investments in subsidiaries	**–**	(13)
Impairment provision for investments in associate companies	**–**	(50)
Dividends paid	**(4)**	(19)
Disposal of investment in associated undertakings and joint ventures	**(58)**	–
Foreign exchange and other movements	**6**	39
Transfer to assets held for sale and distribution[1]	**(404)**	(26)
Balance at end of the year	**107**	542

1 At 31 December 2017, investments in associated undertakings and joint ventures attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, investments in associated undertakings and joint ventures attributable to Institutional Asset Management were transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 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 ventures

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 to associated undertakings and joint ventures during the financial year.

(f) Contingent liabilities and commitments

At 31 December 2017 and 31 December 2016, 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

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 arm's 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, earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

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.

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 and junior 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 2017, 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.	– Loans to BEE schemes

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles.
All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance based incentive fee, and is reflected in the valuation of the investment vehicles.

Group financial statements

Notes to the consolidated financial statements continued

I: Interests in subsidiaries, associates, and joint arrangements continued

I3: Structured entities continued

(b) Securitisation vehicles consolidated in the Group's statement of financial position

Nedbank Securitisations
Nedbank Group Ltd, which has been classified as held for distribution at 31 December 2017, 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:

- Greenhouse Funding (RF) Limited (Greenhouse), a residential-mortgage-backed securitisation programme
- Greenhouse Funding III (RF) Limited (Greenhouse III), a residential-mortgage-backed securitisation programme
- Precinct Funding 1 (RF) Limited (Precinct Funding 1), a commercial-mortgage-backed securitisation programme, and
- Precinct Funding 2 (RF) Limited (Precinct Funding 2), 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. During 2017 all the remaining assets were sold and the commercial paper was repaid. As at 31 December 2017 Synthesis' operations had ceased and the company was dormant.

Greenhouse Funding (RF) Limited (Greenhouse)
Greenhouse was a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series-medium-term-note programme.

During December 2007 the first Greenhouse transaction was created and £119 million (R2 billion) of home loans from Nedbank Limited 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 £78 million (R1 billion) existing notes and subordinated loans on their scheduled maturity, and to acquire additional home loans from Nedbank Limited. The senior notes, which were rated by Moody's and listed on the JSE, were placed with third-party investors, and the junior notes and subordinated loans retained by the Group. The home loans transferred to Greenhouse had continued to be recognised as financial assets held by Nedbank Limited.

The maturity of the Greenhouse securitisation transaction was on 25 October 2017. As such all the outstanding notes issued by Greenhouse have been redeemed.

Greenhouse Funding III (RF) Limited (Greenhouse III)
Greenhouse III is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series-medium-term-note programme.

Greenhouse III is a residential-mortgage-backed securitisation programme implemented during 2014. Greenhouse III securitised £119 million (R2 billion) worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse III are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse III continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse III makes use of an internal risk management policy, and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the 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 III structure Nedbank holds the class D note, amounting to £6 million (R100 million). These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Precinct Funding 1 (RF) Limited (Precinct Funding 1)
Precinct Funding 1 is a commercial-mortgage-backed securitisation programme (CMBS). The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 1 CMBS Programme was implemented during 2013. Precinct Funding 1 securitised £149 million (R3 billion) worth of commercial property loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 1 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

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 makes use of an internal risk management policy and utilises the Nedbank Group Limited 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 aging 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 Limited provided Precinct Funding 1 with an interest-bearing subordinated loan at the commencement of the 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.

Nedbank holds the class C and class D notes of Precinct Funding 1 amounting to £5 million (R87 million). These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

Group financial statements
Notes to the consolidated financial statements continued

I: Interests in subsidiaries, associates, and joint arrangements continued
I3: Structured entities continued

Precinct Funding 2 (RF) Limited (Precinct Funding 2)
Precinct Funding 2 is a commercial-mortgage-backed securitisation programme (CMBS). The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 2 CMBS Programme was implemented during 2017. Precinct Funding 2 securitised £60 million (R1 billion) worth of commercial property mortgage loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 2 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

In comparison to Precinct Funding 1, the Precinct Funding 2 Structure allows for more flexibility to substitute loans. However, loan substitutions are subject to certain portfolio covenants and eligibility criteria.

Precinct Funding 2 makes use of an internal risk management policy and utilises the Nedbank Group Limited 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 aging 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 Limited provided Precinct Funding 2 with an interest-bearing subordinated loan at the commencement of the 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.

Nedbank holds the class C and class D notes of Precinct Funding 2 amounting to £5 million (R80 million). These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

(b) Securitisation vehicles consolidated in the Group's statement of financial position
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 position1:

				£m
	At 31 December 2017		At 31 December 2016	
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Loans and advances to customers				
Residential mortgage loans	**87**	**79**	166	187
Commercial mortgage loans	**79**	**81**	58	76
Other financial assets				
Corporate and bank paper	**–**	**–**	12	–
Other securities	**–**	**–**	28	–
Commercial paper			–	40
Total	**166**	**160**	264	303

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.

(c) Interest in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The Group does not sponsor any of the unconsolidated structured entities. The table below provides a summary of the carrying value of the Group's interest in unconsolidated structured entities for both continuing operations and those classified as held for distribution:

	At 31 December 2017	At 31 December 2016
Debt securities, preference shares and debentures	**101**	131
Equity securities – Unlisted	**118**	101
Pooled investments	**50,936**	47,003
Total	**51,155**	47,235

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are largely less than 50% and as such the net asset value of these structured entities are likely to be significantly higher than their carrying value.

(d) Other interests in unconsolidated structured entities

The Group receives management fees and other fees in respect of its asset management businesses that manage investments in which the Group has no holding. These also represent interests in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The Group does not sponsor any of the funds or investment vehicles from which it receives fees.

The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities. The information is presented for both continuing operations and those classified as held for distribution.

				£m
	At 31 December 2017		At 31 December 2016	
	Assets under management	**Fees earned**	Assets under management	Fees earned
Pooled investments – Unit trusts	**4,562**	**13**	4,223	11
Total	**4,562**	**13**	4,223	11

Group financial statements
Notes to the consolidated financial statements continued

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.

The movement analysis of post-employment benefits presented in note J1(a) includes the information for all of the Group's pension schemes, including movements in plan assets and projected benefit obligations classified as held for sale or distribution for the year. At the end of the movement analysis, a single line item will indicate the value of the net plan assets that have been transferred to assets and liabilities held for sale or distribution.

(a) Liability for defined benefit obligations

Year ended 31 December				£m
	Pension plans		Other post-retirement benefit schemes	
	2017	2016	**2017**	2016
Changes in projected benefit obligation				
Projected benefit obligation at beginning of the year	**618**	491	**240**	154
Current service cost	**2**	3	**7**	5
Interest cost on benefit obligation	**32**	31	**20**	16
Measurement losses/(gains) arising from experience adjustments	**(12)**	46	**(11)**	4
Benefits paid	**(35)**	(30)	**(8)**	(6)
Assets divested as a result of scheme buy-outs	**(234)**	–	**–**	–
Foreign exchange and other movements	**9**	77	**6**	67
Projected benefit obligation at end of the year	**380**	618	**254**	240
Change in plan assets				
Plan assets at fair value at beginning of the year	**772**	616	**222**	158
Actual return on plan assets	**5**	54	**18**	13
Company contributions	**33**	10	**4**	3
Employee contributions	**1**	1	**–**	–
Benefits paid	**(35)**	(30)	**(8)**	(6)
Liabilities divested as a result of scheme buy-outs	**(228)**	–	**–**	–
Foreign exchange and other movements	**11**	121	**6**	54
Plan assets at fair value at end of the year	**559**	772	**242**	222
Net assets/(liabilities) of plan	**179**	154	**(12)**	(18)
Unrecognised assets	**(19)**	(11)	**–**	–
Other amounts recognised in statement of financial position	**(3)**	(3)	**–**	–
Transfer to assets/liabilities held for sale and distribution[1]	**(179)**	–	**36**	–
Net amount recognised in consolidated statement of financial position	**(22)**	140	**24**	(18)
Disclosed as follows:				
– Within trade, other receivables and other assets	**–**	169	**40**	36
– Within trade, other payables and other liabilities	**(22)**	(29)	**(16)**	(54)
	(22)	140	**24**	(18)

1 At 31 December 2017, the total net recognised positions of the post-employment schemes attributable to Nedbank and Old Mutual Wealth have been transferred to assets and liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Details of the Group's post-employment schemes are as follows:

Old Mutual plc
During the year, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements resulted in the buy-in of the benefits of the two schemes with effect from 13 June 2017. This was converted to a full buy-out into individual annuity policies in October 2017 and wind-up of both schemes completed on 30 November 2017.

In order to effect the transaction, Old Mutual plc made a one off contribution of £27 million into the two schemes, which together with derecognising of the combined existing surplus for the schemes, resulted in a £57 million charge in the consolidated statement of comprehensive income.

Old Mutual plc no longer has any liability in respect of these two schemes, including administration and funding. Old Mutual plc had previously been contributing £7 million of cash funding annually to the two schemes.

Nedbank
Nedbank has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the Group, financed by company and employee contributions. The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, Nedbank, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings. At 31 December 2017, Nedbank's pension schemes had a total recognised net surplus of £179 million and its other post-retirement schemes had a total net deficit of £36 million. These amounts were transferred to assets held for sale and distribution and liabilities held for sale and distribution respectively. At 31 December 2017, the total assets and total liabilities of all of Nedbank's post-retirement schemes were £606 million and £458 million respectively.

Old Mutual Wealth
Old Mutual Wealth operates two defined benefit (final salary) pension schemes within Quilter Cheviot, the Quilter Cheviot Limited Retirement Benefits Scheme (the "UK Final Salary Scheme") and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the "CI Final Salary Scheme"). The UK Final Salary Scheme was closed to new entrants from 31 December 1997 and the CI Final Salary Scheme was closed to new entrants from 29 April 2005. In addition, the schemes are closed to future accruals, all members are now deferred members or pensioners (not accruing any further service benefits) and pension increases are linked to salary at the time of closure (1 January 2015) and now receive statutory increases, predominantly based on the Consumer Price Index. At 31 December 2017, the two schemes had a total surplus of £13 million, none of which was recognised in the consolidated statement of financial position. At 31 December 2017, the total assets and total liabilities of the two schemes were £61 million and £48 million respectively.

Restriction on the ability to access individual pension fund surpluses
The Group has pension fund surpluses whose ability to access the surpluses is regulated by local laws and regulations. In all situations the Group does not have the unilateral right to access these surpluses as the use of the surplus must be approved by the relevant governing bodies of the pension funds.

(b) Expense/(income) recognised in the consolidated income statement

Year ended 31 December (Re-presented)[1]				£m
	Pension plans		Other post-retirement benefit schemes	
Continuing businesses	**2017**	2016	**2017**	2016
Current service costs	**–**	–	**1**	1
Net interest (income)/cost	**1**	2	**(3)**	(4)
Other post retirement plan costs	**–**	–	**–**	2
Total (included in staff costs)	**1**	2	**(2)**	(1)

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

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 £28 million and decrease of £30 million (2016: increase of £31 million and decrease of £25 million) respectively.

Total contributions expected to be paid to the Group pension plans for the year ending 31 December 2018 are £1 million (subject to any reassessments to be completed in the year).

Group financial statements
Notes to the consolidated financial statements continued

J: Other notes continued
J1: Post-employment benefits continued
(c) Plan asset allocation

Plan asset allocation relates to all of the Group's pension schemes.

At 31 December				%
	Pension plans		Other post-retirement benefit schemes	
	2017	2016	**2017**	2016
Equity securities	**28.6**	29.8	**39.3**	39.2
Debt securities	**25.2**	46.4	**16.8**	16.7
Property	**4.2**	3.4	**4.6**	4.6
Cash	**19.2**	3.4	**24.7**	24.9
Annuities and other	**22.8**	17.0	**14.6**	14.6
	100.0	100.0	**100.0**	100.0

J2: Share-based payments
(a) Reconciliation of movements in options

During the year ended 31 December 2017, 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 2017		Year ended 31 December 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**13,360,129**	**£1.59**	11,950,545	£1.73
Granted during the year	**–**	**–**	7,925,248	£1.51
Forfeited during the year	**(1,047,292)**	**£1.60**	(5,142,900)	£1.79
Exercised during the year	**(2,580,849)**	**£1.60**	(1,362,406)	£1.55
Expired during the year	**–**	**–**	(10,358)	£1.74
Outstanding at end of the year	**9,731,988**	**£1.59**	13,360,129	£1.59
Exercisable at 31 December	**340,060**	**£1.60**	74,527	£1.63

The options outstanding at 31 December 2017 have an exercise price in the range of £1.28 to £1.87 (2016: £1.28 to £1.87) and a weighted average remaining contractual life of 1.2 years (2016: 1.8 years). The weighted average share price at date of exercise for options exercised during the year was £1.94 (2016: £1.93).

Options over shares in Old Mutual plc (Johannesburg Stock Exchange)	Year ended 31 December 2017		Year ended 31 December 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**580,455**	**R15.80**	2,068,440	R 15.05
Exercised during the year	**(580,455)**	**R15.80**	(1,487,985)	R 14.76
Outstanding at end of the year	**–**	**–**	580,455	R 15.80
Exercisable at 31 December	**–**	**–**	580,455	R 15.80

All outstanding options over Old Mutual plc shares (Johannesburg Stock Exchange) have been exercised during the year. These options were no longer granted after 2011. The weighted average share price of options exercised during the year was R34.53.

(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 2017 which will have an IFRS 2 grant date of 1 January 2017, 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)	**2017**	**1,195,323**	**£2.18**
	2016	25,126,598	£1.67
Shares in Old Mutual plc (Johannesburg Stock Exchange)	**2017**	**17,812,646**	**R34.86**
	2016	20,284,617	R39.71

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 8,181,885 restricted shares (2016: 6,222,592). The restricted shares have been valued using a share price of R38.00 (2016: R34.44).

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 2017		Year ended 31 December 2016	
	Total fair value £m	**Vesting period**	Total fair value £m	Vesting period
UK Plans	**3**	**4.2 years**	11	4.2 years

(e) Financial impact

	Year ended 31 December 2017 £m	Year ended 31 December 2016 (Re-presented)[1] £m
Expense arising from equity settled share and share option plans	**17**	13
Expense arising from cash settled share and share option plans	**4**	–
	21	13

1 The year ended 31 December 2016 has been re-presented to reflect Nedbank and Old Mutual Wealth as discontinued operations. Refer to note A4 for more information.

Group financial statements
Notes to the consolidated financial statements continued

J: Other notes continued
J3: Related parties

(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 page 97 to 128.

(b) Key management personnel remuneration and other compensation

	Year ended 31 December 2017		Year ended 31 December 2016	
	Number of personnel	**£'000**	Number of personnel	£'000
Directors' fees	**11**	**2,081**	11	1,584
Remuneration		**21,758**		25,133
Cash remuneration	**9**	**4,830**	14	6,228
Short-term employee benefits	**10**	**5,444**	14	9,828
Long-term employee benefits	**9**	**123**	14	280
Share-based payments	**9**	**11,361**	11	8,797
		23,839		26,717

Share options

	Year ended 31 December 2017		Year ended 31 December 2016	
	Number of personnel	**Number of options/shares '000s**	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year	**4**	**58**	4	52
Granted during the year				6
Exercised during the year		**(23)**		–
Outstanding at end of the year	**3**	**35**	4	58

Restricted shares	Year ended 31 December 2017		Year ended 31 December 2016	
	Number of personnel	**Number of options/shares '000s**	Number of personnel	Number of options/shares '000s
Outstanding at beginning of the year	**10**	**23,494**	10	11,346
Leavers	**(2)**	**(1,346)**	(2)	(2,974)
New appointments	**1**	**1,087**	2	5,215
Granted during the year		**948**		11,659
Exercised during the year		**(673)**		(236)
Vested during the year		**(952)**		(1,516)
Outstanding at end of the year	**9**	**22,558**	10	23,494

(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 2017		Year ended 31 December 2016	
	Number of personnel	**£000s**	Number of personnel	£000s
Current accounts				
Balance at beginning of the year	**4**	**2,951**	5	2,208
Net movement during the year		**870**		743
Balance at end of the year	**5**	**3,821**	4	2,951
Credit cards				
Balance at beginning of the year	**4**	**30**	5	20
Net movement during the year		**2**		10
Balance at end of the year	**5**	**32**	4	30
Mortgages				
Balance at beginning of the year	**1**	**121**	3	110
Net movement during the year		**85**		11
Balance at end of the year	**3**	**206**	1	121
Property & casualty contracts				
Total premium paid during the year	**2**	**6**	1	6
Claim paid during the year	**1**	**9**	–	–
Life insurance products				
Total sum assured/value of investment at end of the year	**9**	**24,375**	9	23,325
Pensions, termination benefits paid				
Value of pension plans as at end of the year	**9**	**8,461**	9	3,339

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.

(d) Other transactions with related parties

Peter Moyo, the Chief Executive Officer of Old Mutual Life Assurance Company (South Africa) Limited, (OMLAC(SA)), a wholly owned subsidiary of the Group, and one of the Company's key management personnel, is also a founder and Executive Director of NMT Capital, and holds an equity interest in NMT Capital and NMT Group Proprietary Limited (NMT Group).

(OMLAC(SA)) has provided equity and preference share funding to the NMT Group and has also provided preference share funding to a family trust of Peter Moyo, which trust has an equity interest in NMT Capital. Included in dividend income from associated undertakings for the year eneded 31 December 2017, is £0.1 million (R2 milllion) of preference share dividends received from NMT Capital (Pty) Ltd. OMLAC(SA) has invested in preference shares to the value of £4 million (R62 million) in NMT Capital and has also invested in ordinary and preference share capital of NMT Group (Pty Ltd) £8 million (R142 million), and the preference share capital of Amabubesi Capital Travelling (Pty) Ltd of £1 million (R18 million), RZT Zeply 4971 (Pty) Ltd of £0.7 million (R13 million), RZT Zeply 4973 (Pty) Ltd of £0.7 million (R13 million) and STS Capital (Pty) Ltd of £0.7 million (R13 million), all of which are considered to be related parties of NMT Capital (Pty) Ltd. Preference share dividends totalling £0.5 million (R8 million) was received by OMLAC(SA) during the year. The Group also holds £1 million (R14 million) of the ordinary share capital in NMT capital.

Group financial statements
Notes to the consolidated financial statements continued

J: Other notes continued

J4: Contingent liabilities

Contingent liabilities at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for contingent liabilities in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the contingent liabilities for the composition of the Group as at 31 December 2016.

		£m
	At 31 December 2017	At 31 December 2016
Guarantees and assets pledged as collateral security	**11**	965
Secured lending	**–**	806
Irrevocable letters of credit	**–**	210
Other contingent liabilities	**16**	10

The table below presents the contingent liabilities, in respect of the businesses classified as held for sale and distribution as at 31 December 2017:

	£m
Guarantees and assets pledged as collateral security	**1,695**
Secured lending	**375**
Irrevocable letters of credit	**192**

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

Contingent liabilities – tax

The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa and the United Kingdom) 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 £46 million (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 £24 million (R405 million) and £4 million (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

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

As detailed in note H5, the Group has recognised a provision of £69 million in 2017 for the cost of voluntarily redress for affected customers following the publication by the UK Financial Conduct Authority (FCA) of 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 (TR 16/2) (Thematic Review) and the subsequent announcement that it was initiating an investigation into a number of firms, including Old Mutual Wealth Life Assurance Limited (OMWLA), a subsidiary of the Group, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review.

The potential for future enforced redress and associated penalties by the FCA cannot be estimated with any reliability and therefore no provision has been recognised in the financial statements.

Implications of the Managed Separation strategy

The Group routinely monitors and reassesses contingent liabilities arising from pre-existing plc Head Office legacy items 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.

Outcome of Zimbabwean Commission Enquiry

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

Emerging Markets is committed to treating its customers fairly and is currently reviewing the report and preparing a preliminary evaluation of the potential impact on Emerging Markets' operations. We are not currently able to establish what impact the commission's findings will have on Old Mutual Zimbabwe.

Group financial statements
Notes to the consolidated financial statements continued

J: Other notes continued

J5: Commitments
Capital commitments
Capital commitments at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for capital commitments in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the capital commitments for the composition of the Group as at 31 December 2016.

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 2017	At 31 December 2016
Investment property	**74**	64
Property, plant and equipment	**2**	106
Intangible assets	**28**	48

The table below presents the capital commitments, in respect of the businesses classified as held for sale and distribution as at 31 December 2017:

	£m
Investment property	**–**
Property, plant and equipment	**173**
Intangible assets	**46**

J5: Commitments continued
Commitments to extend credit to customers
The following table presents the contractual amounts of the Group's financial instruments not included in the consolidated statement of financial position that commit it to extend credit to customers in respect of the continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for commitments to extend credit to customers in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the capital commitments for the composition of the Group as at 31 December 2016.

		£m
	At 31 December 2017	At 31 December 2016
Original term to maturity of one year or less	**–**	140
Original term to maturity of more than one year	**67**	805
Other commitments, note issuance facilities and revolving underwriting facilities	**–**	4,375

The table below presents the commitments to extend credit to customers in respect of the businesses classified as held for sale and distribution as at 31 December 2017:

	£m
Original term to maturity of one year or less	**865**
Original term to maturity of more than one year	**1,348**
Other commitments, note issuance facilities and revolving underwriting facilities	**3,967**

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.

Future potential commitments
The Group and the Business Doctor Consortium Limited and its associates (Business Doctor) established Old Mutual Finance as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual Finance (Pty) Ltd (Old Mutual Finance) from 50% to 75% in 2014 by acquiring a 25% shareholding in Old Mutual Finance from Business Doctor for £66 million (R1.1 billion). The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively), whilst Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Old Mutual plc Group (which will occur when Old Mutual Limited becomes the holding company of Old Mutual plc) and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Commitments under derivative instruments
The Group enters into option contracts, financial features contracts, forward rate and interest rate swap agreements and other financial agreements in the normal course of business. Note G4 provides further information on the Group's derivative financial instruments.

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

Other Commitments
Old Mutual Life Assurance Company (South Africa) Limited has entered into agreements where it has committed to provide capital to funds and partnerships that it has invested in. The total undrawn commitment is £465 million at 31 December 2017(2016: £33 million).

J6: Operating lease arrangements

The following tables present the operating lease arrangements in respect of the Group's continuing opeation. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for operating lease arrangements in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the capital commitments for the composition of the Group as at 31 December 2016.

(a) The Group as lessee

Outstanding commitments under non-cancellable operating leases, fall due as follows:	**At 31 December 2017**			At 31 December 2016		£m
	Banking	**Non-banking**	**Total**	Banking	Non-banking	Total
Within one year	**1**	**9**	**10**	116	14	130
In the second to fifth years inclusive	**5**	**15**	**20**	89	40	129
After five years	**1**	**1**	**2**	115	34	149
	7	**25**	**32**	320	88	408

(b) The Group as lessor

Assets subject to operating leases	**At 31 December 2017**	£m At 31 December 2016
Land	**13**	3
Buildings	**39**	16
Investment property	**1,904**	1,697
	1,956	1,716

Future undiscounted minimum lease payments of contracts with tenants	**At 31 December 2017**	£m At 31 December 2016
Within one year	**106**	99
In the second to fifth years inclusive	**244**	257
After five years	**96**	118
	446	474

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. The fiduciary activities are carried out by both the businesses classified as held for distribution and the continuing operations.

Group financial statements
Notes to the consolidated financial statements continued

J: Other notes continued
J8: Events after the reporting date

US legacy items
On 13 March 2018, Old Mutual plc announced that The Travelers Companies, Inc. and St. Paul Fire and Marine Insurance Company had lodged a claim in the United States District Court for the Southern District of New York in relation to pre-existing plc Head Office legacy items relating to previously disposed of US assets. Old Mutual plc considers this action to be without merit and it will be resisted accordingly.

Emerging Markets post-employment benefits
Old Mutual Life Assurance Company (South Africa) Limited is obligated to provide post-employment benefits in the form of medical aid contributions to existing employees and pensioners. During a previous financial period the company entered into an insurance policy issued by the MMI Holdings Ltd group of companies (MMI) to fund the obligation. In turn MMI reinsured some of the insurance risks with the company. Due to the nature of the insurance policy issued by MMI, the insurance policy is treated as a qualifying insurance policy and included in the plan assets of the company. At 31 December 2017 the surplus asset held in the post-retirement medical aid fund was approximately R664 million (£40 million) (consisting of plan assets of £120 million (R2,010 million) and an obligation of £80 million (R1,346 million).

The company has been negotiating with MMI the transfer of the qualifying insurance policy and related policyholder assets to Old Mutual Alternative Risk Transfer Ltd (OMART), a 100% subsidiary of the company. An agreement was reached and the effective date of the transfer was on the 31st of January 2018. The accounting treatment and disclosure in the company and consolidated financial statements for the financial year ended 31 December 2017 were left unchanged from previous financial periods.

In the financial statements for the financial year ending 31 December 2018 the insurance policy will not qualify as a qualifying insurance policy. The change in the classification of the insurance policy will result in the insurance policy and post-retirement medical aid obligation being disclosed as separate items on the balance sheet of the company. In the consolidated financial statements for the financial period ending 31 December 2018 the insurance and reinsurance policies between the company and OMART will be eliminated resulting in the consolidated balance sheet and income statement reflecting the obligation to employees and pensioners as well as the assets held by OMART to back the policyholder liability to the company.

Old Mutual Wealth acquisition of Skandia UK Limited from Old Mutual plc
On 31 January 2018, Old Mutual Wealth acquired the Skandia UK Limited group of entities from Old Mutual plc. This group of entities comprises five plc Head Office entities with a combined net asset value of £591 million. The transfer was financed by the issue of a share and with the balance represented by a merger reserve. No debt was taken on as a result of this transaction. The most significant asset within these entities is a £566 million receivable which corresponds to an equivalent payable within the Group's statement of financial position. The net effect of this transaction for the Group is to replace a payable due to Old Mutual plc with equity.

Old Mutual Wealth financing arrangements

On 28 February 2018, the Group entered into, and fully drew down, the New Term Loan, a £300 million senior unsecured term loan with a number of relationship banks with an annual coupon of 45 basis points above LIBOR, to be updated every three months. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.

Also on 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after 5 years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (Tier 2 Bond). Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond security will increase operating expenses in the Head Office segment by approximately £11 million on an annual basis. The debt security is currently undocumented and unlisted and has a Fitch instrument rating of BBB-. The Group intends to finalise a prospectus and obtain a listing for the Tier 2 Bond on the regulated market of the London Stock Exchange, with a view to a potential remarketing and secondary placement of the Tier 2 Bond in due course. In addition, the Group entered into the New Revolving Facility, a £125 million revolving credit facility which is currently undrawn and is expected to remain undrawn during 2018.

Subsequent to the year end, and as part of a series of internal transactions, £566 million of intercompany indebtedness to other companies within the Old Mutual plc group has been equitised, with the effect of the intercompany indebtedness being cancelled and replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by £16 million from ordinary course transactions. The remaining £200 million intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the £70 million revolving credit facility with Old Mutual plc was cancelled.

Group financial statements
Notes to the consolidated financial statements continued

K: 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 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 consolidated 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 recognised in profit or loss and are included in investment return 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.

(d) Hedge accounting continued

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.

(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 consolidated 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 consolidated 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.

Group financial statements
Notes to the consolidated financial statements continued

K: Accounting policies on financial assets and liabilities continued

(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 consolidated statement of financial position, showing the categorisation of financial assets, together with financial liabilities is set out in note E1.

(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 consolidated statement of financial position and the difference between the carrying amount of a liability and the consideration paid is recognised in profit or loss and are included in finance costs.

(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.

Group financial statements
Notes to the consolidated financial statements continued

K: Accounting policies on financial assets and liabilities continued

(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 pre-determined 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

L: 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 and 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 and 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 and 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 and 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 and 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 and 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 and 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 and Pretoria main road, Midrand, Gauteng, 1685
32 Randjesfontein Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New road and Pretoria main road, Midrand, Gauteng, 1685
320 Halfway House Ext 13 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Grand Central Airport, New road and 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 and Pretoria main road, Midrand, Gauteng, 1685
AAM Advisory PTE Limited	100	Ordinary	Singapore	CapitaGreen #06-01, 138 Market Street, Singapore 048946
Acsis (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Acsis Licence Group (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 Inflation Plus 4-5% Fund of Funds	32	Class B1 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands 7405
Affordable Rental and Investment Fund South Africa Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
African Fund Managers (Mauritius)	100	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
African Infrastructure Investment Fund	41	one class of share	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
African Infrastructure Investment Fund 2 Partnership	44	one class of share	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town 7700

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
African Infrastructure Investment Fund 3 GP (Pty)	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
African Infrastructure Investment Holding Company 2 (Mauritius)	50	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
African Infrastructure Investment Managers (Pty) Limited	100	Ordinary	Republic of South Africa	Colinton House, Ground Floor, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
AIIF2 Power Holdings	69	Ordinary	Republic of South Africa	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis
AIIF2 Towers SA (Pty) Limited	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 OakdaleStreet, Newlands, Cape Town, 7700
AIIM Hydropower Holdings (Pty) Limited	99	Ordinary	Mauritius	c/o Cim Fund Services Ltd, 33 Edith Cavell Street, Port Louis, Mauritius
AIIM Seed General Partner (Pty) Limited	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
AIIM Seed GP Partnership	96	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
AIIM Staff GP (Pty) Limited	100	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
Aiva Florida Inc.	100	Ordinary	Florida, USA	201 South Biscayne, Boulevard. Suite 1500 BB Miami Florida
AIVA Health S.A.	100	Ordinary	Uruguay	Zonamerica - Ruta 8 km 17500 Edif. Beta 3, Of 011
AIVA Holding Group S.A.	100	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 8 Km 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	127 Cape Road, Mount Croix, Port Elizabeth 6001
Apollo Advisors (Pty) Ltd	93	Ordinary	Republic of South Africa	Ground Floor, Colinton House,The Oval, 1 Oakdale Street, 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 II En Commandite Partnership	51	Ordinary	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Street, Newlands, Cape Town, 7700
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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Banco Unico	50% + 1	Ordinary	Mozambique	Julius Nyerere Avenue, n'500 Maputo, Mozambique
Barprop (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Beaumont Robinson Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Bedford Square Properties (Pty) Ltd	99	Ordinary	Republic of South Africa	Illovo Edge - 3rd Floor Building 3, Cnr Harries and Fricker Roads, Illovo
Bene Inventa (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Blaauwberg Insurance Company Limited	100	Ordinary	Isle of Man	Third Floor, St George's Court, Upper Church Street, Douglas, Isle of Man. IM1 1EE
Black Distributors SPV Limited	100	Ordinary	England & Wales	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, 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	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Blueprint Financial Services Limited	100	Ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH

Group financial statements

Notes to the consolidated financial statements continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Blueprint Organisation Limited	100	Ordinary	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, 2196
BoE 187 Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
BoE Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
BoE Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
BoE Link Nominees (Proprietary) Limited (RF)	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
BoE Private Client & Trust Company (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
BoE Private Equity Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Boness Development Phase 3 (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
BPCC Security Company (Pty) Ltd	100	Ordinary and cumulative redeemable preference shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
C.I.P.M. Nominees Limited	100	Ordinary	Jersey	4th Floor 28/30 The Parade St Helier Jersey JE2 3QQ
Cabs Custodial Services (Private) Limited (formerly known as Three Anchor Investments (Pvt) Ltd)	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Caerus Bureau Services Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Capital Group Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Financial Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Holdings Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Portfolio Management Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Wealth Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
Caerus Wealth Solutions Limited	100	ordinary	England & Wales	Wiltshire Court, Farnsby Street, Swindon, England, SN1 5AH
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 Development Limited	100	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, PO 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, PO Box 30459, Lilongwe 3
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	80	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	Mutualpark, Jan smuts Drive, Pinelands, 7405
Central Africa Building Society	100	Ordinary	Zimbabwe	Northend Close Northridge Park, Highlands, Harare
Cheviot Capital (Nominees) Limited	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
Cheviot Exodus LP	100	partnership contribution	England & Wales	90 Long Acre, London, WC2E 9RA
City Centre Properties (Pvt) Ltd	93	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, HARARE

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Commsale 2000 Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Community Property Company (Pty) Limited	100	Ordinary	Republic of South Africa	3rd Floor Great Westerford, 240 Main Road, Rondebosch, 7700
Community Property Holdings Limited	100	Ordinary	Republic of South Africa	3rd Floor Great Westerford, 240 Main Road, Rondebosch, 7700
Consumer Credit (Swaziland) (Pty) Ltd	100	Ordinary	Swaziland	Deloitte & Touche, 1st floor, Embassy House, Cnr Allister Milller and Morris Strs, Mbabane, Swaziland
Corporate Aone 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Credit Guarantee Insurance Corporation of Africa Ltd	86	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Crystal Park Developments (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	Are Of Old Mutual Investment Group, 3rd Floor Omig Building, West Campus,Mutual Park,Jan Smuts D, Western Cape Province, 7405
Crystal Park Housing Portfolio (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	384 Johan Road, cnr Johan and Taylor Road, Honeydew, Johannesburg, Gauteng 2140
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
CU Property Holdings (Pvt) Ltd	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, 2196
Dodd Murray Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
DQS Financial Management Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Education SPV Limited	100	Ordinary	England & Wales	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, 2196
Equibond (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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 (Pty) Ltd	100	Ordinary	Republic of South Africa	24 Archter Road, Paulshof, 2191
Fairbairn Investment Company Limited	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Fairbairn Investments (UK) Limited (OM Seed Investment (UK) Limited)	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Fairbairn Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Fairbairn UK Limited (OMFS Company 1 Limited)	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
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 Rental (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	65	Accumulation	England & Wales	Oakhill House 150 Tonbridge Road Hildenborough Tonbridge Kent TN11 9DZ
Fidelity Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Finlac Trust (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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
Frittlewell Investments (Pvt) 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, PO Box 30459, Lilongwe 3
Futuregrowth Agri Fund	43	one class of share	Republic of South Africa	Mutual Park Jan Smuts Drive, Pinelands, 7405
Futuregrowth Agri Fund 2	99	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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Futuregrowth Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
G.E.O.C. Nominees Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Galilean Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Daisy Street, Sandton, Sandown, 2196
Global Bond Feeder Fund	39	Class A and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405

Group financial statements
Notes to the consolidated financial statements continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Global Currency Feeder Fund	33	Class A, B1, B2 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Global Edge Technologies (Pty) Limited	100	ordinary	South Africa	Mutual Gardens, Mowbray, Cape Town
Golddunn Property Developments (Pty) Ltd	100	Ordinary	Republic of South Africa	665 Duncan Street, Hillcrest, Pretoria, 0001
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	Mutualpark, 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
HIFSA Housing Impact Fund South Africa	43	Ordinary	Republic of South Africa	2nd Floor Summit Place, Cnr Rivonia & School Road, Morningside, 2196
High Yield Opportunity Fund	38	Class A, B and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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
IBL Asset Finance and Services (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Ideas Nedbank AIIF Investors Trust	60	Ordinary	Republic of South Africa	PO 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	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
IMFUNDO SPV Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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
Infiniti Financial Planning & Investment Management Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Institutional Money Market Fund	100	Class B1 and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Intrinsic Cirilium Investment Company Limited	100	Ordinary	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 Valuation Services 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, 2196
K2012150042 (South Africa) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
K2013236459 (South Africa) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Kagiso Infrastructure Empowerment Fund	100	one class of share	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
KDGC (Pty) Ltd	100	Ordinary	Republic of South Africa	Die Klubhuis, Cnr 18th Street and Pinnaster Avenue, Hazelwood, Gauteng, 0081
Kingsmead Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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
LIBERO International SICAV PLC	100	Ordinary	Malta	One Kingsway, London, WC2B 6AN
Lighthouse Development (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Linton Projects (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
M.C.Z. (Pvt) Ltd	70	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Maestro Financial Services Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London,, EC4V 4GG
Malawian Dividend Access Trust	100	Trust does not issue shares	Malawi	Old Mutual Building, 30 Glyn Jones Road, Blantyre
Marriott Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	2 Delamore Road, Hillcrest, 3610
Marriott Corporate Services (Pty) Ltd	100	Ordinary	Republic of South Africa	2 Delamore Road, 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	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masisizane Fund NPC	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masisizane Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masthead (Pty) Limited	75	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masthead Financial Advisors (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masthead Financial Planning (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Masthead Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Max Payment Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 Nominees (Private) Ltd	100	Ordinary	Zimbabwe	14th floor Old Mutual centre, 3rd Street/ John Mayo Avenue, Harare, Zimbabwe
Mercury Securities (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Metropolis Health Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
MHF Properties (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Michael Waite Independent Financial Advice Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Millpencil Ltd	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Morened (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Mortgage Investment Corporation (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
MPICO Limited	72	Ordinary	Malawi	Old Mutual House, City Centre, P.O. Box 30459, Lilongwe 3. Malawi
MPICO Malls Limited	84	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, PO Box 30459, Lilongwe 3
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) Ltd	100	Ordinary	Zimbabwe	M&F Centre, 227 Independence Avenue, Windhoek, Namibia
Mutual & Federal Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Mutual & Federal Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Mutual & Federal Risk Financing Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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)	100	Ordinary	Republic of South Africa	Mutual Park Jan Smuts Drive, Pinelands, 7405
N.B.S.A. Ltd	100	Ordinary	England & Wales	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, 2196
Nasionale Dorpsontwikkelingskorperasie Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
National Board (P.E.) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
National Board of Executors Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Ned Investment Trust	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Ned Settle Services (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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	Plantation House, Victoria Avenue, Blantyre
Nedbank (Swaziland) Ltd	65	Ordinary	Swaziland	Third Floor, Nedcentre Building, Cnr Dr Sishayi & Sozisa Roads, 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, 2196
Nedbank Group Ltd	N/A	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedbank Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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, 2196
Nedbank Private Wealth Ltd	100	Ordinary	Isle of Man	St Mary's Court, 20 Hill Street, Douglas, Isle of Man

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
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	55 Rehobother Road, Ausspannplatz, Windhoek,Namibia
NedCapital Namibia (Pty) Ltd	100	Ordinary	Namibia	55 Rehobother Road, Ausspannplatz, Windhoek,Namibia
Nedcor Bank Nominees (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedcor Investments Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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	10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, 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, 2196
Nedgroup Beneficiary Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Beta Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Collective Investments (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Financial Services 104 Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Insurance Administrators Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Insurance Company Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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, 2196
Nedgroup Investment Advisors (UK) Ltd	100	Ordinary	England & Wales	5th Floor, 44-48 Dover Street, London, W1S 4NX
Nedgroup Investment Advisors Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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, 2196
NedGroup Investments Africa	100	Ordinary	Mauritius	10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius
Nedgroup Life Assurance Company Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Private Wealth (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Private Wealth Corporate Services Ltd	100	Ordinary	Jersey	Fairbairn House, 31 Esplanade, St Hielier, 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, 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, 2196
Nedgroup Secretariat Services (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Securities (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Nedgroup Structured Life Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
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, 2196
Nedgroup Trust (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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, 2196

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Nedinvest (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
NedLoans (Pty) Ltd	100	Ordinary	Namibia	12-20 Dr Frans Indongo Street, 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, 2196
NedProperties (Pty) Ltd	100	Ordinary	Namibia	9 Feld Street, Windhoek, Namibia
NES Investments (Pty) Ltd	100		Republic of South Africa	138 Rivonia Road, Sandown, Sandton, 2196
New Capital Properties Limited	100	Ordinary	Malawi	Old Mutal Building, Robert Mugabe Crescent, PO Box 30459, Lilongwe 3
Newtown Leasing (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Newtown Motor Dealership (Pty) Ltd	50	Ordinary	Republic of South Africa	Die Klubhuis, Cnr 18th Street and Pinnaster Avenue, Hazelwood, Gauteng, 0081
NIB 61 Share Block (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
NIB Blue Capital Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
NPL FINANCIAL LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mint (Pty) Ltd	100	one class of share	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual (Africa) Holdings (Pty) Limited	100	Ordinary	Republic of South Africa	Mutualpark, 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
Old Mutual (Blantyre) Nominees Ltd	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual (Malawi) Ltd	100	Ordinary	Malawi	31 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual (Namibia) Management Incentive Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual (Namibia) Nominees (Pty) Ltd	100	Ordinary	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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual (South Africa) Nominees (Pty) (RF) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual (South Africa) Share Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, 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) Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Absolute Return Government Bond Fund	48	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Actuaries & Consultants (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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	92	Class B shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Albaraka Balanced Fund	36	Class A, B1, B0 and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Investment Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Investments GP (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Alternative Risk Transfer Ltd	100	Ordinary, Class N1, N3, N4, N5, N6, N8, N9 Variable Rate Redeemable Preference Shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405

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Notes to the consolidated financial statements continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Alternative Solutions Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Aristeia QI Hedge Fund	95	Class D1 and D3 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Asian Equity Income Fund	95	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
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, PO BOX 30059 - 00100
Old Mutual Asset Managers (Pvt) Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Asset Solutions Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7AY
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 Bond	72	Class B1, B2, C and R shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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 Broad Based Empowerment (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Business Services (Mauritius) Limited	100	Ordinary	Mauritius	10th floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius
Old Mutual Business Services Limited	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
Old Mutual Capital Holding (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Capital Partners (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Capped SWIX Index	37	Class A and B1 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Chronos QI Hedge Fund	100	Class D1 and D3 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Cirilium Adventurous Passive Portfolio	71	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Cirilium Adventurous Portfolio	64	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Cirilium Balanced Fund	47	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Balanced Passive Fund	65	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Conservative Fund	50	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Conservative Passive Fund	58	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Dynamic Passive Fund	52	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Moderate Passive Fund	55	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Cirilium Moderate Portfolio	39	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Compania De Seguros De Vida S.A.	94	Ordinary	Colombia	Av. 19 109 A30, Bogotá, Colombia
Old Mutual Compass Portfolio 2	73	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Compass Portfolio 3	84	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Compass Portfolio 4	81	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Compass Portfolio 5	97	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Core Conservative Fund	98	Class B1, and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Core Diversified Fund	70	Class A, A2, B1 and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Corporate Real Estate Asset Management (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Creation Adventurous Portfolio	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Creation Balanced Portolio (was OM Spectrum 4 Fund)	92	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Creation Conservative Portolio (was OM Spectrum 3 Fund)	92	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Creation Dynamic Portfolio (was OM Spectrum 7 Fund)	89	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Creation Moderate Portfolio (was OM Spectrum 6 Fund)	92	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Credit Investments Holdings (Pty) Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Customised Solutions (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Deuda Corto Plazo, S.A. de C.V. Fondo de Inversión 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 Estratégica, S.A. de C.V. Fondo de Inversión 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 Direct Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Dividend Access Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Dividend Access Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Dynamic Floor	34	Class A1, B1, B2 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Emerging Market Debt Fund	43	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Emerging Markets Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Europe Ex UK Smaller companies Fund	47	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Europe GmbH	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 (Private) Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Finance (RF) (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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Finance House 1 (Pty) Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Financial Services (UK) Limited	100	Ordinary	England & Wales	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
Old Mutual Financials Contingent Capital Fund	75	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Old Mutual Flexible	68	Class A1, B1, B2, C and R shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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) Limited	100	Ordinary	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Funding Company (RF) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual FundsNet Nominees (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Global AGG Bond	89	Class A shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
OLD MUTUAL GLOBAL CURRENCY FUND	78	Class A, B and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual GLOBAL DEFENSIVE FUND	100	Class A shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Emerging Markets	85	Ordinary and Class A, B, B Income, C, I, S, U2, R shares	England & Wales	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 (Switzerland) LLC	100	Ordinary	Switzerland	Schützengasse 4, 8001, Zürich, Switzerland
Old Mutual Global Investors (UK) Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Global Investors Holdings Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OLD MUTUAL GLOBAL MANAGED ALPHA FUND	100	Class A shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Managed Volatility Fund	100	Class A shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
OLD MUTUAL GLOBAL PAN AFRICAN U3 HYB	94	Class U3 shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
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	95	Class A and C shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Global Strategic Absolute Return Bond Fund (was Old Mutual Global Strategic Bond Fund)	99	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Group Holdings (SA) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Health Insurance Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 (Guernsey) Limited	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Old Mutual Holdings (Mauritius) Limited	100	Ordinary	Mauritius	10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius
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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Holdings Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, PO BOX 30059 - 00100
Old Mutual Insurance Company (Pvt) Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Insure Limited (previously known as Mutual & Federal Insurance Company Limited)	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Interest Plus Fund	63	Class A, B1, B3, B5 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual International (Guernsey) Ltd	100	Ordinary	Guernsey	Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AW
Old Mutual International (Middle East) Limited	100	Ordinary	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 dac	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) Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Grade Corporate Bond	48	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Investment Group Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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, PO 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 4GG
Old Mutual Investment Services (Kenya) Limited	100	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, PO BOX 30059 - 00100
Old Mutual Investment Services (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Investment Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Japanese Equity	55	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual JPM US Growth Advantage Fund (was OM Threadneedle American Select Fund)	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Life Assurance Co (Swaziland) Ltd	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) Ltd	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual Life Assurance Company (Namibia) Ltd	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Life Assurance Company (South Africa) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Life Assurance Company Ltd	63	Ordinary	Kenya	LR Number 209/12331, Mutual building, Mara/Ragati road, PO BOX 30059 - 00100
Old Mutual Life Assurance Company Zimbabwe Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Life Insurance Company (Botswana) Limited	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 Local Currency Emerging Market Debt Fund	61	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Managed Alpha QI Hedge Fund	100	Class D1, D2 and D4 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Managed Fund	24	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Maximum Return FoF	53	Class A, B1, B2 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Medium Term Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Metis Alternative Fund (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 Mexico Holdings, S.A.de.C.V	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D.F., Mexico
Old Mutual Moderate Balanced Fund	68	Class A and B1 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Money Market Fund	44	Class A, A2, B1, B2, B3, B5 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Monthly income High yield Bond Fund	98	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual MSCI Emerging ESG Index Fund	35	Class C and D shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual MSCI World ESG Index Fund	44	Class B, C, and D shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Multi-Managers Defensive Fund of Funds	62	Class A and B4 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Equity Fund of Funds	55	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Agg Bal FoF	49	Class A and B4 shares	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Caut FoF	55	Class B4, C2, A and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Enhanced Income Fund of Funds	63	Class A, B2, B4, C and C2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.3	100	Class B1 and B2 shares	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.5	100	Class B1 and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Inflation Plus Fund No.7	100	Class B1 and B2 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Max Ret FoF	52	Class A and B4 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Money Market Fund	38	Class A, B4 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Multi-Managers Satellite Equity Fund No.1	74	Class B1, B2, B3 and B5 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Managers Satellite Equity Fund No.2	100	Class B1, B2, B3 and B5 shares	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Mgrs Satellite Equity Fund No. 3	35	Class B2, B3 and B5 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Strategy Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Multi-Style Global Equity	99	Class B1 and B2 shares	Ireland	78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Namibia Dynamic Floor Fund	68	one class of share	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Namibia Enhanced Income Fund	59	one class of share	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Namibia Growth Fund	52	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	59	one class of share	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Namibia Real Income Fund	45	one class of share	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Namibian Dividend Access Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Newton UK Income Fund (was OM Newton UK Income Fund)	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Newton UK opportunities Fund (was OM BlackRock UK Special Situations Fund)	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
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 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 Fondos de Inversión	100	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D.F., Mexico
Old Mutual Pan African Fund	95	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
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 Property (Pty) Ltd	100	Ordinary shares and Class A ordinary par value shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Property Investment Corporation (Pvt) Ltd	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 Index	84	Class A, B1, B2 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Real Estate Holding Company (Pty) Ltd	100	Ordinary & Linked Units	Republic of South Africa	Mutualpark, 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 Real Income	46	Class A, B1, B2 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Reinsurance (Mauritius) Limited	100	Ordinary	Mauritius	10th floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius
Old Mutual Renta Variable Estratégica, S.A. de C.V. Fondo de Inversión de Renta Variable	99	Investment Fund	Mexico	Bosque de Circuelos, 162 first floor, Col. Bosques de las Lomas, ZIP code 11700, Mexico City

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Old Mutual Renta Variable México, S.A. de C.V. Fondo de Inversión 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 Accommodation Fund (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual S.A. de C.V.	99	Ordinary	Mexico	Bosque de Ciruelos No. 162, Bosques de las Lomas, 11700, México, D.F., Mexico
Old Mutual Schroder European Alpha Income Fund	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
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
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	Class B	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	M&F Centre, 227 Independence Avenue, Windhoek, Namibia
Old Mutual Short-Term Insurance (Botswana) Ltd	100	Ordinary	Botswana	Fairgrounds Office Park, Ground Floor Building B, Plot 50676, Gaborone, Botswana
Old Mutual Sociedad Fiduciaria S.A.	87	Ordinary	Colombia	Av. 19 109 A30, Bogotá, Colombia
Old Mutual Specialised Finance (Pty) Ltd	100	Ordinary, Class B Preference Share, Redeemable Prefernce Shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Specialty Insurance Limited	100	Ordinary	Mauritius	10th floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius
Old Mutual Stable Growth	56	Class A, B1, B2, B3 and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Style Premia Absolute Return Fund	96	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Swaziland (Pty) Ltd	100	Ordinary	Swaziland	Old Mutual Swaziland, 4th Floor, Public Services Pension Fund Building. Mhlambanyatsi Rd. Mbabane
Old Mutual Swaziland Agri-Fund GP (Pty) Ltd	100	Ordinary	Swaziland	P.O. Box 95, Mbabane
Old Mutual Swaziland Balanced Fund	87	Class A, B, C and D shares	Swaziland	4th Floor, PSPF Building, Mhlambanyatsi Road, Mbabane, Swaziland
Old Mutual Swaziland Money Market	36	Class A, B, C and D shares	Swaziland	4th Floor, PSPF Building, Mhlambanyatsi Road, Mbabane, Swaziland
Old Mutual Technology Holdings (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OLD MUTUAL TITAN GLOBAL EQUITY FUND	100	Class A shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Old Mutual Transaction Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Transactional Service (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, 2196
Old Mutual Trust Company Limited	100	Ordinary	Ghana	42 Ring Road Central, Accra
Old Mutual Unit Trust Company (Malawi) Ltd	100	Ordinary	Malawi	30 Glyn Jones Road, Old Mutual Building, P.O. Box 393, Blantyre, Malawi
Old Mutual Unit Trust Management Co. (Pvt) Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Unit Trust Management Company (Namibia) Ltd	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
Old Mutual Unit Trust Managers (RF) (Pty) Ltd	100	Ordinary & Redeemable Preference Share	Republic of South Africa	Mutualpark, 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	Mutualpark (West Campus), Jan Smuts Drive, Pinelands, 7405
Old Mutual VAF 2 (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark (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 (Propietary) Limited	100	Class C and L shares	Republic of South Africa	Old Mutual Investment Group, West Campus, Mutualpark, 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 Volatility Arbitrage QI Hedge Fund	99	Class D1 and D3 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth (Namibia) (Pty) Ltd	100	Ordinary	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
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 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	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	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Wealth Proprietary Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth Services Company Proprietary Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Old Mutual Wealth Trust Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, 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 Company Limited	100	Ordinary	Nigeria	235 Ikorodu Rd, Illupeju, Lagos, Nigeria
Old Mutual Woodford Equity Income	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual World Equity	37	Hedged	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Old Mutual Zimbabwe Dividend Access Trust	100	Trust does not issue shares	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Zimbabwe Ltd	79	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
Old Mutual Zimbabwe Nominees (Pvt) Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
OM Aberdeen Asia Pacific Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Artemis Income Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Artemis UK Special Situations Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Asia Pacific Fund	44	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Blackrock Gold & General Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Bond 1 Fund	100	Income	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Bond 2 Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Bond 3 Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Botswana Holdco Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
OM Corporate Bond Fund	50	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Equity 1 Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Equity 2 Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Ethical Fund	62	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM European Equity (ex UK) Fund	77	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Fidelity Global Focus Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Fidelity Moneybuilder Income Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Fidelity Strategic Bond Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
				EC4V 4GG
OM Foundation 3 Fund	97	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Foundation 4 Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Foundation 5 Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Generation Target 3 Fund	76	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Generation Target 4 Fund	85	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Generation Target 5 Fund	73	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Gilt Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM GLOBAL BALANCED FUND HY A	100	Class A shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OM Global Best Ideas Fund	58	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM GLOBAL EMERGING OP FUND	48	Class A shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
OM Global Equity Income Fund	88	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Global Property Securities Fund	73	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Group (UK) Limited	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OM Henderson China Opportunities Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Henderson European Growth Fund (was OM Henderson European Fund)	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Invesco Perpetual Asian Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Invesco Perpetual Corporate Bond Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM JPM Emerging Markets Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM JPM Natural Resources Fund	99	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Latin America Holdco UK Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Monthly Income Bond Fund	79	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Newton Global Income Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM North American Equity Fund	28	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Portfolio Holdings (South Africa) (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OM Portfolio Holdings Zimbabwe Ltd	100	Ordinary	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
OM Schroder Tokyo Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Schroder US Mid Cap Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Threadneedle European Select Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Threadneedle High Yield Bond Fund	100	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM UK Equity Income Fund	67	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM UK Index Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Voyager Diversified Fund	99	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Voyager Global Dynamic Equity Fund	96	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Voyager Strategic Bond Fund	94	Income and Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM World Index Fund	100	Accumulation	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OM Zimbabwe Holdco Limited	100	Ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
OMAM Axiom Investments (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
OMIFM LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
OMIGSA Alternative Assets Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMIGSA Green Hands Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMIGSA Imfundo Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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	100	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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMIGSA New Retail Fund II Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMLA Holdings Limited	100	Ordinary	England & Wales	Millennium Bridge House 2, Lambeth Hill, London, EC4V 4GG
OMP Africa Holdco 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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMP Management Services (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMP SS1	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMP SS2	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMP SS3	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMP SS4	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMP SS5	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMPAI-NPIC Investments Ltd	100	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor Tower A 1 Cybercity, Ebene
OMPE Fund IV Co-Investment Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMPE Fund IV Executive Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMQI Managed Alpha GP (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMSA Broad-Based Employee Share Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMSA Management Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
OMW COSEC SERVICES LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Onrus Manor (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Pamela J Cum & Associates (Pty) Ltd	100	Ordinary	Republic of South Africa	PO Box 1245, Northriding 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, 2196
Positive Solutions (Financial Services) Limited	100	Ordinary	England & Wales	Riverside House, The Waterfront, Newcastle upon Tyne NE15 8NY
Premier Planning Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
Premier Wealth Limited	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG
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	50	Ordinary	Republic of South Africa	164 Nicolson Street, Brooklyn, Pretoria
Private Equity Fund IV	94	one class of share	Republic of South Africa	Mutual Park, Jan Smuts Drive, Pinelands, 7405
Private Equity Multi-Managed Fund	100	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, 2196

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Pyraned (Pty) Ltd	100	Class A and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
QGCI Nominees Limited	100	Ordinary	Jersey	4th Floor 28/30 The Parade St Helier Jersey JE2 3QQ
QUILPEP Nominees Limited	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
Quilter Cheviot Holdings Limited	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
QUILTER CHEVIOT INVESTMENT MANAGEMENT LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Quilter Cheviot Limited	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
QUILTER FINANCIAL PLANNING LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Quilter Group Limited (was Cheviot GP Limited)	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
QUILTER INTERNATIONAL LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
QUILTER INVESTORS LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
QUILTER LIFE ASSURANCE LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
QUILTER LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Quilter Nominees Limited	100	Ordinary	England & Wales	One Kingsway, London WC2B 6AN
QUILTER PRIVATE CLIENT ADVISERS LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
QUILTER WEALTH SOLUTIONS LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
Rainbow Beach Trading 180 (Pty) Ltd	100	Class A, B1, B0 and B2 shares	Republic of South Africa	Mutualpark, 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
RIC OLD MUTUAL QUALITY GLOBAL EQUITY FUND A	31	Class A shares	Ireland	Russell Investments Ireland Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland
Richmond Park Development Company (Pty) Ltd	38	Ordinary	Republic of South Africa	Die Klubhuis, Cnr 18th Street and Pinnaster Avenue, Hazelwood, Gauteng, 0082
Richmond Park Investments (Pty) Ltd	45	Ordinary	Republic of South Africa	Die Klubhuis, Cnr 18th Street and Pinnaster Avenue, Hazelwood, Gauteng, 0081
RM Insurance Holdings Ltd	92	Class B1, B2, C and R shares	Zimbabwe	Mutual Gardens, 100 The Chase West Emerald Hill, Harare
RMB Holdings Ltd	100	Class A1, B1, B2 and B3 shares	Jersey	Po Box 51, 57 Bath Street, St Helier, JE4 0XP
Rodina Investments (Pty) Ltd	100	Ordinary & Redeemable Preference Share	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Royal Deal Operations Company (RF) NPC	100	Ordinary	Republic of South Africa	Mutualpark, 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
SA Quoted Property Fund	58	Class A, B1, B2, B4, C and C3 shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
School and Education Grant Impact Fund of South Africa NPC	100	Class A and C shares	Republic of South Africa	OMIGSA Building, West Campus 2, Jan Smuts Drive, Pinelands 7406
Seaward Development (Pty) Ltd	100	Class A, B and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Selcourt Housing Portfolio (RF) (Pty) Ltd	100	Ordinary	Republic of South Africa	Unit 205, 2nd Floor, De Jonker Centre, Morkel Street, Mostertsdrift, Stellenbosch, 7600
Selestia Investments Limited	100	Ordinary	England & Wales	Old Mutual House, Portland Terrace, Southampton SO14 7EJ
SIS Equity FoF	34	Class B6 shares	Republic of South Africa	6th Floor, The Terraces, 25 Protea Road, Claremont, 7735
SIS Flexible Income FoF	37	Class B6 shares	Republic of South Africa	6th Floor, The Terraces, 25 Protea Road, Claremont, 7735
SIS Inflation Matching	39	Class B shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
SIS Inflation plus 1 - 3	32	Class B shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
SIS Inflation plus 3 - 5	38	Class B shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
SIS International Flexible FoF	48	Class B6 and R share class	Republic of South Africa	6th Floor, The Terraces, 25 Protea Road, Claremont, 7735
SIS Nominees (Pty) Ltd	100	Class A, B and C shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
SIS Property Equity FoF	33	Class B6 shares	Republic of South Africa	6th Floor, The Terraces, 25 Protea Road, Claremont, 7735
Skandia Global Investments S.A.	94	Class A2, B2 and R shares	Colombia	Av. 19 109 A30, Bogotá, Colombia
Skandia UK Limited	100	Class B1 and B2 shares	England & Wales	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, 2196
Spectrum Nominees Ltd	100	Class A, B1, B2, C and R shares	Guernsey	Fairbairn House, Rohais, St Peter Port
Squarestone Growth LLP	64	Members Interest in the limited liability partnership	England & Wales	5th Floor, Standbrook House, 2-5 Old Bond Street, London, United Kingdom 1S4PD

Group financial statements

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Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Strategic Implementation Services Administration (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutual Park Jan Smuts Drive, Pinelands, 7405
Strategic Investment Services Life Company Limited	100	Ordinary	Republic of South Africa	Mutual Park Jan Smuts Drive, Pinelands, 7405
Strategic Investment Services Management Company Limited	100	Ordinary	Republic of South Africa	Mutual Park Jan Smuts Drive, Pinelands, 7405
Sustainable Housing Investment (RF) (Pty) Ltd	50	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Syfrets Ltd	100	Class B1 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Mortgage Nominees (RF) (Pty) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Nominees Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Participation Bond Managers (Pty) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Property Brokers (Pty) Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Securities Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Securities Nominees (Pty) Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Trust & Executor (Eastern Cape) Ltd	100	Class B1, B2 and B3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Syfrets Trust & Executor (Grahamstown) Co. Ltd	100	Class B1 and B2 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Synthesis Funding Ltd	-		Republic of South Africa	138 Rivonia Road, Sandown, Sandton, 2196
Telle Investments (Pty) Ltd	100	Class A, B1, B2 and C shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
The Board of Executors	100	Class A, B1, B2, B4, C and C3 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 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, 2196
The C.O.C. Trust Company Ltd	100	Class A, A12 and B1 shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
The Colonial Orphan Chamber & Trust Company	100	Class C and L shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
The Correlation Fund (Pty) Ltd	100	Class A shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The Correlation Fund Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The General Estate & Orphan Chamber	100	Class C and F shares	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
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	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The Motor Finance Corporation (Pty) Ltd	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
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, JHB
The Mutual & Federal Namibia Discretionary Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
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 Trust	100	Trust does not issue shares	Namibia	11th Floor Mutual Tower 223 Independence Avenue Windhoek
The Mutual & Federal Senior Black Management Incentive Trust	100	Trust does not issue shares	Republic of South Africa	Mutual & Federal Centre, 75 Helen Joseph Street, Johannesburg
The Old Mutual (South Africa) Foundation	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The Old Mutual Black Distributors Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The Old Mutual Education Trust	100	Trust does not issue shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
The South African Association	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Thembokwesi SPV (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Think Synergy Limited	100	Ordinary	England & Wales	Riverside House, The Waterfront, Newcastle upon Tyne NE15 8NY
Toontjiesrivier Landgoed (Edms) Bpk	100	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Top Companies Fund	41	Class A, B1, B2, C and R shares	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Triangle Real Estate India Fund	99	Ordinary	Mauritius	c/o Abax Corporate Services Ltd, Level 6, One Cathedral Square Building, Jules Koenig Street, Port Louis, Mauritius
UAM UK Holdings Limited	100	Ordinary	Scotland	Quartermile Two, 2 Lister Square, Edinburgh, Midlothian, EH3 9GL
UAP Africa Limited	100	Ordinary	Mauritius	2nd Floor, The AXIS, 26 Bank Street, Cybercity, Ebene 72201
UAP Credit Services Limited (Kenya)	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 Ltd	100	Ordinary	Mauritius	2nd Floor, The AXIS, 26 Bank Street, Cybercity, Ebene 72201, Mauritius
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	100	Ordinary	Tanzania	Barclays House, 4th Floor, Ohio Street; P.O. Box 71009, Dar es Salaam
UAP Investments Limited	100	Ordinary	Kenya	3rd Floor I&M Building, 2nd Ngong Avenue, Nairobi, Kenya
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 Old Mutual Insurance Uganda Ltd	53	Ordinary	Uganda	Plot 1, Kimathi Avenue P.O. Box 7185 Kampala Uganda Tel. +256 414 332 700
UAP Properties Kenya 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 (South Sudan)	70	Ordinary	South Sudan	UAP Plaza, Hai Cinema Opposite Al-Sabah Children Hospital P.O. Box 201 Juba
UAP Properties Limited (Uganda)	100	Ordinary	Uganda	Plot 1, Kimathi Avenue P.O. Box 7185 Kampala Uganda
UAP Trust Corporation	100	Ordinary	Kenya	Bishops Garden Towers 7th Floor Bishops Road P.O. Box 43013 – 00100
Urban Impact Properties Limited	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 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, 2196
VIOLET NO.2 LIMITED	100	ordinary	England & Wales	Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG
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
Weekend Trust	100	Trust : No shares issued	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
WEST AFRICAN INFRASTRUCTURE INVESTMENT MANAGERS LIMITED	83	Ordinary	Nigeria	Heritage Place (7th Floor), 21 Lugard Road, Ikoyi, Lagos
Win Twice Properties (Pty) Ltd	97	Ordinary	Republic of South Africa	Illovo Edge - 3rd Floor Building 3, Cnr Harries And Fricker Roads, Illovo,
Winter Breeze Investment Holding Company (Pty) Ltd	100	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
ZLE Developments (Pty) Ltd	50	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

Group financial statements
Notes to the consolidated financial statements continued

(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
169 On Main (Pty) Ltd	50	Ordinary	Republic of South Africa	1st Floor Suite 101, Mill Square Offices, 12 Plein Street, Stellenbosch 7599
2 Oceans School Property Company (Pty) Ltd	49	Preference	Republic of South Africa	19 Queen Bess Road, Lansdowne, Cape Town
360 dot net Limited	13	Ordinary	England & Wales	12-14 Upper Marlborough Road, St Albans, Hertfordshire AL1 3UR
ACED Great Karoo Wind Farm (Pty) Ltd	40	Ordinary	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
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
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
Circlevest Securitisation (RF) (Pty) Ltd	22	Ordinary	Republic of South Africa	Emwil house West, 15 Pony Street, Tijgervallei Office, Silver Lakes, 0081
Commercial Property Investments (Pty) Ltd	50	Ordinary	Republic of South Africa	Stratway Office Park, 5th Block 1st Floor Valley Road, Broadacres Gauteng 2012
Comsol Networks (Pty) Ltd	25	Ordinary	Republic of South Africa	152 Roan Crescent Corporate Park North Midrand 1862
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	43	Ordinary	Republic of South Africa	6 Goodenough Avenue Epping 2 Goodwood, 7460
Datacraft Americas Trading Ltd (Bermuda)	40	Ordinary	Bermuda	Milner House, 18 Parliament Street, Hamilton, Bermuda
Datacraft Mexico SA de CV	30	Ordinary	Mexico	Av Insurgentes, Sur 1106, 11 Piso, Nochebuena 03720 Mexico D.F.
DM10 Corretora de Seguros e Assessoria LTDA. EPP	20	Quotas	Brazil	Avenida José Silva de Azevedo Neto, Nº 200, Bolco 04, sala 308, Barra da Tijuuca, Rio de Janeiro
Ecobank Transnational Incorporated	21	Ordinary	Togo	2365 Boulevard du Mono, Lome, Republic of Togo
Edinvest Schools Propco (RF) (Pty) Ltd	40	Ordinary	Republic of South Africa	7 - 8 Bronzite Building, Abrey Eco Park, 5 Abrey Road, Kloof, KZN, 3610
Entersekt (Pty) Ltd	21	Ordinary	Republic of South Africa	Entersekt House 6 Electron Street Technopark Stellenbosch 7600
Entersekt International Ltd	21	Ordinary	Mauritius	Intercontinental Trust Level 3, Alexaner House 35 Cybercity Ebene Mauritius 72201
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
Friedshelf 1168 (Pty) Ltd	36	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
Hazeldean Retreat (Pty) Ltd	20	Ordinary	Republic of South Africa	1st Floor, Gleneagles Building, Fairway Office Park, 52 Grosvenor Road, Bryanston, 2021
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.

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
Imbumba Aganang Private Party (Pty) Limited	24	Ordinary	Republic of South Africa	79 Hyde Lane, First Floor, South Block, Hyde Park, 2196
Isegen South Africa (Pty) Ltd	45	Ordinary	Republic of South Africa	284 Refinery Road, Sapref Park, isipingo,Kwazulu Natal, 4110
Izwe Loans Securitisation (Pty) Ltd	27	Ordinary	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
Lulama Property Management (Pty) Ltd (in deregistration)	49	Ordinary	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Main Street 1457 (Pty) Ltd	23	Ordinary	Republic of South Africa	20 Anvil Road Isando Johannesburg 1609
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, Potchefstroom2531
Merx Underwriting Managers (Pty) Ltd	49	Ordinary	Republic of South Africa	31 E Riley Road, Bedfordview
NamClear (Pty) Ltd	25	Ordinary	Namibia	c/o Deloitte and Touche, PO Box 47, Windhoek
Nedbank Mogale ESD (Pty) Ltd SPV	49	Ordinary	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
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, 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 / C/o NTS Office, 5th Floor Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius
Olievenhout Plaza (Pty) Ltd	25	Ordinary	Republic of South Africa	Sokatumi Estate, Leyden Avenue, Clubview Centurion, Gauteng, 0157
Onyx Developments (Pty) Ltd	50	Ordinary	Republic of South Africa	Mazars House, Rialto Road, Grand Moorings Precinct, Century City 7441
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	Ordinary	Republic of South Africa	152 Bryanston Drive, Sandton, 2191
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
Povimix (Pty) Ltd	30	Ordinary	Republic of South Africa	323 Lynnwood Road, Menlo Park 0081
Pro-Active Health Solutions (Pty) Ltd	38	Ordinary	Republic of South Africa	1st Floor, Block A, Upper Grayston Office Park, 150 Linden Road, 2031
QCP1 Investments (Pty) Ltd	30	Ordinary	Republic of South Africa	Ground Floor Douglas Murray House, 18 Protea Road, Claremont, Western Cape, 7708.
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
Rejem Linton One (Pty) Ltd	40	Ordinary	Republic of South Africa	7 Danie Theron Street, Alberante Ext, Alberton, 1449
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	35	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, Jhb
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
Sethekgo Private Party (RF) (Pty) Limited	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

Group financial statements

Notes to the consolidated financial statements continued

Name	Percentage holding	Shareholding	Country of incorporation	Registered Office Address
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, Jhb, 2001
South African Roll Company (Pty) Ltd	50	Ordinary	Republic of South Africa	8 McColm Boulevard, Vanderbijlpark, 1911
Stay at South Point Properties (Pty) Ltd	15	Ordinary	Republic of South Africa	1st Floor, Mvelelo House, 19 Melle Street, Braamfontein, 2017
Stella SGS Investments (Pty) Ltd	33	Ordinary	Republic of South Africa	60 Craddock Avenue, Dunkeld 2196
Swaziland Royal Insurance Corp	16	Ordinary	Swaziland	2nd Floor, Lilunga House, Gilfillan Street, Mbabane
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	98	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 Investment Portfolio Holdings Ltd	33	Ordinary	Republic of South Africa	29 Central Street, Houghton, 2198

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 De Aar Solar PV Park 2 (Pty) Ltd	50	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
ACED Renewables Hidden Valley (Pty) Ltd	50	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
ACED Soetwater Wind Farm (Pty) Ltd	50	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
African Clean Energy Developments (Pty) Ltd	50	Republic of South Africa	Ground Floor, Colinton House, The Oval, Oakdale Road, Claremont
African Infrastructure Investment Fund 2 GP (Pty) Ltd	100	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
Curo Fund Services (Pty) Ltd	50	Republic of South Africa	Building 2, Mispel Street, Parc du Cap, 7530 Belville
Imbumba Aganang Facility Management Company (Pty) Limited	50	Republic of South Africa	79 Hyde Lane, First Floor, South Block, Hyde Park, 2196
Infrastructure Empowerment Fund Managers (Pty) Ltd	50	Republic of South Africa	Ground Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
Old Mutual Guodian Life Insurance Company Ltd	50	Peoples Republic of China	10th Floor, Building 1 of China Center, No. 81 Jianguo Road, Beijing, PRC

Name	Percentage holding	Country of incorporation	Registered Office Address
Old Mutual US Dollar Money Market Fund	50	Mauritius	NTS Office, Level 5, Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius / C/o NTS Office, 5th Floor Barkly Wharf, Caudan Waterfront, Port Louis, Mauritius
OMIGPI Kerr Property Developers (Pty) Limited	50	Republic of South Africa	71 Cotswold Drive,Westville,, 3629
OMPE GP IV (Pty) Ltd	50	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
Orchards Developments (Pty) Ltd	50	Republic of South Africa	11th floor, Nedbank Corner, 96 Jorissen Street, Braamfontein, Johannesburg, Gauteng 2017
Pixley Ka Seme PV Park (Pty) Ltd	50	Republic of South Africa	2nd Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands, Cape Town, 7700
Savanna City Developments (RF) (Pty) Ltd	50	Republic of South Africa	Mutualpark, Jan Smuts Drive, Pinelands, 7405
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
Tirasano Facilities Management (Pty) Limited	50	Republic of South Africa	Tsebo House, 7 Arnold Road, Rosebank, 2196
Triangle Real Estate India Fund Managers Private Ltd	50	Mauritius	c/o Abax Corporate Services Ltd, Level 6, One Cathedral Square Building, Jules Koenig Street, Port Louis, Mauritius
Two Rivers Lifestyle Centre Limited	50	Mauritius	C/O Abax Corporate Serices Mauritius

(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
Dr Holsboer Benefit Fund	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Glenmore Seaside Resort (Pty) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Greenhouse Funding (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Greenhouse Funding 4 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Greenhouse Funding 5 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Greenhouse Funding 6 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Greenhouse Funding III (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Ndala Investments No 1 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Ndala Investments No 2 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Octane ABS1 (Pty) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Octane ABS2 (Pty) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Precinct Funding 1 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Precinct Funding 2 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
Swaziland Automated Electronic Clearing House - (SAECH)	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196
West Road South No 3 (RF) Ltd	Republic of South Africa	135 Rivonia Road, Sandown, Sandton, 2196

Financial statements of the Company

Company statement of financial position

For the year ended 31 December 2017

	Notes	**At 31 December 2017**	At 31 December 2016
			£m
Assets			
Investments in Group subsidiaries	2	**4,150**	5,457
Investments and securities	3	**–**	163
Investments in associated undertakings and joint ventures	4	**–**	26
Trade, other receivables and other assets	5	**366**	4,119
Derivative financial instruments – assets	6	**34**	77
Cash and cash equivalents		**539**	570
Assets held for sale and distribution	13	**2,135**	–
Total assets		**7,224**	10,412
Liabilities			
Borrowed funds	7	**461**	1,023
Provisions	8	**–**	7
Trade, other payables and other liabilities	9	**254**	3,944
Derivative financial instruments – liabilities	6	**–**	69
Total liabilities		**715**	5,043
Net assets		**6,509**	5,369
Equity			
Equity attributable to equity holders of the parent		**6,509**	5,369
Total equity		**6,509**	5,369

The Company's financial statements on pages 330 to 339 were approved by the Board of Directors on 14 March 2018.

Jonathan 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 2017		£m
	Year ended 31 December 2017	Year ended 31 December 2016
Profit/(Loss) after tax	**1,564**	(169)
Recognition of impairment losses	**110**	89
Profit arising on disposal of subsidiaries, associates, joint ventures and strategic investments	**(102)**	(10)
Fair value movement on derivatives and borrowed funds	**27**	83
Foreign exchange movement on assets and liabilities	**7**	(12)
Non cash movements in profit after tax	**42**	150
Other operating assets and liabilities	**(1,057)**	150
Changes in working capital	**(1,057)**	150
Net cash inflow from operating activities	**549**	131
Net acquisition/(disposal) of financial investments	**161**	(7)
Net movement of interests in subsidiaries, associates, joint ventures and strategic investments	**(213)**	–
Disposal of interests in subsidiaries, associates, joint ventures and strategic investments	**137**	44
Other investing cash flows	**(24)**	71
Net cash inflow from investing activities	**61**	108
External interest received	**39**	38
External interest paid	**(63)**	(63)
Intercompany interest paid	**(90)**	(151)
Dividends received from Subsidiaries	**262**	–
Dividends paid to:		
Ordinary shareholders of the Company	**(129)**	(160)
Preferred security interests	**(13)**	(15)
Net proceeds from issue of ordinary shares	**4**	2
Subordinated and other debt repaid	**(956)**	(116)
Loan financing received from Group companies	**305**	353
Net cash outflow from financing activities	**(641)**	(112)
Net (decrease)/increase in cash and cash equivalents	**(31)**	127
Cash and cash equivalents at beginning of the period	**570**	443
Cash and cash equivalents at end of the year	**539**	570

Financial statements of the Company

Company statement of changes in equity

For the year ended 31 December 2017	Millions Number of shares issued and fully paid	Share capital	Share premium	Other reserves	Retained earnings	Perpetual preferred callable securities	£m Total
Shareholders equity of the Company at beginning of the year	**4,930**	**563**	**1,042**	**1,428**	**2,063**	**273**	**5,369**
Profit for the year	**–**	**–**	**–**	**–**	**1,549**	**15**	**1,564**
Items that will not be reclassified subsequently to profit and loss							
Actuarial loss on defined benefit plan	**–**	**–**	**–**	**–**	**(22)**	**–**	**(22)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,527**	**15**	**1,542**
Dividends for the year	**–**	**–**	**–**	**–**	**(128)**	**(15)**	**(143)**
Merger reserve realised	**–**	**–**	**–**	**(104)**	**104**	**–**	**–**
Preferred securities purchased	**–**	**–**	**–**	**–**	**(15)**	**(273)**	**(288)**
Other movements in share capital and share-based payment reserve	**3**	**1**	**17**	**–**	**(3)**	**–**	**15**
Fair value of equity settled share options	**–**	**–**	**–**	**(109)**	**123**	**–**	**14**
Shareholders' equity of the Company at end of the year	**4,933**	**564**	**1,059**	**1,215**	**3,671**	**–**	**6,509**

Year ended 31 December 2016	Millions Number of shares issued and fully paid	Share capital	Share premium	Other reserves	Retained earnings	Perpetual preferred callable securities	£m 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 loss 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

Other reserves	**At 31 December 2017**	£m At 31 December 2016
Merger reserve	**1,148**	1,252
Share-based payment reserve	**43**	152
Cancellation of treasury shares	**24**	24
Attributable to equity holders of Company at end of the year	**1,215**	1,428

Financial statements of the Company
Notes to the Company financial statements

For the year ended 31 December 2017
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 (2016: £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 £11 million (2016: decrease of £49 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 assets of £681 million (2016: net current liabilities £534 million), all of which represent assets, including inter group 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.

Financial statements of the Company
Notes to the Company financial statements continued

For the year ended 31 December 2017
1 Financial assets and liabilities (continued)
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.

(g) Future standards, amendments to standards and interpretations not early-adopted in the 2017 annual financial statements.

IFRS 9 Financial Instruments
The impact on the Company's financial position is discussed in the Group Consolidated Financial Statement, note A7.

2 Principal subsidiaries

		£m
	At 31 December 2017	At 31 December 2016
Balance at beginning of the year	**5,457**	5,562
Acquisitions	**665**	–
Additions	**293**	28
Disposals	**(20)**	(44)
Impairments	**(110)**	(89)
Transfer to assets held for sale and distribution	**(2,135)**	–
Balance at end of the year	**4,150**	5,457

On 3 February 2017, the Company injected £4,000,000 in cash to its subsidiary Constantia Insurance Company (Guernsey) Limited.

On 4 May 2017, the Company injected £200,000,000 in cash to its subsidiary Old Mutual Wealth Management Limited.

On 15 September 2017, the Company acquired the entire issued share capital of Fairbairn Investment (UK) Limited for £5,016,000 from OM Group (UK) Limited.

On 15 September 2017, the Company sold its investment in Skandia UK Limited for £1 to OM Group (UK) Limited.

On 15 September 2017, the Company acquired the entire issued share capital of Old Mutual Business Services Limited for £58,067,000 from OMFS (GGP) Limited.

On 22 September 2017, the Company acquired the entire issued share capital of OM Holdings (Guernsey) Limited for £7,437,000 from OM Group (UK) Limited.

On 29 September 2017, the Company sold its investment Old Mutual Europe GmbH for £14,880,000 to OM Group (UK) Limited. As a result of the sale, the Company made a profit of £14,608,000.

On 29 September 2017, the Company sold its investment in Commsale 2000 Limited for £287,000 to Old Mutual Wealth Management Limited. As a result of the sale, the Company made a loss of £157,000.

On 9 October 2017, the Company acquired the entire issued share capital of UAM UK Holdings Limited for £1,058,000 from OM Group (UK) Limited.

On 17 October 2017, OM Holdings (Guernsey) Limited returned capital to the Company by transferring the entire issued share capital of Old Mutual International (Guernsey) Ltd and L & S Properties Ltd for £3,627,000 and £3,301,000 respectively.

2 Principal subsidiaries (continued)

On 24 November 2017, the Company acquired the entire issued share capital of Skandia UK Limited by way of a distribution in specie of £594,128,000 from OM Group (UK) Limited.

On 1 December 2017, the Company injected £8,822,000 in cash to its subsidiary Constantia Insurance Company (Guernsey) Limited.

On 21 December 2017, Old Mutual Wealth Management Limited issued the Company with one ordinary £1 share with a premium of £58,143,000 in consideration for extinguishing receivables due to the Company.

On 29 December 2017, the Company sold its investment in Constantia Insurance Company (Guernsey) Limited for £1,466,000 to Randall & Quilter II Holdings Limited. As a result of the sale, the Company made a loss of £11,494,000.

During 2017, the Company impaired its investments in Constantia Insurance Company (Guernsey) Limited, Old Mutual Business Services Limited, Commsale 20000 Limited, UAM UK Holdings Limited, OM Holdings (Guernsey) Limited and Old Mutual Asset Solutions Limited by £25 million, £3 million, £0.5 million, £0.6 million, £0.5 million and £2 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 £15 million (2016: £28 million) and an impairment of £78m (2016: nil).

The principal subsidiary undertakings of the Company are as follows:

At 31 December 2017	Country of incorporation	Class of shares	% interest held
OM Group (UK) Limited	England & Wales	Ordinary	100
Old Mutual Wealth Management Limited	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 2017	At 31 December 2016
Other debt securities, preference shares and debentures	**–**	163
Total investment and securities	**–**	163

In the prior year, other debt securities, preference shares and debentures were all rated AAA-BBB.

4 Investments in associated undertakings and joint ventures

The Company held the following interest in associated undertakings:

				£m
	Country of operation	% interest held	**At 31 December 2017**	At 31 December 2016
Kotak Mahindra Old Mutual Life Insurance Limited	India	26	**–**	26

On 13 October 2017, the Company sold its 26% stake in Kotak Mahindra Old Mutual Life Insurance Limited for £149,393,000 to its joint venture partner Kotak Mahindra Bank Limited. As a result of the sale, the Company has recognised a profit on disposal of £121,733,000, net of sale costs.

5 Trade, other receivables and other assets

		£m
	At 31 December 2017	At 31 December 2016
Other receivables	**1**	28
Corporation tax receivable	**45**	–
Accrued interest and rent	**2**	3
Other prepayments and accrued income	**1**	2
Amounts owed by Group undertakings		
Amounts falling due within one year	**234**	12
Amounts falling due after one year	**83**	4,074
Total other assets	**366**	4,119

Financials

Financial statements of the Company
Notes to the Company financial statements continued

For the year ended 31 December 2017
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.

				£m
	At December 2017		At December 2016	
	Fair values		Fair values	
	Assets	**Liabilities**	Assets	Liabilities
Exchange rate contracts				
Swaps	**–**	**–**	–	33
Options	**–**	**–**	–	7
Forwards	**1**	**–**	13	29
	1	**–**	13	69
Interest rate contracts				
Swaps	**33**	**–**	64	–
Total	**34**	**–**	77	69

The contractual maturities of the derivative liabilities held are as follows:

							£m
	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**	**Total**
At 31 December 2017							
Derivative financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2016							
Derivative financial liabilities	69	29	–	40	–	–	69

7 Borrowed funds

		£m
	At 31 December 2017	At 31 December 2016
Subordinated debt securities	**461**	1,023
Total borrowed funds	**461**	1,023

		£m
	At 31 December 2017	At 31 December 2016
Fair valued through income statement	**400**	570
Amortised cost	**61**	453
Total borrowed funds	**461**	1,023

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 2017	At 31 December 2016
Greater than 1 year and less than 5 years	**341**	500
Greater than 5 years	**61**	450
Borrowed funds	**402**	950

Additional details of these borrowings and undrawn facilities are included in Group consolidated financial statements in note G7.

8 Provisions

	Note	At 31 December 2017	£m At 31 December 2016
Post-employment benefits	10	–	7
Total provisions		–	7

9 Trade, other payables and other liabilities

	At 31 December 2017	£m At 31 December 2016
Accruals and deferred income	6	15
Corporation tax	11	21
Amounts owed to Group undertakings:		
Amount falling due within one year	125	1,263
Amount falling due after one year	112	2,645
Total other liabilities	254	3,944

10 Post-employment benefits

During the period, a bulk annuity arrangement for the Company's legacy defined benefit scheme, the Old Mutual Staff Pension Fund, was agreed with Legal & General Assurance Society Limited. The agreement resulted in the buy-in of the benefits of the scheme with effect from 13 June 2017. This was converted to a full buy-out into individual annuity policies in October 2017 and wind-up of the scheme was completed on 30 November 2017.

In order to effect the transaction, the Company has made a one off contribution of £22.6 million into the scheme, which together with writing off the existing IAS 19 deficit for the scheme, resulted in a £17.3 million reduction in IFRS NAV recognised in the statement of changes in equity. The Company no longer has any liability in respect of this scheme, including administration and funding. The Company had previously been contributing annually £3.6 million of cash funding to the scheme.

During the year two employees (2017: two) were directly employed by the Company. The costs for these Directors are disclosed within the Remuneration Report on pages 97 to 128.

		£m
	Pension plans	
Liability for defined benefit obligation	Year to 31 December 2017	Year to 31 December 2016
Change in projected benefit obligation		
Projected benefit obligation at beginning of the year	**102**	79
Past service cost	**(6)**	–
Interest cost on benefit obligation	**2**	3
Benefits paid	**(2)**	(3)
Settlement payments	**(96)**	–
Actuarial (gains)/losses	**–**	23
Projected benefit obligation at end of the year	**–**	102
Change in plan assets		
Plan assets at fair value at beginning of the year	**95**	79
Actual return on plan assets	**2**	–
Benefits paid	**(2)**	(3)
Company contributions	**25**	4
Settlement payments	**(96)**	–
Actuarial (gains)/losses	**(24)**	15
Plan assets at fair value at end of the year	**–**	95
Net liability recognised in balance sheet	**–**	(7)
Expense recognised in the income statement	**–**	–

Financial statements of the Company
Notes to the Company financial statements continued

For the year ended 31 December 2017
10 Post-employment benefits (continued)
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.oldmutualplc.com.

		%
	Pension plans	
Plan asset allocation	**At 31 December 2017**	At 31 December 2016
Equity securities	**–**	26
Debt securities	**–**	65
Cash	**–**	8
Other investments	**–**	1

11 Contingent liabilities
In February 2008, the Company issued a guarantee to a third party over OMNIA obligations, a non-group company 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 OMNIA be unable to meet its obligations under the relevant reinsurance contracts as they fall due.

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.

This guarantee has terminated in February 2018, with no further amounts currently being requested under this guarantee.

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 2017	At 31 December 2016
Balances due from subsidiaries	**301**	4,070
Balances due to subsidiaries	**(236)**	(3,908)
Balances due from other related parties – Nedgroup Trust Limited	**16**	16

Income statement information

At 31 December						£m
	Year ended 31 December 2017			Year ended 31 December 2016		
	Interest received	**Ordinary dividends received**	**Other amounts paid**	Interest received	Ordinary dividends received	Other Amounts paid
Subsidiaries	**44**	**1,739**	**(117)**	74	95	(108)

13 Assets held for sale and distribution

Old Mutual plc announced at its preliminary results announcement in 2016, and in various subsequent updates, that the long-term interests of its shareholders and other stakeholders would be best served by a managed separation of the Group into its four constituent businesses:

- Emerging Markets, the South African incorporated emerging markets financial services business with a focus on Africa;
- Nedbank Limited (Nedbank), the South African incorporated retail and corporate bank with a significant presence in Africa;
- Old Mutual Wealth, the UK incorporated wealth and asset management business; and
- OM Asset Management plc (OMAM), the US incorporated asset management business.

The OMAM shareholding has now been reduced to 1,000 shares.

The process of managed separation of the businesses is planned to be achieved through the execution of the following remaining steps:

- the distribution of the Old Mutual Wealth shares to existing Old Mutual shareholders and the listing of Old Mutual Wealth, which it is intended will incorporate a secondary offering. Old Mutual Wealth will have a primary listing on the LSE and a secondary listing on the JSE.
- the creation of a new South African holding company, Old Mutual Limited (OML), which will acquire Old Mutual plc (consisting primarily of Emerging Markets and Nedbank pursuant to a scheme of arrangement under UK law).
- the distribution of the OML shares to existing Old Mutual plc shareholders and the listing of OML. OML will be primary listed on the JSE with a standard listing on the LSE and secondary listings on the ZSE, NSX and MSE.
- after the listing of OML and a period thereafter to allow for the share register to settle, OML anticipates unbundling (in terms of SA law) to its shareholders a significant portion of its shareholding in Nedbank, whilst retaining a strategic minority interest. Nedbank is primary listed on the JSE and secondary listed on the NSX.

In anticipation of the execution of the Group's managed separation strategy, through the distribution of Old Mutual Wealth shares, the company's investment in Old Mutual Wealth has been classified as held for sale and distribution in the statement of financial position at 31 December 2017.

This judgement was done based on the facts and circumstances which existed at 31 December 2017 when the Directors made a formal assessment of whether the businesses should be classified as held for distribution. Although there may be a few minor internal reorganisations that may occur before distributions, as at 31 December 2017, the businesses in their current state could have been distributed. The Directors considered that it was highly probable that the Old Mutual Wealth business would be distributed within a period of twelve months based on interactions with South African and UK regulators, positive interactions with the relevant tax authorities and interactions with the South African government. The Directors have also taken into account the likelihood of the Court approval of the scheme and have come to the conclusion that the business should be classified as held for distribution.

Nedbank is not a directly held subsidiary of Old Mutual plc and therefore cannot be considered as held for sale or held for distribution in the Company Financial Statements.

14 Events after the reporting date

On 31 January 2018, the Company sold its entire investment in Skandia UK Limited to Old Mutual Wealth Management Limited for a consideration of £591,361,000. As a result of the sale, the Company made a loss of £2,767,000.

Shareholder information

Listings and shares in issue (unaudited)

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$\frac{3}{7}$p each is GB00B77J0862 and the SEDOL is B77J086.

The 11$\frac{3}{7}$p 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 2017 and 2016 on the two main markets on which they are listed were as follows:

		2017		2016
	High	**Low**	High	Low
London Stock Exchange	**231.7p**	**188.0p**	225.5p	148.1p
JSE	**R38.34**	**R31.69**	R44.60	R31.20

At 31 December 2017, the Company had approximately 478,634 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 2017 were as follows:

Register	Total shares	% of whole	Number
UK	1,875,209,959	38.02%	9,194
South Africa	2,985,250,445	60.52%	25,973
Zimbabwe	60,162,319	1.22%	26,246
Namibia	7,092,686	0.14%	484
Malawi	4,999,860	0.10%	4,422
Total	4,932,715,269	100%	66,319

Source: Equiniti/Link Market Services

Register	Total shares	% of whole	Number
1-1,000	17,963,781	0.36	58,068
1,001-10,000	18,000,450	0.36	6,931
10,001-100,000	24,032,589	0.49	796
100,001-250,000	40,485,797	0.82	180
250,001+	4,832,232,652	97.96	344
Total	4,932,715,269	100	66,319

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 2,963,768,350 shares, including 402,396 beneficial owners. The registered shareholdings on the Zimbabwean branch register included Old Mutual Zimbabwe Nominees (Pvt) Limited, which held a total of 669,463 shares as nominee for 3,432 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 6,626,320 shares as nominee for 6,355 underlying beneficial owners. The registered shareholdings on the Malawian branch register included Old Mutual (Blantyre) Nominees Limited, which held a total 35,327 shares as nominee 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/
+27 (0)086 154 6566/ +27 (0)11 715 3000
Email: oldmutualenquiries@linkmarketservices.co.za
www.investorcentre.linkmarketservices.co.za

Malawi

National Bank of Malawi
Legal Department
NBM Towers, 7 Henderson Street Blantyre
(PO Box 1438, Blantyre, Malawi)
Email: nbminvestment@natbankmw.com
Tel no: +265 182 0622/0054
Fax no: +265 182 1591

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: corpserve@escrowgroup.org
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.

Further exercises to extend these arrangements to shareholders on the Malawian and Zimbabwean branch registers took place during 2014 and 2015 respectively.

Shareholder information
continued

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 +27 (0)86 140 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.

Second interim dividend for the year ended 31 December 2017 and timetable for payment

The Board has declared a second interim dividend (the 'Second Interim Dividend') for the year ended 31 December 2017 of 3.57 pence per share, which will be paid on 30 April 2018. 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	66.50482	South African cents per share
Malawi	34.14	Malawian kwacha per share
Namibia	66.50482	Namibian cents per share
Zimbabwe	4.71	US cents per share
Sweden	0.39	Swedish kronor per share

These currency equivalents have been calculated using the following exchange rates:

South Africa	18.6288	Rand/£
Malawi	956.38	Malawian kwacha/£
Namibia	18.6288	Namibian dollars/£
Zimbabwe	1.3182	US dollars/£
Sweden	10.8460	Swedish kronor/£

Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 66.50482 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 53.20386 South African cents per share. The Company had a total of 4,932,779,577 shares in issue at the date on which the dividend was announced, 15 March 2018. 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 6 April 2018 for all the exchanges where the Company's shares are listed. The last day to trade cum-dividend will be 28 March 2018 on the Malawi Stock Exchange, 3 April 2018 on the JSE and on the Namibian and Zimbabwean Stock Exchanges and 4 April 2018 on the London Stock Exchange. The shares will trade ex-dividend from the opening of business on 29 March 2018 on the Malawi Stock Exchange, from the opening of business on 4 April 2018 on the JSE and on the Namibian and Zimbabwean Stock Exchanges and from the opening of business on 5 April 2018 on the London Stock Exchange.

No dematerialisation or rematerialisation within Strate and no transfers between registers may take place in the period from 3 April 2018 to 6 April 2018, both dates inclusive.

Financial calendar for the rest of 2018

The Company's financial calendar for the rest of 2018 is as follows:

Annual General Meeting	30 April 2018
Final results for 2018	March 2019

Notes

Notes

Disclaimer

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These materials may contain certain forward-looking statements with respect to certain of Old Mutual plc's, Quilter's and OML's plans and their current goals and expectations relating to its future financial condition, performance and results and, the execution of the Managed Separation. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual plc's, Quilter's and OML's control including amongst other things, UK and South Africa domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, the delivery of the Managed Separation in accordance with the expected timetable and cost projections, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual plc, Quilter and OML and their affiliates operate. As a result, Old Mutual plc's, Quilter's and OML's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's, Quilter's and OML's forward looking statements. Old Mutual plc, Quilter and OML undertake no obligation to update the forward-looking statements contained in these materials or any other forward-looking statements it may make.

Acknowledgements

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Old Mutual plc
Registered in England and
Wales No. 3591559 and
as an external company
in each of South Africa
(No. 1999/004855/10),
Malawi (No. 5282),
Namibia (No. F/3591559)
and Zimbabwe (No. E1/99)

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