NEWS **RELEASE**

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11 August 2017

Old Mutual plc interim results for the six months ended 30 June 2017

Old Mutual plc, whose managed separation strategy aims to result in four strong independent businesses, today publishes its interim results for the six months ended 30 June 2017.

Bruce Hemphill, Group Chief Executive, said:

"Pre-tax adjusted operating profits were up 37% benefiting from sterling weakness in the half. Old Mutual Wealth had a strong six months and Old Mutual Emerging Markets and Nedbank are trading resiliently given the continuing difficult macroeconomic conditions in South Africa.

"We are making excellent progress in delivering the managed separation of Old Mutual having materially reduced debt and largely disposed of our stake in OM Asset Management. Our focus for the next phase of managed separation is first to finalise the appropriate standalone balance sheets for our two unlisted businesses and second, subject to the necessary approvals, deliver them to our shareholders at the earliest opportunity in 2018 after our 2017 full year results."

Summary financial results

Reported results

- Pre-tax adjusted operating profit (AOP) of £969 million (H1 2016: £708 million), up 37%[1]
- IFRS pre-tax profit of £940 million (H1 2016: £534 million); including profit on disposal of OMAM of £108 million and goodwill impairment of £71 million in respect of UAP-Old Mutual in East Africa
- AOP earnings per share (EPS) of 10.6p (H1 2016: 8.0p) up 33%, basic EPS of 11.0p (H1 2016: 5.7p)
- Adjusted Net Asset Value (NAV) at 220.1p per share (FY 2016: 228.6p per share)
- 2017 first interim dividend of 3.53p up 32% and in line with our capital management policy

Constant currency business results (pre-tax and NCI)

- Old Mutual Wealth (OMW) AOP £134 million up 29%. Strong Net Client Cash Flow (NCCF) growth, up 53%
- Nedbank AOP of R7.9 billion up 3%, managed operations (ex-ETI) up 10%. Outlook for ETI is improving, strong performance in South Africa in the circumstances
- Old Mutual Emerging Markets (OMEM) AOP R6.0 billion up 1%. Turnaround in P&C, re-priced Corporate book and improving East Africa, overall a resilient performance
- OM Asset Management (OMAM) reported its pre-tax economic net income (ENI) at $115 million, up 27%. Now an independent business, demonstrating margin progression

Delivering the managed separation:

Managed separation aims to preserve and release the value currently trapped within the Group structure, as well as creating additional value by driving enhanced performance by the underlying businesses. We remain on track to deliver the managed separation within stated timing and costs.

Removal of plc central operational and debt costs

- Delivered annualised cost savings of £31 million

Unlocking the conglomerate discount

- Conducting ongoing regulatory and stakeholder engagement to secure required approvals for managed separation
- Asset realisations significantly progressed
    - OMAM is now independent from Old Mutual plc. During H1 2017 we have sold and contracted to sell approximately 45% of the business for net proceeds of $785 million, which would reduce Old Mutual plc's stake to 5.5%

[1] A reconciliation of AOP to IFRS profit is provided on page 13 of the Group Finance Director's Review

- Sale of 26% stake in Kotak Mahindra Old Mutual Life Insurance for net proceeds of £138 million, due to complete in H2 2017
- Completion of sale of Old Mutual Wealth Italy for £210 million

- Materially reduced plc holding company debt following a £273 million repurchase and redemption in February 2017
- We expect the listing of OMW and Old Mutual Limited (OML), the South African holding company, to take place in 2018 at the earliest opportunity after Old Mutual's 2017 full year results

Preparing businesses for independence by enhancing business performance with appropriate standalone balance sheets:

- OMEM – appointed new CEO with a focus on cost efficiency leadership; defending and growing market position in South Africa; turnaround of Old Mutual Insure and East Africa on track and improving the RoE across Rest of Africa; appointed Mike Ilsley as Chief Financial Officer
- OMW – appointed new CFO and continued reshaping and strengthening of the Board and executive; completed successful acquisitions of distribution; Platform transformation programme transitioned to FNZ
- OMEM and OMW implementing new standalone operating models
- £200 million of capital injected into OMW as an initial step in preparing capital structures and transition of centrally held liquidity buffers
- Both OML and OMW will host capital market days in Q4 2017

Old Mutual plc interim results for the six months ended 30 June 2017

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Notes to the financial summary on the front two pages of this announcement

- All figures refer to core continuing operations. Core continuing operations exclude the results of the Bermuda business, which is classified as non-core.

  Constant currency figures are calculated by translating local currency prior-period figures at the prevailing exchange rates for the period under review.
- AOP is an Alternative Profit Measure (APM) used alongside basic IFRS profit to assess underlying business performance. It is a non-IFRS measure of profitability that reflects the Directors' view of the underlying long-term performance of the Group. The calculation of AOP adjusts basic IFRS profit for a number of items as detailed in the Basis of preparation of AOP and note C1 in the financial statements. AOP excludes the results of non-core operations, Old Mutual Bermuda but includes the results of the discontinued operation, Institutional Asset Management.

  The adjusting items applied in calculating AOP seek to remove the impact of strategic activities; short-term valuation movements; IFRS accounting treatments that are not reflective of the operating activity; and non-operating items. Due to the long-term nature of the majority of the Group's business, management believes that AOP is an appropriate alternative basis by which to assess the underlying operating results of these businesses and the Group as a whole and that it enhances the comparability and understanding of the financial performance of the Group.

  For the six months ended 30 June 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. Comparative information has not been restated.

  The Group Audit Committee regularly reviews the use of determining AOP to confirm that it remains an appropriate basis on which to analyse the operating performance of the businesses. The Committee assesses refinements to the policy on a case-by-case basis, and where possible the Group seeks to minimise such changes in order to maintain consistency over time.

  In addition to IFRS profit, the Group uses a number of APMs to assess the results of the business. Some measures are applicable to the Group as a whole, such as AOP, Free Surplus Generation, and Adjusted Return on Equity. Others are more specific to the business lines within the component businesses of the Group, for example NCCF and Covered Sales. Definitions of the principal APMs adopted by the Group and its businesses, explanations of why they are relevant, and details of where to find the basis for calculating each measure are included in pages 28 to 29.
- MCEV information is subject to departures from MCEV Principles (Copyright© Stichting CFO Forum Foundation 2008) due to the use of the government bond yield curve in the majority of the covered business of Emerging Markets.
- 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.
- The Group's reported segments are Old Mutual Emerging Markets, Nedbank, Old Mutual Wealth, Institutional Asset Management and plc Head Office, (which includes the plc Parent Company and the other centre companies of the Group).

Cautionary statement

This announcement may contain certain forward-looking statements with respect to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, performance and results and in particular estimates of future cash flows and costs. 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 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 and of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual plc and its affiliates operate. As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's forward looking statements.

Old Mutual plc undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

Notes to editors

A webcast of the presentation on the interim results and Q&A will be broadcast live at 9:00 am UK time (10.00 am South African time) today on the Company's website www.oldmutualplc.com. Analysts and investors who wish to participate in the call should dial the following numbers and quote the pass-code 52994110#:

UK/International	+44 20 3139 4830
US	+1 718 873 9077
South Africa	+27 21 672 4008

Playback (available for 30 days from 11 August 2017), using pass-code 689493#:

UK/International	+44 20 3426 2807

Copies of these results, together with high-resolution images and biographical details of the directors of Old Mutual plc, are available in electronic format to download from the Company's website at www.oldmutualplc.com.
The following documents, containing financial data for 2017 and 2016, are also available from the Company's website.

- Presentation slides
- Appendix slides
- Financial Disclosure Supplement
- OMEM MCEV Supplementary information

Sterling exchange rates

		H1 2017	H1 2016	Appreciation / (depreciation) of local currency against sterling
South African Rand	Average Rate	16.64	22.10	25%
	Closing Rate	16.98	19.49	13%
US Dollar	Average Rate	1.26	1.43	12%
	Closing Rate	1.30	1.33	2%

Contents

News Release	**1**
Part 1 – 2017 Interim Review	**5**
Overview	6
Managed separation	6
Business review	7
Capital management during the managed separation	9
Adjusted Net Asset Value	9
Board changes	9
Outlook	9
Part 2 – Detailed Business Review	**11**
Part 3 – Financial Information	**59**

Part 1 – 2017 Interim Review

Overview

Challenging conditions remain

The first six months of the year have seen a continuation of the tough macroeconomic conditions in our largest market of South Africa, with the South African government's sovereign credit rating downgraded in April, as well as continued volatility in the main currencies in which we conduct our business. In this context, our businesses have delivered resilient operational performances demonstrating the underlying strength of their franchises.

During the six months, the average rand rate was 25% stronger versus sterling compared to the first half of 2016, while the average USD rate versus sterling was stronger by 12%. The average of the FTSE 100 over the first half of the year was 20% higher; in the US, the average of the Russell 1000 Value was 18% higher; and in contrast the average of the JSE All Share was 3% higher against its comparator in the first half of 2016.

Given the impact of these external factors, Old Mutual's performance was in line with our expectations. Adjusted Operating Profit (AOP) in reported currency was up 37% at £969 million, up 6% in constant currency, reflecting the weakness of sterling against the rand. The IFRS pre-tax profit was up 76% at £940 million, benefiting from a profit of £108 million from the sale of OM Asset Management (OMAM) partially offset by a goodwill impairment of £71 million in respect of UAP-Old Mutual in East Africa.

Managed Separation

We are confident that the managed separation strategy, announced in March 2016, will unlock and create significant long-term value for our shareholders which is currently trapped within the Group structure as well as removing the significant costs arising from that structure. In addition, the Group structure inhibits efficient 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 four underlying businesses from each other. Once this is completed, the local regulator for each business will be its lead regulator.

The managed separation is complex to execute and we are actively engaged with the relevant stakeholders to secure the required approvals.

Our timeline for this process remains unchanged. We intend for it to be materially complete by the end of 2018 and we are firmly on track. We are pleased with the progress and following two further transactions with regard to OMAM, namely a public offering and a sale to HNA Capital US, OMAM is now independent of Old Mutual.

Preparing OMEM and OMW for separation

As we highlighted in our full year results on 9 March 2017, the key focus of this year is preparing our two unlisted businesses, OMEM and OMW, for independence. In both cases, we have made substantial progress.

We have made several significant appointments at OMEM: Trevor Manuel as Chairman; Peter Moyo as Chief Executive; and Mike Ilsley as Chief Financial Officer. Each of these individuals are also designated for the same roles in Old Mutual Limited, the new South African holding company (comprising OMEM, the Group's stake in Nedbank and Old Mutual plc) that will be listed next year. Iain Williamson, the current Chief Financial Officer, will become Chief Operating Officer.

We believe that the strong operational experience and extensive knowledge of Old Mutual that Peter brings, allied to Mike's extensive experience as a listed financial services finance director and Iain's broad operational skills, will complement Trevor's strategic and governance expertise.

OMEM has made good progress on the evolution of its operating model and has also commenced executing transactions following the review of the portfolio perimeter. Peter Moyo has committed to reviewing OMEM's overall cost base and improving operational efficiencies as well as to structure the businesses to focus on delivery and execution.

OMEM previously communicated that it would prioritise high-return and cash-generative businesses in sub-Saharan Africa and seek to improve returns from our recent investments in East and West Africa. In April 2017 we announced the agreed sale of the 26% share in our joint venture in India, Kotak Mahindra Old Mutual Life Insurance, for net proceeds of £138 million. The sale is due to complete in H2 2017. In March 2017, we announced the transfer to OMEM of the South African branch of OMW allowing OMEM to provide offshore solutions to South African clients.

A number of structural and reporting changes have been made, including the creation of a new Wealth & Investment Cluster, comprising Old Mutual Investment Group (OMIG) and Old Mutual Wealth (SA), which previously formed part of the Retail Affluent segment. The remaining South African businesses will report directly to Peter Moyo, including the rebranded Old Mutual Insure (previously Mutual & Federal). OMEM has also simplified the operational structure of the Rest of Africa business, which will allow for more opportunities for growth, remove unnecessary costs and eliminate duplication.

OMW is also progressing well with its programme of activity as it works toward independence.

To ensure the organisation is fit for purpose as a listed standalone entity, OMW has continued to reshape and strengthen its executive management team and Board. Tim Tookey has been appointed as Chief Financial Officer and Mark Satchel has assumed the role of Corporate Finance Director. Rosie Harris and Jon Little joined the Board as Independent Non-Executive Directors during Q2 2017. Rosie has been appointed Chair of the OMW Board Risk Committee. We have also established a new IT Committee of the OMW Board, chaired by Moira Kilcoyne as Independent Non-Executive Director, to provide additional oversight of IT strategy, risk profile, resilience and strategic change programmes. A number of central operational functions have delivered the changes necessary for OMW to be a standalone listed entity with the remaining functions expected to complete preparations by the end of 2017.

Executing transactions to effect the managed separation

When we announced the managed separation, we stated that our intention for OMAM was to continue with the phased reduction of our stake. We have made further progress in the first half of 2017 and following a series of transactions OMAM is now independent, with Old Mutual's stake currently at 20.1%. On 25 March 2017, we announced that we had agreed to sell a 24.95% shareholding in OMAM to HNA Capital US in a two-step transaction for a gross cash consideration of approximately $446 million. The first tranche of this sale consisting of 9.95% of OMAM shares to HNA Capital US has completed and the second tranche, subject to receipt of certain additional regulatory approvals, is contracted to take place in the second half of 2017.

On 16 May 2017, we announced that we had conducted a secondary offering of 17.3 million shares in OMAM at a price to the public of $14.55 per share and entered into a repurchase agreement with OMAM for a further 5 million shares also at $14.55 per share. The underwriter exercised its over-allotment option and purchased a further 2.595 million shares at the same price. Old Mutual realised proceeds less the underwriting discount from the offering and repurchase transactions of $359 million. Since starting the sell down process of OMAM in October 2014, and taking into account contracted sales, we have raised £1.2 billion. On completion of the sale of the second tranche of OMAM shares to HNA Capital US, Old Mutual will hold 5.5% in OMAM, worth £69 million as at 30 June 2017.

We have previously stated that the managed separation would be materially complete by the end of 2018. To that end, we intend to pursue one or more transactions which will ultimately deliver two separate entities, listed on both the London and Johannesburg stock exchanges, into the hands of Old Mutual plc's then shareholders. One will consist principally of the OMW operations and the primary means of achieving this outcome is likely to be through a demerger, with the possibility of an Initial Public Offering. The other will be the new South African holding company, OML.

The timing for the next stage of managed separation will in part be dependent on receipt of the required regulatory approvals but we currently anticipate the listing of OMW and OML to take place at the earliest opportunity in 2018 after Old Mutual plc's 2017 full year results.

Following the listing of OML, we intend to distribute, in an orderly manner, a significant proportion of our shareholding in Nedbank to the shareholders on the register of OML. OML will retain an appropriate strategic minority stake in Nedbank to underpin the ongoing commercial relationship, with the exact level still to be determined with Nedbank.

We have materially reduced holding company debt through a repurchase and redemption of an instrument with a nominal value of £273 million in February 2017. As a result of the reduction in holding company debt during the managed separation, we have saved an additional £21 million per annum in interest costs.

Old Mutual plc is considering all its options with regard to its cash, debt and contingent liabilities, taking into account the cash proceeds from disposals and requirements of the standalone balance sheets of the unlisted subsidiaries. These options include retaining debt in Old Mutual plc after the point of separation.

Wind down of the plc Head Office

A key part of the managed separation is the eventual closure of the plc head office in London, which we expect to be completed in the course of 2018. We have already reduced the London head office headcount by circa 50%, with cost savings of over £10 million per annum already achieved. We are implementing our plan for the wind down of the remainder of the plc Head Office activities and resolving legacy issues from the plc structure. We have made progress in converting uncertain plc Head Office NAV into cash with these actions taken to ensure we are able to meet the cash demands of executing our strategy, while continuing to meet existing plc obligations.

Business review

Old Mutual Emerging Markets

OMEM delivered a credible set of results despite the continuing backdrop of tough macroeconomic conditions which has increased financial pressure on its customers.

AOP of R6.0 billion was 1% higher than the previous period reflecting a significant improvement at Old Mutual Insure (the Property & Casualty business in South Africa), strong recovery of risk underwriting results in South Africa's Corporate segment and improved results in East Africa. The South African retail segments generated lower profits in relatively flat and volatile

equity markets and worsening consumer conditions. OMEM continues its tight management of expenses, resulting in administration expenses increasing by 1% against the prior year, well below current inflation levels. IFRS pre-tax profit of R5.8 billion was up 4% on H1 2016, due to higher investment returns, partly offset by a further impairment in Rest of Africa goodwill of R1.2 billion. As a result ROE reduced to 19.2% from 20.0%. Gross sales of R103.6 billion were broadly in line with 2016 with covered APE sales of R6.1 billion, 10% lower, while non-covered sales of R72.4 billion increased by 1%. The tough macroeconomic environment has constrained top line growth in South Africa.

Positive NCCF of R7.3 billion was supported by strong flows in OMIG, Latin America and Asia. FUM increased by 12% from the 2016 year end to R1.1 trillion.

The South African Property & Casualty business was rebranded to Old Mutual Insure (from Mutual & Federal) in June. The direct link to the Old Mutual brand will enable the group to leverage the brand equity across customer segments, enhance collaboration and further cross-selling opportunities. Old Mutual Insure's underwriting margin improved significantly from (1.0)% in the prior year to 2.3% despite catastrophe losses in the period. This improvement reflects a turnaround in the prior year underwriting loss of R44 million to an underwriting profit of R96 million in H1 2017.

While we remain confident that enhanced performance of UAP-Old Mutual Group will be achieved in the medium term the integration progress has been slower than anticipated. Although operational performance has improved strongly since H1 2016, the results remain behind our initial expectations. Our focus remains on driving operational efficiency throughout the East African business. An operational restructuring of the combined entity was completed during H1 2017 resulting in significant changes in the management structure to unlock performance improvement opportunities.

OMEM continues to focus on customer-centric product innovations, expanding its reach with new distribution channels and enhancing the overall customer experience. OMEM has 11.6 million customers, up from 10.9 million at the end of 2016, with 6.0 million customers in South Africa (FY 2016: 5.9 million) and 4.9 million customers in the Rest of Africa (FY 2016: 4.4 million).

Free surplus generated by operations rose by 21% to R3.6 billion, representing 86% of post-tax AOP, of which R1.0 billion (H1 2016: R2.7 billion) was remitted to plc.

Nedbank

Nedbank produced a resilient performance in a macro environment that has proven to be more challenging than expected. Its managed operations produced a solid result with AOP of R9.0 billion up 10%. IFRS profit before tax as reported by Nedbank was up 2% at R7.8 billion (H1 2016: R7.6 billion). Nedbank reported headline earnings growth of 6.7% to R6.4 billion in its managed operations and an improved ROE (excluding goodwill) of 18.9% (H1 2016: 18.4%), as moderate revenue growth was offset by reduced impairments and disciplined cost management. This performance was impacted by Nedbank's share of the loss from Ecobank Transnational Incorporated (ETI) which led to an overall 2.9% reduction in headline earnings versus the prior year and an ROE (excluding goodwill) of 15.1%.

While risks remain, we believe that ETI is now on an improving trend and remains an important strategic investment for Nedbank. In addition and subject to regulatory approval, Nedbank has a second representative nominated to sit on ETI's Board, with its current representative nominated as chair of the risk committee, and Nedbank remains supportive of ETI's ambition of delivering an ROE in excess of its cost of equity.

Net interest income increased by 4.0% to R13.5 billion with the net interest margin expanding by 6 bps to 3.58%. Non-interest revenue grew by 3.3% to R11.7 billion. Expense growth of 5.0% to R14.4 billion was below inflation, demonstrating careful management of discretionary expenses. Cost discipline in a slower revenue environment remains an imperative and good progress has been made on the target operating model initiatives, which aim to generate R1 billion of pre-tax benefits by 2019.

Impairments decreased by 27.9% to R1.6 billion, underpinned by a quality portfolio across all clusters. The improvement in the credit loss ratio to 0.47% (June 2016: 0.67%) largely relates to the improvement in the Corporate and Investment Banking cluster.

The Common Equity Tier 1 capital ratio of 12.3% (June 2016: 11.6%), average Liquidity Coverage Ratio (LCR) for the second quarter of 104.6% (June 2016: 93.1%) and a Net Stable Funding Ratio (NSFR) of above 100% on a pro-forma basis, are all Basel III compliant and are a reflection of a strong balance sheet.

On an IFRS basis, Old Mutual plc, via OMEM, received R1.7 billion of dividends (H1 2016: R1.5 billion) in respect of its 55% ownership of Nedbank. For AOP purposes, Old Mutual plc has a holding of 54% in Nedbank.

Old Mutual Wealth

This has been a strong six months for OMW, with further progress made towards its ambition to become a leading, integrated, advice-led wealth management business.

AOP of £134 million was up 29% (H1 2016: £104 million) driven by strong revenue growth and performance fees of £17 million following strong investment performance. OMW IFRS post-tax profit was £42 million for the first half of 2017, compared to a loss of £23 million in H1 2016.

NCCF performance was strong at £4.9 billion, up 53% on prior year (H1 2016: £3.2 billion) with both inflows and outflows being higher than in the prior year. Net inflows were 11% of opening funds under management, excluding the Heritage and Institutional books, demonstrating robust growth in a difficult environment, and well ahead of OMW's 5% annualised target. Net inflows into OMGI as a whole were £3.3 billion, 106% ahead of prior year (H1 2016: £1.6 billion). Our multi-asset solutions business, which is the core of our proposition and wealth management strategy, contributed £1.6 billion (H1 2016: £0.3 billion) of net flows in H1 2017, of which £1.5 billion is invested in OMGI multi-managed funds, largely driven by strong sales into *Cirilium* and *WealthSelect*.

Intrinsic continues to secure increasing flows in OMW, supported by the expanding capabilities of Old Mutual Wealth Private Client Advisers (OMWPCA). The restricted channel accounted for £0.6 billion (29%) of UK Platform net inflows in H1 2017 (H1 2016: £0.4 billion, 29%) and £1.1 billion of net flows into OMGI's multi-asset solutions business in H1 2017 through the *Cirilium* and *Generation* fund ranges. Integrated net inflows from Intrinsic into Quilter Cheviot amounted to £0.1 billion, over half of which was through OMWPCA. In total, integrated flows across the business rose from £0.7 billion to £2.2 billion.

FUM was £127.3 billion, up 10% 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 are being transferred to OMEM). The increase is driven primarily by positive NCCF of £4.9 billion in the period and positive market performance resulting in an increase of £5.6 billion.

The contracts related to the UK Platform Transformation with IFDS and DST have come to an end by mutual agreement effective as of 2 May 2017. At the same time, OMW announced that we had contracted with FNZ to deliver our UK Platform Transformation Programme. Following these changes, the initiation phase of our work with FNZ is now underway, and detailed requirements workshops have started and will continue over a three to five month period. To date, nothing has arisen to alter the time and cost estimates announced in May 2017. We anticipate increasing levels of confidence in the estimates as progress is made through the requirements and planning stages.

OM Asset Management

This has been a good six months for OMAM with pre-tax ENI up 27% to $115 million largely due to the Landmark acquisition and higher AUM. Old Mutual's share of pre-tax AOP was broadly flat reflecting its reduced stake in the business. IFRS profit before tax was down 62% at $37 million primarily due to the revaluation in equity plans held by Affiliate key employees, and Landmark acquisition related expenses. While NCCF was negative at $(2.8) billion, AUM at 30 June 2017 was $258.8 billion, up 8% since the year end. On 29 June 2017, OMAM announced that Peter Bain was stepping down as CEO of the company having delivered on his mandates in reshaping the business, developing the leadership team and achieving OMAM's listing on the NYSE. OMAM has launched a process to identify the next CEO.

Capital management during the managed separation

We have today announced the first interim dividend for the first half of 2017 of 3.53p and the rand equivalent is 65 cents, in accordance with our stated capital management policy. This will be paid on 31 October 2017.

We have previously indicated that given the need to balance complex considerations associated with the managed separation and further increasing the capital strength of our businesses as independent entities, we will be taking a conservative approach in setting the dividend. We therefore expect the full year dividend to be towards the upper end of the range of 2.5 to 3.5 times cover.

The full effects of the capital management policy on the dividend will take effect for the dividends paid in respect of the remainder of this financial year. This could have the effect that any second interim dividend for 2017 may be below the amount of the second interim dividend for 2016 and the first interim dividend of 2017.

For 2018, we continue to review our rolling hedging of non-sterling remittances from the underlying businesses as we proceed with managed separation.

Adjusted Net Asset Value per ordinary share

Adjusted NAV per ordinary share was 220.1p compared to 228.6p at 31 December 2016. The reduction is largely due to a net loss of 8.7p due to movements in the market value of Nedbank and OMAM. Other net underlying movements contributed 4.7p, being partially offset by 3.4p due to dividend payments and 1.1p of rand and US currency translation losses.

Board changes

On 29 June 2017, we announced that Dr Nkosana Moyo had stepped 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.

Outlook

The businesses continue to perform in line with the outlook we provided at our 2017 Annual General Meeting. We expect to make further significant progress in the managed separation process in the second half of the year.

Our main markets remain subject to significant political and economic uncertainties but our businesses are well managed and resilient. Our management teams are preparing the businesses for independence including the standalone balance sheets of the currently unlisted businesses, and we anticipate preparation to be concluded so that, subject to regulatory and other approvals, the listing of OMW and OML will take place at the earliest opportunity in 2018 after our 2017 full year results.

Contents

News Release	**1**
Part 1 –2017 Interim Review	**5**
Part 2 – Detailed Business Review	**11**
Group Finance Director Review	12
Review of Financial Performance (Sterling)	12
Review of Financial Position	22
Performance Measures	28
Risk Review	30
Old Mutual Emerging Markets	32
Emerging Markets data tables (Rand)	40
Nedbank	41
Nedbank data tables (Rand)	48
Old Mutual Wealth	50
Old Mutual Wealth data tables (Sterling)	58
Part 3 – Financial Information	**59**

Part 2 – Group Finance Director Review

REVIEW OF FINANCIAL PERFORMANCE

Analysis of performance for the period ended 30 June 2017

In addition to IFRS profit, the Group uses a number of Alternative Performance Measures (APMs) to assess the performance of the business. Some measures are applicable to the Group as a whole, such as Adjusted Operating Profit (AOP), Free Surplus Generation, and Adjusted Return on Equity. 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 in pages 28 to 29.

The Group Finance Director (GFD) review includes a reconciliation between Adjusted Operating Profit and IFRS profit in order that the performance of the businesses that are subsequently described in terms of AOP can be understood in the context of the IFRS result.

Changes to presentation of AOP

For H1 2017, managed separation and business standalone costs of £28 million, 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 entities and transaction advice. Comparatives have not been restated (H1 2016: £5 million).

The following changes have been made to the presentation within AOP:

- H1 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. Prior year comparatives have been re-presented to be consistent with this treatment. The LTIR on excess assets was £9 million in H1 2017 (H1 2016: £10 million).
- Corporate costs are now shown before recharges to the businesses, with the recharges included within other net shareholders income/expenses (OSIE). Prior year comparatives have been re-presented to be consistent with this treatment. The recharge in H1 2017 was £4 million (H1 2016: £12 million).

H1 2017 Results

H1 2017 pre-tax AOP for the period of £969 million is 37% above the prior period (H1 2016: £708 million). This largely reflects the impact of weaker sterling on reported earnings. The average rand rate reduced in the period to R16.64 (H1 2016: R22.10) and average US dollar rate to $1.26 (H1 2016: $1.43). On a constant currency basis, pre-tax AOP is up 6% on H1 2016.

The tables below summarise the AOP and IFRS results of the Group in H1 2017 and H1 2016:

AOP analysis (£m)	**H1 2017**	H1 2016 Re-presented	% change
Old Mutual Emerging Markets	**362**	270	34%
Nedbank	**472**	345	37%
Old Mutual Wealth	**134**	104	29%
	968	719	35%
Institutional Asset Management (OMAM and Rogge)	**64**	58	10%
plc Head Office[1]:			
Old Mutual plc finance costs	**(35)**	(45)	22%
Corporate costs (before recharges)	**(30)**	(42)	29%
Other net shareholder income/(expenses) (OSIE)	**2**	18	(89%)
Adjusted operating profit before tax	**969**	708	37%
Tax on adjusted operating profit	**(266)**	(181)	(47%)
Adjusted operating profit after tax	**703**	527	33%
Non-controlling interests – ordinary shares	**(179)**	(137)	(31%)
Non-controlling interests – preferred securities	**(18)**	(8)	(125%)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent	**506**	382	32%
Adjusted weighted average number of shares (millions)	**4,771**	4,773	-
Adjusted operating earnings per share (pence)	**10.6**	8.0	33%

[1] Plc Head Office includes the Old Mutual plc parent company and other centre companies

IFRS profit analysis (£m)	H1 2017	H1 2016 Restated	% change
Old Mutual Emerging Markets	**344**	251	37%
Nedbank	**469**	345	36%
Old Mutual Wealth	**73**	(17)	529%
	886	579	53%
plc Head Office	**23**	(36)	164%
Non-core operations (Old Mutual Bermuda)	**31**	(9)	444%
IFRS profit before tax	**940**	534	76%
Income tax expense	**(284)**	(163)	(74%)
IFRS profit from continuing operations after tax	**656**	371	77%
IFRS profit from discontinued operations after tax (Institutional Asset Management)	**23**	54	(57%)
IFRS profit after tax	**679**	425	60%
Non-controlling interests	**(148)**	(141)	(5%)
IFRS profit attributable to equity holders of the parent after tax	**531**	284	87%
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	**(15)**	(16)	6%
IFRS profit attributable to ordinary equity holders	**516**	268	93%
Weighted average number of shares (millions)	**4,687**	4,686	-
Basic earnings per share (pence)	**11.0**	5.7	93%

IFRS profit attributable to ordinary equity holders was £516 million in H1 2017 compared to £268 million in H1 2016. This largely reflects the benefits of weaker sterling compared to the rand on reported earnings together with a £108 million accounting profit as a result of the sell down of our shareholding in OM Asset Management to 20.1%.

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

Six months ended June 2017 (£m)	OMEM	Nedbank	OMW	IAM	plc Head Office	Non-core	Discon-tinued	Total
Adjusted operating profit before tax	**362**	**472**	**134**	**64**	**(63)**	**-**	**-**	**969**
Goodwill, intangible and associate charges	(84)	(1)	(43)	(2)	-	-	-	(130)
Profit on business disposals	-	-	24	-	105	-	-	129
Short-term fluctuations in investment return	37	-	-	-	-	-	-	37
Returns on own debt and equity	5	-	-	-	-	-	-	5
Institutional Asset Management equity plans	-	-	-	(33)	-	-	-	(33)
Dividends on preferred securities	-	-	-	-	2	-	-	2
Credit-related fair value losses on Group debt	-	-	-	-	(17)	-	-	(17)
Managed separation and business standalone costs	(5)	(2)	(12)	-	(9)	-	-	(28)
Resolution of plc pre-existing items	-	-	-	-	5	-	-	5
OMW UK Platform transformation costs	-	-	(59)	-	-	-	-	(59)
Total adjusting items	(47)	(3)	(90)	(35)	86	-	-	(89)
Non-core operations	-	-	-	-	-	31	-	31
Income tax attributable to policyholder returns	29	-	29	-	-	-	-	58
Discontinued operations included in AOP[1]	-	-	-	-	-	-	(29)	(29)
IFRS profit before tax	**344**	**469**	**73**	**29**	**23**	**31**	**(29)**	**940**
Tax on adjusted operating profit	(103)	(131)	(22)	(18)	8	-	-	(266)
Tax on adjusting items	2	-	20	12	-	-	-	34
Income tax attributable to policyholder returns	(29)	-	(29)	-	-	-	-	(58)
Tax on discontinued operations[1]	-	-	-	-	-	-	6	6
IFRS profit from continuing operations after tax	**214**	**338**	**42**	**23**	**31**	**31**	**(23)**	**656**
NCI in adjusted operating profit	(11)	(166)	-	(20)	-	-	-	(197)
NCI in adjusting items	27	4	-	9	9	-	-	49
Discontinued operations[1]	-	-	-	-	-	-	23	23
IFRS profit attributable to equity holders after tax	**230**	**176**	**42**	**12**	**40**	**31**	**-**	**531**

Part 2 – Group Finance Director Review

Six months ended June 2016 (£m)	OMEM	Nedbank	OMW	IAM	plc Head Office	Non-core	Discon-tinued	Total
Adjusted operating profit before tax	**270**	**345**	**104**	**58**	**(69)**	**-**	**-**	**708**
Goodwill, intangible and associate charges	(3)	-	(87)	-	-	-	-	(90)
Profit on business disposals	-	-	-	14	10	-	-	24
Short-term fluctuations in investment return	(30)	-	7	-	-	-	-	(23)
Returns on own debt and equity	(5)	-	-	-	-	-	-	(5)
Institutional Asset Management equity plans	-	-	-	2	-	-	-	2
Dividends on preferred securities	-	-	-	-	9	-	-	9
Credit-related fair value losses on Group debt	-	-	-	-	14	-	-	14
OMW UK Platform transformation costs	-	-	(48)	-	-	-	-	(48)
Total adjusting items	(38)	-	(128)	16	33	-	-	(117)
Non-core operations	-	-	-	-	-	(9)	-	(9)
Income tax attributable to policyholder returns	19	-	7	-	-	-	-	26
Discontinued operations included in AOP[1]	-	-	-	-	-	-	(74)	(74)
IFRS profit before tax	**251**	**345**	**(17)**	**74**	**(36)**	**(9)**	**(74)**	**534**
Tax on adjusted operating profit	(75)	(88)	(16)	(17)	15	-	-	(181)
Tax on adjusting items	11	-	17	(2)	(2)	-	-	24
Income tax attributable to policyholder returns	(19)	-	(7)	-	-	-	-	(26)
Tax on discontinued operations[1]	-	-	-	-	-	-	20	20
IFRS profit from continuing operations after tax	**168**	**257**	**(23)**	**55**	**(23)**	**(9)**	**(54)**	**371**
NCI in adjusted operating profit	(6)	(123)	-	(16)	-	-	-	(145)
NCI in adjusting items	2	2	-	-	-	-	-	4
Discontinued operations[1]	-	-	-	-	-	-	54	54
IFRS profit attributable to equity holders after tax	**164**	**136**	**(23)**	**39**	**(23)**	**(9)**	**-**	**284**

[1] Discontinued operations relates to the Institutional Asset Management earnings included within AOP; but reported as a discontinued operation within IFRS.

Adjusting items

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

Goodwill, intangible and associate charges in H1 2017 include an impairment of goodwill in OMEM of £71 million. The impairment follows 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, which is now applied at the UAP-Old Mutual Group entity level in East Africa. The review was previously performed at the Old Mutual Southern and East Africa level, which also included the more mature businesses in Namibia and Zimbabwe. The performance of the East Africa businesses, which was weaker than anticipated at the time of the previous impairment review, also had a minor impact. The continued focus on identified strategic priorities in the East African business is resulting in an improvement in the performance, albeit over a longer timeframe than anticipated at acquisition. Further information is available in note G1 of the Notes to the Consolidated Financial Statements.

In OMW, amortisation of acquired present value of in-force business (PVIF) and intangible assets was £43 million (H1 2016: £43 million). H1 2016 also included an additional £44 million impairment of goodwill and intangibles as a result of the anticipated sale of OMW Italy, which was completed in January 2017.

Profit on business disposals includes a £108 million accounting profit on disposal from the sell-down of our holding in OM Asset Management to 20.1% and a £24 million profit on disposal of OMW Italy.

Within AOP the investment return on shareholder funds is calculated using a LTIR rate. Any short-term fluctuations between long-term returns in AOP and actual returns are included in adjusting items. In H1 2017, the actual investment return was higher than the LTIR assumed in AOP by £37 million (H1 2016: £23 million lower).

Adjusting items include a £33 million expense (H1 2016: £2 million income) due to the revaluation of Institutional Asset Management equity plans held by Affiliate key employees, and Landmark acquisition related expenses.

One-off managed separation and business standalone costs were £28 million in H1 2017. These costs were included within AOP in 2016 (H1 2016: £5 million).

In H1 2017, OMW UK Platform transformation costs were £59 million (H1 2016: £48 million), relating to both the closure of the previous programme and initiation phase of the new proposition supplied by FNZ.

Discontinued and non-core operations

For IFRS reporting the results of Institutional Asset Management up to the point of the sell down in May 2017 are recognised in discontinued operations. After the sell down Institutional Asset Management is equity accounted and recognised as our share of profits after tax. Both components of Institutional Asset Management earnings are included within AOP in H1 2017. This reflects the continuing contribution of the business to the Group result, albeit at a lower level as the Group sells down its interest in the business. The Group continues to have a 20.1% shareholding and representation on the OM Asset Management Board until further reductions in our ownership are completed. Non-core operations relate to the Bermuda business operating profit of £31 million (H1 2016: £9 million loss).

AOP, tax and non-controlling interests

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

Old Mutual plc finance costs

Finance costs decreased by £10 million in H1 2017 to £35 million. This follows 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. As communicated at our 2016 Preliminary Results, finance costs are expected to reduce by £21 million in FY 2017 as a result of these debt repayments.

Corporate costs before recharges

Corporate costs before recharges in H1 2017 of £30 million are £12 million below the prior period (H1 2016: £42 million). £8 million of the reduction are costs previously incurred by the plc Head Office but now borne directly by OMEM and OMW. The further £4 million reduction follows from the repurposing of the plc Head Office to support the execution of the managed separation, including the circa 50% reduction in headcount compared with January 2016.

At the 2016 Preliminary Results announcement, we estimated savings in corporate costs before recharges in excess of £10 million per annum, compared to 2016. We now expect FY 2017 plc Head Office corporate costs before recharges to be in the region of £20 million lower than FY 2016. We expect the businesses to incur an additional £10 million of these corporate costs in FY 2017.

Other net shareholder income / (expenses) (OSIE)

The table below sets out other net shareholder income of £2 million in H1 2017 (H1 2016: £18 million):

Other net shareholder income / (expenses) (£m)	**H1 2017**	H1 2016
Share based payment charges	(5)	(4)
South Africa governance	-	(4)
One-off managed separation costs	-	(3)
Recharge of plc Head Office costs	4	12
Other net expenses	(1)	(1)
Other net shareholder expenses, excluding fx and seed capital	**(2)**	**-**
FX gains	-	16
Seed capital gains	4	2
Total other net shareholder income / (expenses) (OSIE)	**2**	18

In H1 2017 OSIE includes expenses related to share based payment charges of £5 million (H1 2016: £4 million); partially offset by income from recharging a proportion of plc Head Office costs to the businesses. The recharge of plc Head Office costs has reduced significantly to £4 million (H1 2016: £12 million) as costs previously incurred by the plc and recharged to OMEM and OMW are now incurred directly by these businesses. Seed capital gains were £4 million (H1 2016: £2 million), largely on funds managed by OMAM. The plc Head Office continues to wind down its seed portfolio, with the majority of investments redeemed by the end of July 2017 and the gains on these investments now realised.

H1 2016 also included costs in respect of the preparation for the implementation of Twin Peaks legislation in South Africa of £4 million, unrealised foreign exchange gains on US dollar denominated seed investments of £16 million and one-off costs of managed separation of £3 million.

Tax

The AOP effective tax rate (ETR) for the Group is 27% (H1 2016: 26%). The IFRS ETR is more volatile than the AOP ETR 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 ETR. The OMEM AOP ETR has remained the same as H1 2016 at 28%. Nedbank's AOP ETR has increased to 28% (H1 2016: 26%), largely due to the impact of higher non-deductible amounts in H1 2017 compared to H1 2016.

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 currently available to be offset against profits in the Old Mutual Wealth business. Under proposed legislation by the UK Government, the plc Head Office may lose the ability to offset interest deductions.

Part 2 – Group Finance Director Review

Non-controlling interests

AOP attributable to non-controlling interests increased from £145 million to £197 million with the proportion of Group profit attributable to non-controlling interests increasing from 27.5% in H1 2016 to 28.0% in H1 2017. The increase reflects the sell-down of OMAM in both December 2016 and May 2017 reducing the plc's holding from 65.8% on 30 June 2016 to 20.1% on 30 June 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 based on assumptions regarding the precise 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.

Removing and transitioning plc 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 table below shows the evolution of these plc Head Office operating costs since 2015:

Plc Head Office operational costs before recharges[1] (£m)	FY 2015	FY 2016	**H1 2017**	Estimated after MS
Corporate costs before plc recharge	80	79	30	-
OSIE before plc recharge	43	24[2]	(2)	-
	123	**103**	**28**	-

1. Plc Head Office operational costs are stated before recharges of £23 million in FY 2015; £19 million in FY 2016 and £4 million in H1 2017.
2. One-off plc wind down costs of £8 million and transaction advisory costs of £14 million, included in AOP in FY 2016 and excluded from AOP in H1 2017

An estimated £29 million per annum of plc Head Office operational costs previously incurred by the plc Head Office will be borne directly by OMEM and OMW. Given the 2015 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 directly the plc Head Office operational costs:

Plc Head Office operational costs absorbed by OMW and OMEM (£m)	FY 2016	**H1 2017**	Estimated after MS (annualised)
Costs previously recharged and listing related costs now incurred directly by OMEM	**-**	**4**	7
Costs previously recharged now incurred directly by OMW	**-**	**4**	7
Listing related costs not recharged now incurred directly by OMW	**-**	**1**	7
Brand costs not recharged now incurred directly by OMW	**-**	**3**	8
	-	**12**	**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)	FY 2016	**H1 2017**	Estimated after MS (annualised)
Old Mutual Emerging Markets	-	**-**	8
Old Mutual Wealth	-	**2**	12
	-	**2**	**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)	FY 2016	**H1 2017**	Total to date	Total estimated over MS
Plc Head Office	8	**5**	13	
Old Mutual Emerging Markets	1	**5**	6	
Old Mutual Wealth	4	**9**	13	
	13	**19**	**32**	**130**

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

One-off transaction related costs

We estimate one-off transaction 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.

Transaction specific costs relating to capital items will be incurred and deducted from proceeds in line with our accounting policies.

The table below sets out the one-off transaction advisory costs that have been incurred to date:

One-off Transaction advisory costs[1] (£m)	FY 2016	H1 2017	Total to date	Total estimated over MS
Plc Head Office[2]	14	**4**	18	
Old Mutual Emerging Markets	1	**-**	1	
Old Mutual Wealth	3	**3**	6	
Nedbank	-	**2**	2	
	18	**9**	**27**	**> 100**

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

Changes to adjusted operating profit during the period of the managed separation

The analysis below adjusts the H1 2016 and H1 2017 pre-tax AOP of the businesses and plc Head Office for corporate activity and one-off managed separation costs reflected in AOP in H1 2016. This provides additional information for assessing the development of pre-tax AOP of the businesses. Further analysis of the performance of the businesses is shown in the respective Business Review Documents:

H1 2017 AOP (£m)	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	plc Head Office	Total
AOP pre-tax (reported)	**362**	**472**	**134**	**64**	**(63)**	**969**
Pending sale of Kotak	(7)	-	-	-	-	(7)
AOP pre-tax after corporate activity	**355**	**472**	**134**	**64**	**(63)**	**962**
Including:						
Plc Head Office costs recharged to businesses	(2)	-	(2)	-	4	-
Plc Head Office costs previously recharged now incurred directly by OMEM and OMW	(4)	-	(4)	-	-	
Listing related costs not recharged now incurred directly	-	-	(1)	-	-	
Brand costs not recharged now incurred directly	-	-	(3)	-	-	
Incremental recurring business standalone costs	-	-	(2)	-	-	

H1 2016 AOP (£m)	Old Mutual Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	plc Head Office	Total
AOP pre-tax (as reported in H1 2016)	**260**	**345**	**104**	**58**	**(59)**	**708**
Reallocation of LTIR on excess assets	10	-	-	-	(10)	-
AOP pre-tax (after re-presentation)	**270**	**345**	**104**	**58**	**(69)**	**708**
Pending sale of Kotak and sale of OMW Italy	(4)	-	(11)	-	-	(15)
SA branches transferred from OMW to OMEM[1]	5	-	(5)	-	-	-
One-off managed separation and business standalone costs included in AOP	-	-	2	-	3	5
AOP pre-tax after corporate activity and one-off managed separation costs	**271**	**345**	**90**	**58**	**(66)**	**698**
Including:						
Plc Head Office costs recharged to businesses	(4)	(1)	(6)	(1)	12	-

1. During 2017 OMW's International South African branches will transfer to OMEM. AOP from these branches is reported by OMEM in 2017 and was reported by OMW in 2016.

Adjusted Return on Equity (ROE)

Adjusted ROE (annualised basis) H1 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
Old Mutual Emerging Markets	248	2,199	22.6%	2,545	19.5%
Nedbank	175	2,173	16.1%	2,498	14.0%
Old Mutual Wealth	112	985	22.7%	2,459	9.1%
	535	**5,357**	**20.0%**	**7,502**	**14.3%**
Institutional Asset Management[2]	26	70	74.3%	385	13.5%
Plc Head Office[2]	(55)	2,392 [1,3]	n/a	(68)	n/a
Adjusted ROE	**506**	**7,819**	**12.9%[3]**	**7,819**	**12.9%[3]**

Adjusted ROE (annualised basis) H1 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
Old Mutual Emerging Markets[4]	189	1,632	23.2%	1,962	19.3%
Nedbank	134	1,671	16.0%	1,903	14.1%
Old Mutual Wealth	88	982	17.9%	2,517	7.0%
	411	**4,285**	**19.2%**	**6,382**	**12.9%**
Institutional Asset Management	25	31	>100%	638	7.8%
Plc Head Office[4]	(54)	2,308 [1,3]	n/a	(396)	n/a
Adjusted ROE	**382**	**6,624**	**11.5% [3]**	**6,624**	**11.5% [3]**

[1] The businesses figures exclude the Plc share of 'Goodwill and other intangible assets' as reported in the segmental balance sheet; however these assets are included in the adjusted Return on Equity
[2] Assets held for sale of £242 million have been included in Institutional Asset Management for the purposes of the Adjusted Return on Equity calculation
[3] Includes plc portion of 'Goodwill and other intangible assets' and excludes the perpetual preferred callable securities (30 June 2017: nil; 31 December 2016: £273 million) that were repurchased and redeemed in February 2017 and non-core operations (30 June 2017: £109 million; 31 December 2016: £68 million)
[4] H1 2016 OMEM AOP (profit-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 11.5% in H1 2016 to 12.9% in H1 2017. This reflects a higher ROE in OMW, largely as a result of their increase in AOP post-tax, and the impact of weaker sterling against the rand, which increases the weighting of the higher ROE of the OMEM and Nedbank businesses within the calculation.

Average equity increased largely due to the impact of weakening of sterling against the rand on OMEM and Nedbank equity.

Plc cash flows and liquidity

Free Surplus Generation

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

	H1 2017		H1 2016[1]	
Source of free surplus (£m)	**Free surplus generated**	**% of AOP converted to free surplus**	**Free surplus generated**	**% of AOP converted to free surplus**
Old Mutual Wealth	86	**77%**	82	93%
Institutional Asset Management	26	**100%**	25	100%
Total northern hemisphere	112	**81%**	107	95%
Old Mutual Emerging Markets	213	**86%**	134	72%
Nedbank	175	**100%**	134	100%
Total southern hemisphere	388	**92%**	268	83%
Total before interest and plc costs	500	**89%**	375	86%

[1] H1 2016 OMEM AOP (post-tax and NCI) now includes the LTIR on excess assets previously reported within the plc Head Office.

The free surplus generation analysis considers the efficiency of the businesses in converting profits into operational cash flows. In H1 2017, the businesses generated free surplus of £500 million (H1 2016: £375 million), representing a conversion rate of 89% of AOP post-tax and NCI (H1 2016: 86%). Southern hemisphere free surplus generation increased by £120 million, of which £88 million was due to movements in exchange rates.

For OMEM, 86% (H1 2016: 72%) of the AOP (post-tax and NCI) in H1 2017 was converted to free surplus. The increase in free surplus generated was largely attributable to significant increases in investment returns in the Rest of Africa following high unrealised returns from Zimbabwe's equity market. Free surplus generation for OMEM 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 OMEM's Property and Casualty business.

The OMW conversion rate was 77% in H1 2017 (H1 2016: 93%). The lower conversion rate reflects increased capital requirements on the life business. OMW free surplus is calculated on a local statutory basis which for the businesses in the EU is consistent with Solvency II principles.

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

Part 2 – Group Finance Director Review

Plc Head Office company cash position and cash flows

The plc Head Office cash position increased from £743 million as at 1 January 2017 to £860 million as at 30 June 2017. 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 H1 2017, H1 2016 and FY 2016:

Plc cash flows (£m)	**H1 2017**	H1 2016	FY 2016
Opening cash and liquid assets at holding company at 1 January	**743**	750	750
Operational flows			
Hard currency free surplus generated	112	107	248
Old Mutual Wealth UK Platform transformation costs (after tax)	(48)	(39)	(82)
Other free surplus retained or deployed in the businesses	(8)	(16)	(82)
Operational receipts from hard currency businesses	**56**	**52**	**84**
Impact of foreign currency hedging	(1)	-	(6)
Operational receipts from hard currency businesses after hedging	**55**	**52**	**78**
OMEM and Nedbank free surplus generated	388	268	630
Free surplus retained or deployed in the businesses	(225)	(64)	(220)
Operational receipts from OMEM and Nedbank	**163**	**204**	**410**
Impact of foreign currency hedging	(13)	-	(37)
Operational receipts from OMEM and Nedbank after hedging	**150**	**204**	**373**
Corporate costs before recharges	(30)	(42)	(79)
Other operational flows	10	(47)	(27)
Total operational flows	**185**	**167**	**345**
Capital servicing			
Interest paid	(31)	(36)	(72)
Preference dividends	(15)	(17)	(17)
Ordinary cash dividends	(166)	(315)	(451)
Paid to northern hemisphere shareholders	*(62)*	*(113)*	(160)
Paid to southern hemisphere shareholders	*(104)*	*(202)*	(291)
Total servicing of capital	**(212)**	**(368)**	**(540)**
Capital movements			
Net debt repaid in the period	(288)	-	(112)
Net business related funding	(176)	(1)	68
Total capital movements	**(464)**	**(1)**	**(44)**
Other Plc cash movements			
Proceeds from sell-down of OMAM (net of costs and foreign currency hedging)	417	-	230
Proceeds from sale of OMW Italy (net of costs and foreign currency hedging)	210	-	-
Resolution of plc Head Office pre-existing items	(27)	-	-
Other cash movements	8	27	2
Total other plc cash movements	**608**	**27**	**232**
Closing cash and liquid assets at holding company at end of period	**860**	**575**	**743**

Operational cash flows

OMW and OMAM provide operational remittances to the plc Head Office. For OMW, this continues to be constrained by the required investment in the UK Platform Transformation Project. In OMAM's case remittances of £5 million are in line with its publicly stated dividend policy, and payments of £35 million are pursuant to the Deferred Tax Asset Agreement.

OMEM and Nedbank dividend receipts are available to meet the plc dividend, consistent with the original terms of demutualisation and in line with the plc's capital management policy. Our conservative capital management policy, which provides appropriate flexibility in the short term, enables the unlisted OMEM and OMW businesses to continue to conserve free surplus as we move closer towards separation. This supports the businesses in investing for growth, preparing for independence and further increasing their capital strength in the context of new regulatory regimes.

Free surplus retained in OMEM and Nedbank was £225 million (H1 2016: £64 million), which includes free surplus retained within OMEM of £153 million (H1 2016: nil)

H1 2017 other operational flows include the £28 million impact of collateral movements in respect of the foreign currency hedging of both operational and capital inflows. In H1 2016 other operational flows included £26 million of payments to the plc employment benefit trust relating to the funding of share incentive awards.

Servicing of capital

Dividend payments to shareholders of £166 million (H1 2016: £315 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). Of this, £104 million was paid to shareholders on the South African and other African registers (H1 2016: £202 million).

Preference dividend payments in H1 2017 reflect interest on the £273 million of perpetual preferred callable securities, which were fully redeemed on 3 February 2017. The payment represents eleven months of the interest accrued up to the point the security was redeemed.

Interest paid in H1 2017 was £5 million lower than H1 2016 due to the repayment of £112 million of senior debt in October 2016.

Capital movements

On 3 February 2017, we repurchased and fully redeemed the £273 million of perpetual preferred callable securities that remained outstanding for £288 million.

Net business unit funding during H1 2017 was £(176) million (H1 2016: £(1) million) largely reflecting the contribution of £200 million of capital into OMW offset by £24 million of seed capital returned to the plc, primarily from Rogge.

Corporate activity

Cash flows from corporate activity in H1 2017 include proceeds of £417 million (net of costs and foreign currency hedging) from the sell-down of OMAM during the period and £210 million from the sale of Old Mutual Wealth Italy. Plc wind-down and transaction advisory costs of £9 million were incurred in H1 2017.

In H1 2016, net corporate activity reflected proceeds from the sale of Rogge and other corporate inflows and outflows.

Costs to resolve plc Head Office pre-existing items reflect £27 million paid into two legacy defined benefit pension schemes to effect the buy-in of the benefits of the two schemes. See page 24 for further details.

Part 2 – Group Finance Director Review

REVIEW OF FINANCIAL POSITION

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. The narrative which follows the table includes forward looking estimates of the unwind of the net assets of the Group and the plc Head Office. 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.

(£m)	H1 2017	FY 2016
Equity attributable to shareholders of the parent	**8,033**	8,054
Plc perpetual preferred callable securities	**-**	(273)
Equity attributable to ordinary shareholders of the parent	**8,033**	7,781
OMEM	**2,635**	2,455
Nedbank	**2,519**	2,476
OMW	**1,888**	1,897
Total operating businesses	**7,042**	6,828
Residual plc NAV:		
OMAM	**242**	527
OM Bermuda	**109**	68
plc Head Office	**640**	358
Total Residual plc NAV	**991**	953
Equity attributable to ordinary shareholders of the parent	**8,033**	7,781

At 30 June 2017 equity attributable to ordinary shareholders of the parent was £8,033 million (FY 2016: £7,781 million). The majority of this equity value was represented by the operating businesses and of this total only £640 million, or 8%, related to the equity of plc Head Office (FY 2016: £358 million, 5%).

The £252 million increase in equity attributable to ordinary shareholders of the parent is principally due to £516 million of IFRS profit after tax attributable to ordinary equity holders, offset by dividends paid of £161 million and net foreign currency differences of £96 million.

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 delivered to shareholders. This equity is shown after deduction of an intercompany payable of £788 million from OMW to the plc Head Office.

Residual plc NAV

Residual plc NAV consists of OMAM, OM Bermuda and the plc Head Office, including the £788 million intercompany receivable from OMW to the plc Head Office referred to above.

The residual plc NAV has increased to £991 million (FY 2016: £953 million). Over the first six months of the year we have converted assets into cash, reduced foreign exchange and market risks, addressed certain contingent liabilities and repaid debt.

OMAM

On 25 March 2017, we announced that we had agreed to sell a 24.95% shareholding in OMAM to HNA Capital US in a two-step transaction for gross cash consideration of approximately $446 million. The first tranche of the two-step sale of OMAM shares to HNA Capital US has completed. This consisted of 9.95% of OMAM for a price of $15.30 per share resulting in gross proceeds of approximately $175 million.

On 16 May 2017 we conducted a secondary offering of 17.3 million shares in OMAM at a price to the public of $14.55 per share and entered into a repurchase agreement with OMAM for a further 5 million shares also at $14.55 per share. The underwriter exercised its over-allotment option and purchased a further 2.595 million shares at the same price. Old Mutual realised proceeds less the underwriting discount from the offering and repurchase transactions of $359 million.

As a result of these sell-downs Old Mutual plc's shareholding in OMAM has reduced from 51.1% at 31 December 2016 to 20.1% at 30 June 2017, and is the primary reason for the reduction in OMAM IFRS NAV to £242 million (FY 2016: £527 million).

OM Bermuda

OM Bermuda continues to execute its run-off strategy with circa 50% of its Guaranteed Minimum Accumulation Benefit (GMAB) reinsurance obligations maturing during the current year and the bulk of remaining maturities taking place during H1 2018. These obligations correspond to the 10 year anniversaries of the underlying variable annuity policies written in 2007 and 2008. Downside risk associated with guarantee top-up payments is managed using a put option programme, although residual basis risk and a small portion of market and currency risk remain unhedged. The business remains well capitalised, with a statutory capital coverage ratio of 2.1 times (31 December 2016: 1.8 times).

IFRS NAV increased to £109 million ($142 million) at 30 June 2017 (31 December 2016: £68 million), benefiting from the £51 million ($61 million) reduction in GMAB reserves largely as a result of favourable global equity market and currency movements over the period.

Within the OM Bermuda IFRS NAV are £21 million ($27 million) of loan notes outstanding from the plc Head Office to OM Bermuda. These may be called by OM Bermuda during 2017 and 2018 to the extent that obligations in relation to its GMAB guarantees cannot be met from OM Bermuda's own resources when the relevant OM Bermuda reinsurance obligations fall due. Our stress testing has indicated that outstanding loan notes would not need to be redeemed following a 50% fall in equity markets given the hedging programme currently in place.

OM 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 significant 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 managed separation and business standalone costs across the plc Head Office and the underlying businesses. Furthermore work continues in developing the appropriate capital and liquidity position commensurate with OMW and OMEM being independently listed groups, fully separated from the current group construct.

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

plc Head Office NAV (£m)	H1 2017	FY 2016
Cash	**860**	743
Seed investments	**79**	148
Net intercompany debtors	**767**	816
Plc Head Office Assets	**1,706**	1,707
Third party debt (including plc perpetual preferred callable securities)	**(1,027)**	(1,290)
Net sundry third party creditors	**(39)**	(59)
plc Head Office Liabilities	**(1,066)**	(1,349)
plc Head Office NAV	**640**	358

Cash

The plc Head Office had cash balances of £860 million at 30 June 2017 (31 December 2016: £743 million).

At our 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 have 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.

The plc early warning liquidity threshold ("EWT") is set dynamically, in line with our underlying obligations to ensure adequate liquidity resources are maintained. At 30 June 2017 this stood at circa £400 million, including £70 million of undrawn support for OMW (31 December 2016: circa £520 million, including £200 million of undrawn support for OMW).

Seed investments

The plc Head Office is in the process of winding down its seed portfolio as part of the managed separation. At 30 June 2017 the plc Head Office held seed investments of £79 million. During H1 2017, the level of seed capital reduced by £69 million, reflecting the redemption of £78 million of seed funding, mainly from funds in OMAM and Rogge, offset in part by £9 million of fair value gains.

Net intercompany debtors

Other non-cash plc Head office assets include net intercompany debtors of £767 million (FY 2016: £816 million). Intercompany debtors reflects funding to OMW of £788 million, most of which was provided to support the acquisitions of Quilter Cheviot and Intrinsic. Intragroup payables represent the £21 million of loan notes outstanding from Old Mutual plc to OM Bermuda.

Plc debt

The total IFRS book value of debt (excluding banking related debt) of £1,438 million comprises of plc holding company debt of £1,027 million and emerging markets non-banking debt of £411 million.

Plc debt summary [1]	**H1 2017**	FY 2016
Total gearing (gross of holding company cash) - IFRS basis	**11.6%**	15.9%
plc holding company book value of debt – IFRS basis (£m)	**1,027**	1,290
Subsidiary book value of debt (non-banking)[2] – IFRS basis (£m)	**411**	801
Total book value of debt - IFRS basis (£m)	**1,438**	2,091
Total interest cover [3]	**13.1 times**	11.1 times
Hard interest cover [3]	**3.0 times**	3.4 times

[1] Excludes banking-related debt of £3,234 million at Nedbank and £199 million at OMEM, of which £153 million is held at Old Mutual Finance (OMF), £16 million is held at CABS and £30 million is held at Faulu. £24 million of the OMEM debt is owned by policyholders and is eliminated in the consolidated Financial Statements.

[2] For the purposes of calculating gearing, subsidiary debt includes OMAM debt classified as non-current liabilities held for sale (30 June 2017: nil; 31 December 2016: £319 million) and non-banking inter-company borrowings (30 June 2017: £24 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

As at 30 June 2017, Old Mutual plc debt comprised of £500 million of Tier 2 debt maturing in June 2021 and £450 million of Tier 2 debt maturing in November 2025. The IFRS book value of the Tier 2 instruments was £580 million and £447 million respectively leading to an aggregate IFRS value of Old Mutual plc debt of £1,027 million. This excludes a derivative asset of £32 million, related to the £500 million Tier 2 debt taken out in June 2012.

The aggregate IFRS value of Old Mutual plc debt at 30 June 2017 is £263 million lower than at 31 December 2016 due to the repurchase and redemption of the £273 million Preferred Callable Securities on 3 February 2017 and fair value movements on the £500 million Tier 2 debt maturing in 2021.

Gearing as at 30 June 2017

Gross gearing is based on non-banking debt of £1,406 million (2016: £2,060 million), which is the IFRS book value of non-banking debt net of the derivative asset of £32 million (2016: £31 million) referred to above. Gross gearing of 11.6% is calculated as the percentage of non-banking debt (£1,406 million) over total Group equity plus non-banking debt (£12,098 million). This has reduced since 31 December 2016, largely due to a decrease in total debt which principally arises from the sell down of OMAM to 20.1% and subsequent de-consolidation of their debt and the repurchase and redemption of the plc £273 million Preferred Perpetual Callable Securities. Net gearing reduces to 4.5% when taking into account cash at the holding company.

Net sundry third party creditors

Included in plc net sundry third party creditors are amounts expected to be received under the OMAM Deferred Tax Asset Deed between OM Group (UK) Limited (OMGUK) and OMAM. This was previously disclosed as an intercompany balance before the sell-down of OMAM to below 50%. The Deferred Tax Asset deed is further explained in note A2 of the H1 2017 financial statements.

Cash to resolve plc Head Office pre-existing items

We estimated £130 million of cash outflow to accelerate the resolution of pre-existing Head Office items over the duration of the managed separation. The value outcomes of meeting these obligations are dependent on the trade-off of value, cost, time and risk when balancing against diverse stakeholder considerations.

In H1 2017, 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 on 13 June 2017. The agreements have resulted in the buy-in of the benefits of the two schemes, with the intention of moving to a full buy-out and wind-up of the schemes by Q4 2017.

In order to effect the transaction, Old Mutual has made a contribution of £27 million into the two schemes, which together with the writing off of the majority of the combined existing IAS 19 surplus for the schemes, resulted in a £51 million reduction in IFRS NAV.

Once the buy-out and winding up processes have been completed, Old Mutual will no longer be responsible for the administration or funding of these two schemes. Old Mutual had previously been contributing annually £7 million of cash to the two schemes.

Future proceeds

In April 2017, we announced that we had agreed to sell our 26% stake in Kotak Mahindra Old Mutual Life Insurance Limited to our joint venture partner, Kotak Mahindra Bank Limited. The gross consideration for the transaction was INR12,927 million (£156 million equivalent based on the spot exchange rate on the day of announcement) and is in line with OMEM's revised strategic focus on sub-Saharan Africa. We expect the sale to complete in H2 2017 and to receive cash proceeds, net of costs and foreign currency hedging, of £138 million.

The second tranche of the two-step sale of OMAM shares to HNA Capital US, will take place in the second half of 2017, subject to receipt of certain additional regulatory approvals. The contracted proceeds for this tranche are expected to be $251 million, which is $14 million above the market price as at 30 June 2017 of the shares sold under this tranche.

In July 2017, the plc Head Office redeemed a further £73 million of seed funding. The plc Head Office now has £5 million of seed funding outstanding as at the end of July.

Adjusted Net Asset Value (ANAV)

ANAV provides an alternative measure to indicate the value of Old Mutual plc. The ANAV of Old Mutual plc was £10,857 million at 30 June 2017 (31 December 2016: £11,271 million), equivalent to 220.1 pence per share (31 December 2016: 228.6 pence per share).

The ANAV of £10,857 million is £2,824 million higher than the IFRS NAV of Old Mutual plc. This largely reflects the uplift from reporting OMEM covered business and the OMW Heritage business at its MCEV value (£1,986 million) and the OMAM and Nedbank businesses and plc holding company debt at market value (£579 million).

The Residual plc NAV reduces from £991 million on an IFRS basis to £406 million on an ANAV basis. OMW ANAV includes £566 million of capital funding from the plc Head Office which was used by OMW to fund the acquisition of Quilter Cheviot. The Residual plc NAV is reduced accordingly.

Capital management policy

We have today announced the first interim dividend for the first half of 2017 of 3.53p and the rand equivalent is 65 cents, in accordance with our stated capital management policy. This will be paid on 31 October 2017.

We have previously indicated that given the need to balance complex considerations associated with the managed separation and further increasing the capital strength of our businesses as independent entities, we will be taking a conservative approach in setting the dividend. We therefore expect the full year dividend to be towards the upper end of the range of 2.5 to 3.5 times cover.

The full effects of the capital management policy on the dividend will take effect for the dividends paid in respect of the remainder of this financial year. This could have the effect that any second interim dividend for 2017 may be below the amount of the second interim dividend for 2016 and the first interim dividend of 2017.

For 2018, we continue to review our rolling hedging of non-sterling remittances from the underlying businesses as we proceed with managed separation.

Capital

Regulatory capital in accordance with Solvency II rules

The Group Solvency II surplus is £1.7 billion at 30 June 2017 (31 December 2016: £1.2 billion as reported to the Prudential Regulation Authority (PRA)), representing a Solvency II ratio of 130% (31 December 2016: 122%) calculated under the standard formula. The Group Solvency II ratio continues to be resilient as the Group surplus excludes £2.0 billion of surplus, mainly from the South African businesses (that remains available for local loss absorption). The Solvency II information in this results disclosure has not been audited.

	Solvency II	
Group regulatory capital (£bn)	**30 June 2017 [1]**	**31 December 2016 [2]**
Own funds	**7.3**	**6.8**
Solvency capital requirements (SCR)	**5.6**	**5.6**
Solvency II surplus	**1.7**	**1.2**
Coverage	**130%**	**122%**

[1] Based on preliminary estimates. Formal filing due to the PRA by 29 September 2017

[2] As reported to the PRA as part of the Annual 2016 Solvency II submission

The main contributors to the 8% increase in the Group Solvency II ratio are the impacts of corporate activity during the period, in particular the sale of OM Wealth Italy in January 2017 (2%) and the proceeds received in respect of the reduction in Group ownership of OMAM (9%) which exceeded the corresponding value included in the Solvency II balance sheet under the relevant sectoral rules (which exclude intangible assets). The Group Solvency II ratio reduced due to the payment of the second interim dividend payment to UK shareholders, and changes in the businesses' capital requirements. Other impacts were largely offsetting, and include the receipt of South African remittances in lieu of the aforementioned dividend payment.

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

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% 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 which qualify as capital under Solvency II. The composition of own funds by tier is presented in the table below.

Old Mutual Group Solvency II own funds (£bn)	**30 June 2017**	31 December 2016[1]
Tier 1 [2]	**6.2**	5.7
Tier 2 [3]	**1.1**	1.1
Total Group Solvency II own funds	**7.3**	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 £0.5 billion of Solvency II compliant subordinated debt and £0.6 billion subordinated debt grandfathered under Solvency II

The Group SCR is covered by Tier 1 capital, which represents 112% of the Group SCR of £5.6 billion. Tier 1 capital represents 86% of Group Solvency II own funds. Tier 2 capital, comprising plc holding company debt, represents 14% of Group Solvency II own funds and 61% of Group surplus.

Solvency II sensitivities

Sensitivities of the Group Solvency II ratio under certain standard financial and non-financial stresses were provided at the 2016 Preliminary Results. The results showed the ratio was relatively stable, in part due to the restricted surpluses in the South African businesses being available for local loss absorption. There is no significant change to these sensitivities at 30 June 2017. The ratio is most sensitive to changes in ZAR:GBP exchange rate. At 30 June 2017 a 30% increase in the ZAR:GBP exchange rate to R22.1: £1 would increase the Group's coverage ratio from 130% to 138%. A 10% decrease in the exchange rate to R15.3: £1 would reduce the Solvency II ratio to 128%.

The Group Solvency II position at 30 June 2017 has been determined using an investment grade rating for local currency South African bond holdings within the OMEM insurance SCR calculation, consistent with the majority of ratings published by the major credit rating agencies. Our stress and scenario testing programme includes the impact of South African government bond rating downgrades on the Group Solvency II ratio.

Selected regulated entity solvency statistics

Our individual businesses retain strong and resilient local statutory cover and have sufficient capital to support normal trading operations and withstand regulatory and internal stress scenarios. In line with our capital management philosophy, throughout the managed separation, we will continue to hold capital where the risk lies. A key objective of the managed separation is to deliver strong businesses which are well capitalised, but not excessively so. As businesses prepare to standalone, due consideration will be given to the regulatory supervision that will ultimately apply to that business and the appropriate development of risk limits, liquidity buffers, capital structure and overall solvency levels for the businesses to meet our and the businesses stated objectives.

The Group continues to maintain strong local regulatory capital as shown in the table below:

Regulatory capital in local currency	Capital Resources	Capital Requirements	Surplus	**30 June 2017**	31 December 2016
OMLAC(SA) [1] (Rbn)	45.6	14.8	30.8	**3.1x**	3.2x
Old Mutual Insure[2] (Rbn)	3.1	2.0	1.1	**1.6x**	1.5x
Nedbank [3] (Rbn)	74.0	55.5	18.5	**1.3x**	1.4x
OMW [4] (£bn)	1.6	0.9	0.7	**1.8x**	1.9x
OMBRE [5] ($bn)	0.2	0.1	0.1	**2.1x**	1.8x

[1] South Africa Statutory Valuation Methods (SVM) in accordance with the FSB requirements

[2] Capital Adequacy Requirement (CAR) in accordance with the FSB requirements

[3] In accordance with Basel III and excluding unappropriated profits (the cover ratio including unappropriated profits is 1.5x (31 December 2016: 1.5x))

[4] Solvency II basis. The Capital Resources figure presented includes intra-group capital funding of the loan provided to fund the acquisition of Quilter Cheviot

[5] 110% of Internal Economic Capital requirement as set by the Bermuda Monetary Authority

OMEM has a strong, well-diversified and resilient balance sheet which will be able to withstand a number of shocks. We disclose solvency capital under the current regulatory capital rules (South Africa Statutory Valuation Method), but have adopted the provisional Solvency Assessment and Management (SAM) basis in South Africa in the way we manage capital. Although aspects of the regulatory prudential standards still need to finalised, we expect the OMLAC(SA) and OMEM Group balance sheets to demonstrate strong resilience on the SAM basis.

Further information on Nedbank's capital position under its local banking regulation is available on Nedbank's website.

Old Mutual Wealth's strong and resilient regulatory capital position reflects technical provisions being lower than the face value of policyholder funds for its unit linked liabilities in its insurance entities, the intra-group capital funding of the loan provided to fund the acquisition of Quilter Cheviot, and the £200 million of capital contributed into OMW.

Old Mutual plc continues to consider all its options with regard to its cash, debt and contingent liabilities, taking into account the cash proceeds from disposals and requirements of the standalone balance sheets of the subsidiaries. These options include retaining debt in Old Mutual plc after the point of separation.

Performance measures

In line with statutory reporting requirements we report profits assessed on an International Financial Reporting Standards (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. Summary information about the key APMs used in our financial review is provided in the following table.

APM	Definition	Why is the measure used?
Group		
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 basic IFRS profit for a number of items as detailed in note C1 in the financial statements.	Due to the nature of the Groups' businesses, AOP is an appropriate alternative basis by which to assess the underlying operating results. It enhances the comparability and understanding of the financial performance of the Group.
Adjusted Return on Equity (ROE)	ROE is calculated as AOP (post-tax and NCI) over average ordinary shareholders' equity. For the purpose of this calculation, the perpetual preferred callable securities are deducted from equity to be consistent with the related finance costs which are included in AOP.	It is measure of the return generated for shareholders over the reporting period.
Adjusted Plc NAV per ordinary share (ANAV)	ANAV uses a MCEV valuation basis for Emerging Markets covered business and the UK Heritage business in OMW as well as the market value of listed subsidiaries. Other businesses and other assets are included at IFRS net asset value.	ANAV represents a better indication of the value of our covered and listed businesses than the disclosure in the IFRS balance sheet would provide.
Free Surplus generation	Free surplus generation measures the efficiency of the businesses in converting AOP profits into operational cash flows that support the plc capital management policy.	Free surplus provides users of the Financial results of plc with additional information on the cash generation of the businesses that is not directly observed in the IFRS results.
Gross sales	Gross sales are the gross cash flows received from customers during the period.	This measure is a lead indicator of reported and future revenue.
Net Client Cash Flows (NCCF)	NCCF is the difference between money received from customers and money returned to customers during the period.	This measure is a lead indicator of reported net revenue.
Emerging Markets		
Present Value of New Business Premiums (PVNBP)	PVNBP uses the EEV methodology of determining the present value of new business premiums written during the reporting period. It is calculated as 100% of new single premiums plus the discounted present value of new regular premiums.	This measure is a lead indicator of reported and expected revenues in our covered business.
Market Consistent Embedded Value (MCEV)	MCEV is a reporting standard for life insurance companies that provide a common set of principles and guidelines for use in calculating embedded value. MCEV measures the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty in future investment returns.	It is designed to provide an accurate reflection of the valuation and performance of the long-term savings business and a method of comparing companies on a consistent basis.
Return on Embedded Value	The annualised post-tax adjusted operating profit calculated on an MCEV basis expressed as a percentage of the opening embedded value.	It is a measure of the return generated for shareholders over the reporting period on an embedded value basis.
Nedbank		
Headline Earnings per Share (HEPS)	Headline Earnings is calculated with reference to Circular 2/2015 issued by the South African Institute of Chartered Accountants. Headline earnings is a way of dividing the IFRS reported profit between 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	The Efficiency Ratio is total expenses divided by the sum of net interest income and non-interest revenue.	It measures the expense efficiency of the business.

Liquidity Coverage 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.
OM Wealth		
Underlying AOP, before one-off adjustments	Pre-tax AOP, adjusted for the timing impact of acquisitions and disposals during 2016 and 2017.	The measure is used to provide users of the financial statements greater insight into the long-term earning ability of the OMW current business on a comparable basis.
Integrated net inflows	This reflects the total NCCF that has flowed through two or more segments within OMW.	It is a lead indicator of revenue generation driven by an integrated business model
Operating margin	This is calculated as AOP over net revenue, where net revenue includes gross performance fees.	An efficiency measure that allows users of our financial statements to assess what percentage of net revenues that become operating profit.
OM Asset Management		
Economic Net Income (ENI)	ENI is economic net income, the alternative management metric for OM Asset Management profit. Similar metrics are used by US industry peers.	This measure is used by OM Asset Management to evaluate the financial performance of, and to make operational decisions for, the business.
ENI operating margin	The ENI operating margin is a non-GAAP efficiency measure, calculated based on ENI operating earnings divided by ENI revenue.	An efficiency measure that allows users of our financial statements to assess what percentage of net revenues that become operating profit.

Part 2 – Risk Review

Principal risks

The principal risks reported within the 2016 year-end report and accounts remain key to the achievement of the business plans and the successful implementation of the managed separation. The table below provides an update on these key risks:

Current impact and risk outlook	Risk mitigation and management actions
Global macroeconomic conditions and political risk	
Uncertain global economic conditions and political risk increased in the external risk landscape during the first half of 2017. The South African economy is now in recession for the first time since 2009 due to lower growth prospects reflecting policy uncertainty, slower progress with structural reforms and the weakening of the institutional framework. In March 2017 the long anticipated sovereign debt downgrade occurred after the government cabinet reshuffle. A weakening economy could increase financial pressure on consumers as disposable income levels reduce. Basic commodity price increases could be amplified by a weakening currency. This could affect our SA earnings, due to reduced demand for financial products and services and increases on lapses and credit default rates. There will remain a high level of political risk in South Africa over the next couple of years, with the 2017 African National Congress (ANC) conference and 2019 national elections. FTSE 100 equity levels remain high with a weaker pound boosting sterling profitability for a high number of multinational firms within the FTSE 100. In the UK uncertainty over Brexit implementation remains, Brexit following the recent general election and have been further heightened given that the Conservative government failed to secure an outright majority. This could cause volatile and uncertain market conditions over the next few years and could impact asset based fee levels within OMW. Financial Services in South Africa, amongst other sectors, is potentially subject to further developments of Broad Based Black Economic Empowerment (BBBEE). Details are not yet clarified.	We have incorporated the updated economic forecasts into our group-wide stress and scenario testing. We are closely monitoring the possible impacts of the South African sovereign downgrade and recession on earnings, particularly, within our credit lending businesses. OMW are incorporating the implications of a 'hard Brexit' scenario within their stress and scenario testing for capital and liquidity to understand the possible longer term implications. OMEM and Nedbank continue to engage in the South African "CEO's initiative" that remains committed to continuing to work with government and labour to jointly and cohesively stimulate economic growth, instil investor confidence and address socioeconomic development in South Africa (see OMEM and Nedbank's business Review sections) Asset-based fee risk within OMEM and OMW is managed by offering customers a comprehensive range of internally managed investment solutions and by diversifying our product offering.
MS execution risk	
The key execution risks to the managed separation are ensuring: • That key transactions are executed in a manner that balances value, time, cost and risks. • That plc contingent liabilities and pre-existing plc risks are appropriately wound down or closed out. • The Plc Head Office is wound down in an orderly manner. • The currently unlisted operating businesses are sufficiently well-capacitated to operate as independently listed entities. As the manage separation moves into execution mode risks remain over complexity, stakeholder management and people risk.	Both the financial and non-financial risks to the managed separation are constantly monitored, ensuring that we remain within the financial risk appetite metrics (central liquidity resources, capital and earnings volatility) throughout the managed separation period. We also continue to monitor risk culture across the Group. The managed separation governance framework has been refreshed to ensure greater focus on implementation. Progress has been made over the past six months to manage down and de-risk plc's residual NAV and pre-existing items, via the: • Execution of key transactions, such as reducing the OMAM stake from 51.1% to 20.1%, the completion of the Italian business sale, the repayment of the Group tier 1 debt, the Kotak sale and conversion of the proceeds of these sales into plc's reporting currency. Sterling is also the currency of the bulk of its outstanding financial liabilities • De-risking the plc contingent liabilities, pre-existing and plc wind down, for example the close out of OMAM seed capital and the buy-in of the benefits of the two legacy pension schemes (see pre-existing items section). • Monitoring progress of the currently unlisted businesses towards operating as independently listed entities and the orderly wind down of plc Head Office These factors help to reduce the level of uncertainty within the managed separation base case, however, until transactions

	are finalised, a degree of risk remains. Dedicated resource continues to be allocated to the remaining plc pre-existing items to ensure they are effectively closed-out.
Business strategic execution risk	
Execution risk across the Group remains high, In particular within OMEM and OMW, with the implementation of the managed separation, high levels of regulatory change and the continuation of our major IT and business change programs. During 2017, both IT programmes have partially been de-risked. In OMEM their IT transformation project has been restructured and re-planned and OMW has contracted with a new supplier for its UK platform transformation programme. Regulatory change across the Group remains high and affects the entire industry. Cyber risk across all businesses remains a key focus area. The cumulative impact of the above could result in margin compressions and resource strain.	Each of the four businesses has its own managed separation projects and governance structures in place, with specialist project management resource. The IT programmes have a strong governance framework in place with regular review from the businesses' boards. The plc and the businesses continue to prepare for forthcoming regulatory changes cognisant of the implications of the managed separation and evolving governance requirements. Lessons learnt from OMW UK platform transformation programme are being formalised and will be shared across the Group and Progress is being made working with the new UK Platform Transformation supplier (see OMW Business review section).
Credit risk	
One of the largest risks to Group earnings is the exposure to banking credit risk from lending and other financing activities through the ownership of Nedbank, and to a lesser but growing extent within Emerging Markets. As outlined above the high levels of personal indebtedness and pressure on consumers in South Africa remain a challenge, the businesses continue to monitor this risk closely against their credit risk appetite limits. The rest of the group have immaterial credit risk compared to the above two businesses	Stress testing is carried out at Nedbank and OMEM (and by extension, Group) to understand the exposure to credit events. Nedbank has defined risk limits and early-warning thresholds for credit loss ratios. These are continuously monitored and remain within their limits (see Nedbank's Business review section). OMEM continues to build a credit risk management capability. Credit risk is within risk appetite limits and during 2017 it has tightened its lending restrictions. OMW is creating a framework that will allow it to have an enhanced credit risk oversight across the whole of OMW.
Currency translation risk, location of capital and sources of remittances	
As previously stated Group earnings, dividend and surplus capital are reported in Sterling, however, most of the operational earnings and substantial parts of its surplus capital are denominated in South African Rand. During the first half of 2017 the Rand remained volatile, it weakened in March due to the SA government cabinet reshuffle, since then there has been some recovery, however volatility is likely to remain for the foreseeable future. Currency risk also exists within the residual value of disposals and managed separation transactions not yet completed, for example Kotak and further OMAM sell down.	Capital requirements will be met by retaining capital resources in matched currencies. We hedge the currency risk associated with reasonably certain cash flows arising from operational activities and managed separation transactions. Stress and scenario testing considers currency ranges for both currency appreciation and depreciation, and these are regularly reviewed. The testing contributes to enhancing our understanding and monitoring of the resilience of our capital and liquidity over the business plan horizon.

Old Mutual Emerging Markets

Credible performance in a challenging macro environment

"It is great to be back at Old Mutual and to be leading the business into this new phase. I have spent the past couple of months engaging with the business as well as some of our stakeholders. What is clear is that we have a great brand and the necessary building blocks that position us for growth opportunities.

I am pleased with our delivery as we continue the good momentum across our business in the context of a challenging macro environment and the transition of OMEM to its future as the principal operation of the new primary listed entity on the JSE.

For the six months ended 30 June 2017 we delivered pre-tax adjusted operating profit (AOP) of R6.0 billion, 1% higher than the prior year, and pre-tax IFRS profit of R5.8 billion, 4% higher than the prior year. This was driven mainly by the meaningful turnaround in the underwriting experience in our Corporate segment in South Africa and Old Mutual Insure as well as improved results in East Africa.

Gross sales of R103.6 billion were broadly in line with 2016 and include a 10% decline in the covered APE sales totalling R6.1 billion and non-covered sales of R72.4 billion, which increased by 1%. NCCF of R7.3 billion was positive. However, it was lower than H1 2016 at R8.0 billion due to pressure on the top line as well as higher outflows across the business. Funds under management increased by 12% to R1,127.9 billion since the 2016 year-end.

In these uncertain times, it is important that we continue to drive a customer centric culture as we build deeper relationships with our customers by improving our value offering. This will help us to defend whilst also growing our market positions in the mass, retail affluent and corporate markets.

We will continue to deliver on the turnaround strategy at Old Mutual Insure which has made significant progress. Particularly pleasing, is the iWYZE turnaround and growth trajectory, achieving a positive result of R24 million (H1 2016: R70 million loss). The business is better positioned to collaborate with the rest of the group given its new direct link to the Old Mutual brand.

Outside of South Africa, the market opportunity on the continent is a long-term journey which we believe in and remain committed to. Given our most recent acquisition in East Africa, we will continue to focus on driving enhanced performance and optimising our relationships to deliver commercial opportunities.

The technology refresh, which is part of our IT investment programme, is a key enabler to our strategic delivery and improving our value offering. The programme's estimates remain in line with previous communications. On cost efficiency leadership, we remain committed to reviewing the overall cost base and improving expense efficiencies.

We are structuring ourselves around delivery and execution and we need to focus on the attraction and retention of the best talent to enable this.

The credible results delivered today reflect the quality of our people and the resilience of our business.

I look forward to updating you on the progress we make as we exploit the opportunities that lie ahead for us."

Peter Moyo, CEO
August 2017

Key Financials (Rm)	H1 2017	H1 2016	% change
IFRS profit (pre-tax) [1] - restated	**5,759**	5,531	4%
AOP (pre-tax) [1] - restated	**6,025**	5,952	1%
Gross sales (Rbn) [2]	**103.6**	103.7	-
Covered sales (APE)	**6,126**	6,841	(10%)
Value of new business (VNB)	**998**	1,162	(14%)
Gross written premium (P&C)	**8,017**	8,218	(2%)
Underwriting margin (P&C)	**0.7%**	(1.0%)	170 bps
NCCF (Rbn) [3]	**7.3**	8.0	(9%)
FUM (Rbn) [4]	**1,127.9**	1,008.7	12%

[1] IFRS profit and AOP for H1 2016 has been restated to include the actual and long-term investment return (LTIR) on shareholder assets above the capital requirement. The impacts on AOP and IFRS profit of R217 million and R102 million respectively were previously reflected in the Old Mutual plc result. The consolidated Old Mutual result remains unchanged.
[2] Total OMEM gross sales include intra-Group eliminations of R4,438 million (H1 2016: R4,946 million).
[3] Total OMEM NCCF include intra-Group eliminations of R2.5 billion (H1 2016: R2.2 billion).
[4] FUM is shown on an end manager basis and the prior year comparative represents the balance as at 31 December 2016.

Operating environment

The macroeconomic environment in South Africa remained challenging over the first half of 2017. Economic growth in the first quarter contracted by 0.7% and South Africa entered a technical recession. Socio-political uncertainty following the cabinet reshuffle is continuing to place strain on economic growth. Although the rand remains volatile, it is on average stronger than a year ago and this, together with stable oil prices and sharply lower maize and wheat prices, has seen inflation declining over recent months. As a result, the Monetary Policy Committee cut the repo rate by 25 basis points to 6.75% in July. Over the medium and long term, the sovereign credit rating downgrades and related lower economic growth, as well as expected higher inflation and unemployment rates, will increase financial pressure on our customer base. Affordability constraints, lower disposable income and lower business and consumer confidence, are already contributing to lower top line growth. We have also seen an increasing trend towards offshore and guaranteed return products.

The Zimbabwean economy continues to face cash shortages. However equity markets improved by 36% since the start of the year as investors moved capital to investments perceived as protecting against currency weakness. The Namibian economy contracted by 2.7% in the first quarter of 2017 mainly driven by a significant decline in industrial and tourism sectors, and further impacted by lower consumer spending. East Africa's economic growth, which expanded 4.7% in the first quarter, has been negatively impacted by the drought across the region with pressure on food prices leading to higher inflation. In Kenya, the introduction of the interest rate caps in September 2016 has resulted in a deceleration of credit growth and thus contributing further to slowed GDP growth. In West Africa, the improvement in the oil prices has led to a recovery in economic activity and financial conditions.

The Latin American economies have also experienced relatively slow growth. Reduced concerns about the renegotiation of the North American Free Trade Agreement and a recovery of oil prices have strengthened both the Colombian and Mexican pesos, with the latter one of the best performing currencies year-to-date.

Update on the strategic review of our portfolio perimeter and target operating model

Our strategy remains rooted in our vision and brand promise of Enabling Positive Futures for our customers, who span all income segments and include both retail and corporate relationships. Our business model uniquely positions us to deliver on this vision. By being focused on our customers' needs, in our asset gathering, asset management and protection activities, we remain relevant in the face of social, environmental and technological changes.

In order to give focus to the priorities set by Peter Moyo, our newly appointed CEO, a number of structural and reporting changes have been made. A new Wealth & Investment Cluster has been created to be led by Dave Macready, comprising of the Old Mutual Investment Group and Old Mutual Wealth (South Africa) which previously formed part of the Retail Affluent segment. The remaining South African businesses now report directly to Peter Moyo, including the South African Property & Casualty business rebranded as Old Mutual Insure (previously Mutual & Federal). In addition to this, changes were made in the Rest of Africa portfolio to simplify the structure, which will allow for more opportunities for growth, remove unnecessary costs and eliminate duplication.

We previously communicated that we would prioritise our high-return and cash generative businesses in sub-Saharan Africa and seek to improve returns from our recent investments in East and West Africa. As such, the first of the portfolio changes is the agreed sale of the 26% share in our joint venture in India, Kotak Mahindra Old Mutual Life Insurance, for net proceeds to Old Mutual plc of c.R2.4 billion (£138 million). The transaction is expected to conclude in H2 2017.

We also announced that we had agreed with Old Mutual Wealth in the UK that we will acquire certain of its international operations that provide offshore solutions to South African clients. This transaction is expected to complete in Q3 2017. We have commenced the transition for reporting these operations and accordingly OMEM's pre-tax AOP includes the international operations profits of R38 million for the first time. Prior year comparatives have not been restated.

Any further changes to our current portfolio will likely be effected through various corporate actions which will balance time, value and risk in delivering enhanced value. We will provide further updates as to the timing and nature of any possible consequential transactions in due course.

OMEM financial results review

Against the landscape of macroeconomic uncertainty and volatility, OMEM reported a credible result with pre-tax AOP of R6,025 million, which was 1% higher than the prior year. This reflects a significant turnaround in the Old Mutual Insure underwriting result, strong recovery of risk underwriting results in South Africa's Corporate segment and improved results in East Africa. The South African retail segments generated lower profits in relatively flat and volatile equity markets and worsening consumer conditions. OMEM continues its tight management of expenses, resulting in administration expenses in the first half of 2017 increasing by only 1% against the prior year, well below current inflation levels. Debt costs of R286 million were higher than the prior year of R259 million.

OMEM's IFRS profit (pre-tax and NCI) of R5,759 million was 4% higher than the prior year. The IFRS profit result is lower than pre-tax AOP due to adjusting items of R749 million (H1 2016: R833 million) partly offset by the inclusion of income tax attributable to policyholder returns of R483 million (H1 2016: R412 million) in pre-tax AOP. Adjusting items include positive short-term fluctuations of R629 million (H1 2016: negative R656 million) as the actual shareholder investment returns were higher than the LTIR assumed in AOP, driven by stronger equity markets in Zimbabwe. This was partly offset by one-off managed separation and standalone costs as well as costs relating to the strategic review totalling R81 million; and a further goodwill impairment of R1.2 billion related to the Rest of Africa.

The impairment follows 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, which is now applied at the UAP-Old Mutual Group entity level in East Africa. The review was previously performed at the Old Mutual Southern and East Africa (OMSEA) level, which also included more mature businesses in Namibia and Zimbabwe. The performance of the East Africa businesses, which was weaker than anticipated at the time of the previous impairment review, also had a minor impact. The continued focus on identified strategic priorities in the East African business is resulting in an improvement in the performance, albeit over a longer timeframe than anticipated at acquisition.

Gross sales of R103.6 billion were broadly in line with H1 2016. Covered APE sales of R6,126 million were 10% below the prior year, whilst non-covered sales of R72.4 billion increased by 1%. In the South African businesses top line growth was constrained against a particularly tough macroeconomic environment. Gross written premiums for the Property & Casualty businesses of R8,017 million declined by 2% from H1 2016 mainly due to remedial action taken on the loss making books in both South Africa and East Africa. Despite this, the Property & Casualty underwriting margin improved to 0.7% (H1 2016: -1.0%) following the material improvement in underwriting results.

OMEM maintained a strong PVNBP margin of 3.2% in H1 2017 (H1 2016: 3.3%), despite a decline in covered business APE growth in South Africa. The PVNBP margin in South Africa remained strong at 3.3% (H1 2016: 3.5%). VNB reduced by 14% to R998 million as a result of the lower sales as well as operating assumption and methodology changes made at the end of 2016. This was partly offset by pricing reviews on the Retail Affluent and MFC protection books and higher Absolute Growth Portfolio sales in Namibia.

Positive NCCF of R7.3 billion was supported by strong flows in Latin America and Asia. Old Mutual International flows for the period are now included in OMEM following the transfer of the international operations from Old Mutual Wealth in the UK, however prior year comparatives have not been restated. The South African operations in aggregate reported net outflows of R0.2 billion including the loss of a small number of large institutional, low margin, asset management mandates totalling more than R6.0 billion, as well as a single R1.0 billion outflow from the Namibian government pension fund. Funds under management increased by 12% to R1,127.9 billion from the 2016 year-end, largely due to the inclusion of offshore funds previously reported by Old Mutual plc in Old Mutual Asset Management in the United States as well as the Old Mutual International flows.

The Return on Equity, calculated as AOP (post-tax and NCI) as a % of average IFRS equity attributable to shareholders of the parent, reduced from 20.0% at H1 2016 to 19.2% at H1 2017 due to the higher IFRS equity attributable to shareholders of the parent of R44.8 billion (H1 2016: R41.3 billion). The increase in equity attributable to shareholders is principally due to growth in IFRS profits.

The Return on Embedded Value remained strong at 12.8% in H1 2017, however is lower than the 14.8% at H1 2016. Operating MCEV earnings (post-tax) declined by 10% on the prior year to R3,769 million, which included South African operating MCEV earnings of R3,388 million which were 14% down on the prior year. This was mainly due to a lower new business contribution and reduced experience variances. Experience variances remained positive overall, with strong mortality, disability and expense profits. The disability experience improved materially from the large losses reported in H1 2016. This was partly offset by adverse persistency experience in South Africa, which is indicative of the continued financial strain caused by the economic environment.

Segmental operating review

South Africa

In South Africa, AOP of R5,217 million was 2% behind the prior year due to lower asset based fee income in Retail Affluent and lower profits in the unsecured lending business reported in MFC. This was partly offset by a strong recovery in the underwriting results of Old Mutual Insure and Corporate as well as tight management of administration expenses.

In Retail Affluent, profits of R1,765 million were 7% down on the prior year driven by lower asset based fee income and lower annuity investment earnings. This was partially offset by a R90 million net positive impact of reserving changes, as well as the first time inclusion of the Old Mutual International operations transferring from Old Mutual Wealth in the UK. Covered APE sales of R1,771 million were down 5% with sales of both protection products and tax free savings plans lower than the prior year. Non-covered sales reduced by 6% to R27,796 million driven by lower direct unit trust and Old Mutual Wealth (South Africa) platform flows. The combination of lower sales and higher outflows resulted in a negative NCCF result of R0.4 billion illustrating the effect of customers being under significant financial strain.

MFC profits declined by 7% to R1,376 million, mainly as a result of a 34% reduction in OMF profits to R364 million. Excluding OMF, MFC profits were 10% above the prior period due to better mortality experience as well as good expense management. Covered APE sales of R1,766 million were 3% below the prior year as the lower disposable income, as a result of the tougher economic environment, continues to impact our MFC customers. NCCF of R2.9 billion increased by R0.3 billion from the prior period.

Lower OMF profits were mainly due to lower average loan yields following the implementation by the Department of Trade and Industry (DTI) of interest rate caps in May 2016. The prior year benefited from a one-off positive impact (lower provision charge) due to a reduction in the loss recovery discount rate associated with the implementation of the DTI interest rate caps.

In preparation for IFRS 9 – Financial Instruments, which comes into effect in 2018, management reviewed the credit quality assessment used for calculating provisions within OMF which now takes into account recent payment behaviour. This resulted in a lower provision (and an associated positive profit impact) as the payment behaviour on long overdue loans was better than anticipated. This was partly offset by writing off R4.3 billion of long outstanding loans (and releasing the corresponding impairment provision), which were deemed to have low recoverability.

The remaining R1.1 billion of long outstanding loans have now been categorised as defaulted loans. R0.7 billion of restructured loans where payment behaviour has improved have been reclassified as performing loans in line with the principles of the SARB directive 7/2015. In both cases the original provision coverage was maintained, resulting in an increase in the provision coverage of these categories. The net impact was a 22% decline in the loans and advances to R11.2 billion since H1 2016, and a one-off positive AOP impact of R78 million in H1 2017.

Excluding the one-off impacts in H1 2016 and H1 2017, OMF's normalised profits reduced from R392 million in H1 2016 to R286 million in H1 2017. This was driven by lower net interest income and non-interest revenue, which were 15% and 6% down on the prior year respectively, whilst credit losses of R350 million were 15% lower than the prior year. This resulted in a reported credit loss ratio in the first half of 2017 of 6.3%. The prior year credit loss ratio of 5.7% benefited from the one-off impairment methodology change.

Corporate profits of R799 million increased by 20% benefiting from significantly improved group risk underwriting experience and higher investment earnings, which was supported by pricing remediation and process improvements. Covered APE sales of R1,159 million were 24% behind the prior year mainly due to lower group assurance risk sales as well as lower Absolute Growth Portfolio smoothed bonus sales to retail customers. H1 2016 included large single premium deals that were not repeated in the current period. Non-covered sales of R1.9 billion were R1.4 billion lower, mainly due to a R1.8 billion single flow included in the prior period. The decline in gross sales together with higher benefit payments resulted in a negative NCCF of R0.3 billion, which was R3.1 billion below the prior year.

OMIG profits of R402 million were 10% lower than the prior year, driven by lower transactional fee income and index hedging results at OMSFIN. This was partly offset by higher base asset management fees from the listed asset management boutiques. Positive NCCF of R0.4 billion was achieved on the back of strong inflows into the Liability Driven Investment boutique. This was largely offset by the loss of a small number of large mandates totalling more than R6.0 billion from Futuregrowth and Customised Solutions. Non-covered sales of R19.4 billion were 13% lower than the prior year reflecting weaker retail investment conditions. OMIG retail funds have performed well over the past year with multi-asset funds notable in delivering top quartile performance.

Mutual & Federal, our South African Property & Casualty business, was rebranded to Old Mutual Insure in June 2017, creating a direct link to the Old Mutual brand, which will enable the group to leverage brand equity across customer segments, enhance collaboration and provide further cross-sell opportunities. Old Mutual Insure's underwriting margin improved significantly from (1.0)% in H1 2016 to 2.3% in H1 2017, reflecting the turnaround in the prior year underwriting loss of R44 million to an underwriting profit of R96 million in H1 2017. The positive result was driven by improved claims experience across most lines as a result of the lower frequency motor claims and the positive impact of the remedial action taken by the business to improve the quality of the commercial and corporate portfolio. Catastrophe events, including a firestorm in the Western and Eastern Cape in early June, caused substantial losses to property owned by our customers resulting in an increase in the catastrophe losses reported in the period. Our reinsurance structures put in place in the second half of 2016 have helped to limit our net underwriting losses to within our risk appetite, however we have prudently reserved for catastrophe losses in the period. Gross written premiums of R6.1 billion were 2% higher than the prior period mainly as a result of stricter underwriting criteria. iWYZE continued its turnaround and growth trajectory, achieving a positive underwriting result of R24 million (H1 2016: loss of R70 million) in the first half of 2017 and strong premium growth of 13% compared to the prior year. During the period, Old Mutual Insure completed the sale of a 25% equity interest in CGIC, the specialist corporate credit insurer, for R494 million to Atradius. As a strategic partner for CGIC, Atradius is expected to provide access to a range of benefits that include reinsurance, brand positioning, technology and risk underwriting. A gain on the transfer to minority shareholders of R280 million was recognised directly in equity.

Reported LTIR in South Africa of R967 million (H1 2016: R1,105 million) includes net income on assets in excess of regulatory required capital, which was previously reported in the Old Mutual plc head office result. Prior year comparatives have been restated. Central costs of R188 million were 14% lower than the prior year through expense reduction initiatives as well as timing differences.

Rest of Africa

Profits of R773 million were 31% higher than the prior year in reported currency (38% higher in constant currency), mainly due to improved underwriting results in Property & Casualty and lower Life & Savings new business strain in East Africa, as well as favourable currency movements in West Africa. The prior year included higher finance costs in MPICO, the property management business in Malawi. Administration expenses were 12% lower than the prior year driven by management cost initiatives, including a restructuring of the UAP-Old Mutual Group in East Africa. In the Property & Casualty businesses, gross written premiums of R1,919 million, were 13% lower than prior year following remediation actions on loss making books of business in East Africa. Covered APE sales of R542 million were in line with prior year, whilst non-covered sales of R6.8 billion were 1% higher. Higher outflows, including a R1.0 billion disinvestment in Namibia, resulted in NCCF of R1.6 billion which was 27% lower than the comparable period.

In Zimbabwe, profits of R487 million (including LTIR) declined by 5% on H1 2016 as a result of the strengthening of the rand on average against the US dollar, the local currency in Zimbabwe. Profits increased by 11% in constant currency supported by higher asset based fee income from the strong equity market. This reflects great resilience of the business in a challenging operating environment. However, consumers remain under pressure and the ongoing liquidity constraints contributed to a 15% decline in gross sales, which resulted in a R0.1 billion decline in NCCF at R0.4 billion compared to the prior year. CABS, which provides banking services in Zimbabwe, had loans and advances of R8.3 billion as at June 2017 which were 2% up on H1 2016, but 11% up in constant currency. Growth was largely generated by an increase in business lending. Deposits decreased by 1% in reported currency, but were 11% up in constant currency due to higher transactional deposits. The higher deposits and the introduction of interest rate caps in Zimbabwe has resulted in net interest income being down 20% (7% in constant currency) on the prior year. However, non-interest revenue increased by 9% in reported currency (20% in constant currency) mainly driven by higher transactional income following the continued roll-out of electronic payment devices. The credit loss ratio normalised to 0.6% compared to (1.1)% at H1 2016 which included one-off recoveries of previously impaired loans.

Namibia profits of R300 million (including LTIR) were 2% higher than the prior year, with covered APE sales of R267 million 15% higher and non-covered sales of R2,529 million were 11% higher. NCCF of R18 million was significantly down on the prior year (H1 2016: R0.8 billion), mainly reflecting a R1.0 billion withdrawal of a low margin investment by the government pension fund. During 2016, OMF South Africa sold its stake in OMF Namibia to Old Mutual Namibia. Consequently, the results for OMF Namibia have been consolidated for the first time within Old Mutual Namibia (previously equity accounted proportionately in South Africa and Namibia). Prior year comparatives have not been restated. As at 30 June 2017, the business reported loans and advances of R509 million and a credit loss ratio of 7.7%.

East Africa profits of R69 million (including LTIR) were significantly better than the prior year loss of R44 million reflecting improved claims experience in the Property & Casualty business and lower new business strain in the Life & Savings result in Kenya. In the prior year, property rental income was adversely affected by construction delays which completed by the year-end. The buildings have started to generate income, and most of our Kenyan operations have now relocated into the UAP-Old Mutual Tower in Nairobi. Gross written premiums of R1,132 million were 14% lower as a result of remediation of unprofitable books of business. Covered APE sales of R45 million were 32% lower, mainly due to lower corporate renewals, while non-covered sales of R1,895 million were 18% higher following a large single premium investment from the University of Nairobi's pension fund. As a result, NCCF improved to R0.8 billion compared to the prior period (H1 2016: R0.6 billion). Faulu, which provides banking services in Kenya, reported an 19% decline in the loan book to R2.2 billion (6% down in constant currency) mainly driven by stricter lending criteria following the introduction of interest rate caps. Deposits were 18% down (6% decline in constant currency) due to a more competitive environment for bank deposits. As a result, net interest income was 30% down (17% in constant currency) on the prior year. Non-interest revenue was down 4% in reported currency, but increased 16% in constant currency mainly due to higher transactional revenue. The credit loss ratio improved to 0.6% (H1 2016: 0.8%) as a result of improved collection experience.

Progress with the integration of the UAP-Old Mutual Group has been slower than anticipated. Although operational performance has improved strongly since H1 2016, the results remain behind our initial expectations. We continue to be confident that enhanced performance will be achieved in the medium term as we remain focussed on driving operational efficiencies throughout the East African business. During H1 2017, UAP delivered AOP post-tax and NCI of R21 million on invested capital of R2,899 million, yielding an annualised return on investment of 1.4% (H1 2016: 0%). An operational restructuring of the combined entity was completed during H1 2017 resulting in significant changes in the management structures to unlock performance improvement opportunities. Initiatives to improve the underwriting and claims processes are ongoing, leveraging expertise from Old Mutual Insure. Following a strategic review, it was agreed to dispose of the non-core operations in the Democratic Republic of the Congo to AIBA, a leading Angola-based insurance broker. The transaction was approved by the regulator and by shareholders at the UAP Holdings Annual General Meeting in June, and is expected to complete by the end of 2017. Further progress has been made on the optimisation of the combined entity's balance sheet with the consolidation and reduction of debt, and identifying properties earmarked for sale, subject to acceptable valuations.

Latin America and Asia

Latin America profits of R218 million were 6% higher in reported currency (up 14% in constant currency) as a result of higher investment returns in Colombia and lower losses in Mexico as this business continues to gain scale. Covered APE sales of R271 million were down 2% in reported currency, but 20% above in constant currency driven by higher retail sales in both Colombia and Mexico. Non-covered sales of R21.9 billion were 38% above the prior year due to corporate savings flows in Mexico and the inclusion of Old Mutual Global Investors flows through AIVA, which were not included in the prior year. As a result, NCCF of R7.3 billion was R4.4 billion higher than the comparative period.

In Asia, profits of R105 million were 28% higher than the prior year (45% increase in constant currency) mainly due to higher investment income in India. OMEM AOP includes R118 million of profits from Kotak Mahindra Old Mutual Life Insurance Limited (H1 2016: R98 million). NCCF of R1.1 billion was R1.3 billion above the prior year due to lower surrenders from universal life products in China.

Cash flows and liquidity

Free surplus generation

In the first half of 2017, OMEM generated free surplus of R3,563 million (H1 2016: R2,956 million). The R607 million increase in free surplus generated was largely attributable to significant positive investment variances in the Rest of Africa following high returns from Zimbabwe's volatile equity market. This resulted in an increase in the conversion rate to 86% (H1 2016: 72%) of AOP post-tax and NCI of R4,144 million, which was flat against the prior year.

Covered business free surplus generated in OMEM is calculated using the free surplus component of MCEV earnings. Non-covered business free surplus generated is calculated as AOP post-tax and NCI adjusted for short-term fluctuations in investment return and movements in required capital for OMEM's Property & Casualty business.

During H1 2017, OMEM remitted R1.0 billion of the free surplus generated (H1 2016: R2.7 billion) to shareholders. The lower dividend relative to the prior year is in line with Old Mutual plc's conservative approach in setting the group dividend. This will allow the business to further strengthen its liquidity and solvency needs in preparation for SAM and standalone balance sheet requirements.

OMEM debt and credit rating

The book value of non-banking debt was R5,945 million as at 30 June 2017 (H1 2016: R5,897 million). 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. As at 30 June 2017, OMEM subsidiaries had drawn R260 million of a total R5,250 million revolving credit facility. UAP has a KES 2,098 million fixed rate corporate bond maturing in 2019 and debt of USD 57 million (includes USD 31 million from Nedbank and USD 10 million from Old Mutual Africa Holdings) maturing in 2019, 2020 and 2023.

On 7 August 2017, S&P noted that it had reviewed its National Scale Ratings on South Africa's insurers that were previously labelled as "under criteria observation" (UCO), after recalibrating its national scale mapping table for South Africa. As a result of this review, OMLAC(SA)'s national scale rating was revised to zaAAA/--/zaA-1+ from zaAA-/--/zaA-1. Furthermore, the rating on the subordinated deferrable notes was revised to zaAA from zaA. At the same time, the UCO identifier on these ratings was removed. The rating actions do not reflect a change in S&P's view of the fundamental credit quality of OMLACSA or OMLACSA issued debt.

Solvency position and regulatory developments

OMEM has a strong, well-diversified and resilient balance sheet which will be able to withstand a number of shocks. We disclose solvency capital under the current regulatory capital rules (South Africa statutory valuation method), but have adopted the provisional Solvency Assessment and Management (SAM) basis for our South African businesses, in the way we manage capital. Although aspects of the regulatory prudential standards still need to finalised, we expect the OMLAC(SA) and OMEM Group balance sheets to demonstrate strong resilience on the SAM basis.

As at 30 June 2017, OMLAC(SA)'s capital coverage was 3.1x (H1 2016: 3.1x) using the current regulatory capital rules. Old Mutual Insure's capital coverage was 1.6x (H1 2016: 1.5x).

Customer and product experience developments in the year

In line with our vision of becoming our customers' most trusted partner and to help them reach their financial goals, OMEM continues to focus on customer centric product innovations, expanding our reach with new distribution channels and enhancing the customer experience. OMEM has 11.6 million customers, strongly up from 10.9 million at the end of 2016, with 6.0 million customers in South Africa (FY 2016: 5.9 million) and 4.9 million customers in the Rest of Africa (FY 2016: 4.4 million). The strong year-to-date growth in Rest of Africa was driven by new group life members in Kenya as well as excellent traction through our partnerships with mobile network operators in both Kenya (healthcare) and Swaziland (funeral cover).

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

In South Africa the key driver of our investment into IT is to replace IT platforms that will reach end-of-life by 2020. We have taken the opportunity to also enhance our South African retail propositions. We are implementing the changes in a staged and carefully managed manner covering both the enhancing of retail propositions and migrations from the end-of-life platforms. This programme remains on track to deliver in stages until 2020 and within the cost parameters communicated at the preliminary results in March. We have reduced the risk of overruns by negotiating fixed price contracts for a material part of the programme.

We have built a proven track record in delivering shareholder value through partnerships, with both public and private sector enterprises and within and across geographical borders. We believe that such mutually beneficial partnerships are a strategic differentiator, unlocking value-added services for customers and growth potential for all partners involved.

In South Africa, our direct online offering for savings products, including the Tax Free Savings Plan and Flexible Plan, was strengthened by the addition of two products providing life cover. The launch of iWYZE Life in March 2017 was followed with a funeral cover plan in May 2017. Take up of our new fixed bond offering (in partnership with Clientele) exceeded expectations and added R170 million of

inflows in just 5 weeks. We also launched the 100% Peace of Mind campaign in May which offers enhanced definitions for Greenlight Severe Illness as well as a campaign focusing on single premium savings for retail customers.

Our branch network is key to our Integrated Financial Services strategy which is delivering customer value by providing a seamless experience. In-branch staff are able to assist customers meet multiple financial sales and service needs while capitalising on cross-sell opportunities. During the first half of 2017 we opened 15 new branches (307 in total). This branch network contributes 30% to total MFC covered APE sales (up from 28% at the end of 2016), with better persistency experience and higher productivity than other channels. We have also rolled out free WI-FI to all branches allowing our visiting customers access to data connectivity.

In partnership with Telkom, we continue to offer both funeral cover and handset insurance to the Telkom Mobile customer base. We cover 13,000 customers at no extra cost when they top-up their Telkom airtime by R100, while Telkom Handset Insurance, which is underwritten by Old Mutual Insure, has over 19,000 customers.

In the first half of 2017, Old Mutual Investment Group launched a new active fundamental Global Equity boutique, Old Mutual Titan. The boutique will initially manage a global equity UCITS fund, which is an all-country equity fund with both developed and emerging market exposure, and will be available to domestic and international retail and institutional investors.

In the Rest of Africa, Old Mutual Botswana Life Insurance was officially launched in March, while the Property & Casualty operation received regulatory approval for a travel insurance product. In Malawi, new funeral and savings products were launched to the retail mass market in June. In Zimbabwe, the reach into the informal market was expanded through the launch of Old Mutual Finance in May, a micro-lending business, as well as the construction of an SME Centre in Harare to provide affordable office space for small and medium sized enterprises. In Nigeria, a new term plan with a cash-back option was launched and we have partnered with Ecobank to deliver both Life and Property & Casualty bancassurance products, subject to regulatory approval. In Ghana, the bancassurance model has been fully implemented and this channel now accounts for approximately half of Ghana's retail sales.

In Latin America, the Vision Flex savings product in Mexico was enhanced with the addition of a short-term savings pocket to make the product simpler and more affordable for customers.

Group collaboration and managed separation process

Nedbank and OMEM (including Old Mutual Insure) continue to work towards committed synergies of R1.0 billion by end 2017 through deeper collaboration. We remain well on track and expect to exceed our target of R1.0 billion by the end of the year.

We continue to work with our Old Mutual plc head office and our fellow subsidiaries in executing the managed separation. In our managed separation readiness processes we are building capabilities and developing our target operating model. OMEM is expected to form the principal operating subsidiary of Old Mutual Limited, post the unbundling of Nedbank.

Our estimates relating to costs in preparation of becoming standalone are unchanged. We expect to spend up to R100 million per annum as recurring listing costs and between R100 million and R180 million per annum on other incremental recurring costs related to being a standalone company. As we implement business improvements and establish local capabilities we also expect to incur one-off costs of between R250 million and R300 million over 2017 and 2018, although less is expected to occur in 2017 than previously indicated. In the first half of 2017, we only incurred R81 million. The one-off managed separation and business standalone costs are reported in IFRS profits only.

Supporting economic transformation

Given the dynamic nature of the South African political and economic environment we are focused on engagements with key stakeholders, including the National Treasury, regulators and leading labour federations and we remain involved in various thought leadership initiatives supporting the National Development Plan. We are also engaging with regulators elsewhere, including in Zimbabwe, Botswana, Kenya, Tanzania and Nigeria.

OMEM continues to be committed to the CEO Initiative in South Africa. The Initiative's mandate is unchanged and the CEOs remain committed to continuing to work with government and labour to jointly and cohesively stimulate economic growth, instil investor confidence and address socioeconomic development in South Africa in order to achieve a more inclusive and faster-growing economy. Key aspirations include preventing further sovereign credit rating downgrades and restoring our investment grade credit ratings over time. A Chief Executive has been appointed to head up the CEO Initiative's R1.5 billion SME Fund, which will start deploying funds to small and medium enterprises within South Africa in the second half of 2017.

We recognise the challenging nature of the social, political and environmental operating context in Africa and understand the long-term consequences of this for our business, our customers and broader stakeholders. We see great opportunity in responding to these challenges through a shared value approach to driving inclusive socioeconomic transformation. Our group-wide Responsible Business Programme is focused on unlocking shared value opportunities in the areas of financial wellbeing and responsible investment, both of which are central to our core business model. We know that addressing these issues will be good for our business and the societies in which we operate. We execute on this through various initiatives.

OMEM remains committed to the promotion of entrepreneurship and the development of the small, medium and micro-sized enterprise (SMME) ecosystem as a key catalyst for job creation. To date we have committed c.R150 million through various initiatives including the Masisizane Fund, the Old Mutual Foundation and supporting supplier development. Together with Nedbank, we remain committed to our BEE partners, WIPHOLD, Brimstone and Izingwe, through various initiatives. The Masisizane Fund is celebrating its 10th anniversary in 2017. This fund was established from the unclaimed shares 10 years after our demutualisation as a vehicle to support the development of SMMEs through loan financing, training and mentorship. Since inception, this fund has approved loans of c.R500 million of which c.R400 million has already been disbursed. Through this investment, the fund has supported over 200 enterprises and facilitated the creation of more than 6,700 jobs.

The Education Flagship programme which supports development of teachers and school leadership teams with coaching and mentoring to contribute towards building effective schools remains a priority for OMEM. This programme is currently active in 4 provinces. In addition, we have committed further investments with initiatives such as the Partners for Possibility (PFP) and Ikusasa Student Financial Aid, which is backed by government and the private sector to provide an alternative financing and operating model for higher education to address the funding crisis affecting working class students.

We continue to make good progress on our Responsible Investment commitment to systematically integrate the consideration of Environmental, Social and Governance issues into our investment processes. Additionally we are working to drive our contribution to the development of a socially inclusive, resource efficient and low carbon economy, referred to as a “green economy”. We developed a Green Economy Taxonomy that allows us to classify our unlisted securities regarding their green economy attributes. Based on the full year 2016 assets under management, c.R112 billion of our clients’ capital, including debt and equity, is at work in the green economy.

Key risks

The key risks to delivering our strategic ambitions remain broadly in line with those described in the OMEM section of the 2016 Old Mutual plc Annual Report. During the first half of the year, the tough economic and uncertain socio-political environments created investor uncertainty in the major regions where we operate, in particular South Africa, Zimbabwe and Namibia. Although sales have been negatively affected, the business remains resilient.

We are currently exposed to higher levels of strategic change risk, including the managed separation process, technology investment and regulatory developments that could adversely impact our distribution models. Considerable management focus is being directed to these areas. We are investing in new technology and redesigned business processes, along with other initiatives to combat cybercrime risk, which remains high against the landscape of multiple major global incidents since the start of the year.

We continually evaluate our risk exposures for the key risk metrics (Regulatory Solvency, Economic Capital at Risk, Earnings at Risk and Liquidity), which includes regular stress testing, to ensure that we pro-actively manage risks to enhance returns while ensuring that risk exposures remain within risk appetite. In this regard, stress and scenario testing has been undertaken to understand the impact of potential further sovereign credit rating downgrades to the South African businesses, which helped in formulating management plans to ensure that particularly our credit risk exposures in particular remain within our risk appetites.

Business prospects and outlook

Economic conditions across the emerging markets where we operate are expected to remain challenging, with continued currency and equity market volatility placing pressure on fee based income across the business. In sub-Saharan Africa, 2017 GDP growth is forecast at 2.6%, whilst South Africa’s economy is forecast to grow at 0.8%. Following the recent 25 bps rate cut, we expect interest rates to remain stable for the remainder of the year and inflation to remain within the target range. However, as the full impact of the sovereign credit rating downgrades filters into the economy, we anticipate that our customers will remain under financial pressure as unemployment rates increase and consumer spending declines, which may continue to impact our top-line growth, retail persistency and credit losses over the cycle.

Despite these conditions, we believe that consistent with the outlook provided at the Old Mutual plc AGM statement, OMEM’s businesses remain resilient and are well positioned to face the headwinds. Specifically:

- We continue to have expectations for moderate full year earnings (pre-tax) growth.
- We anticipate that the actions that have been put in place at Old Mutual Insure will deliver an underwriting margin within our target range of 4% - 6% through the cycle.
- In East Africa, we will continue with the integration of our local businesses to drive performance, with particular focus on the underwriting profitability of the Property & Casualty businesses.

We remain focused on customer retention efforts, through product design and management actions during this time of softening retail confidence and income growth; improving our cost to income ratio through cost efficiency leadership such that our cost base is expected to grow at less than inflation (inclusive of the incremental recurring costs as a result of managed separation); and optimising our standalone balance sheet whilst maintaining a sustainable dividend cover.

Part 2 – Detailed Business Review

Emerging Markets data tables (Rand)

Adjusted operating profit by cluster (pre-tax, Rm)	H1 2017	H1 2016 Restated	% change
Retail Affluent [1]	**1,765**	1,892	(7%)
Mass Foundation	**1,376**	1,477	(7%)
Corporate	**799**	666	20%
OMIG	**402**	448	(10%)
Property & Casualty	**96**	(44)	318%
LTIR [2]	**967**	1,105	(12%)
Central expenses and administration[1]	**(188)**	(218)	14%
South Africa	**5,217**	5,326	(2%)
Rest of Africa	**456**	282	62%
LTIR	**404**	405	-
Central expenses and administration	**(87)**	(99)	12%
Rest of Africa	**773**	588	31%
Asia & Latin America [3]	**323**	287	13%
Central expenses and administration	**(2)**	10	(120%)
Asia & Latin America	**321**	297	8%
Debt costs	**(286)**	(259)	(10%)
Total Emerging Markets	**6,025**	5,952	1%

[1] From 2017 onwards, Retail Affluent AOP includes Old Mutual International as this is reported in OMEM's results, previously OM Wealth (H1 2017: R38 million). Comparatives have not been restated.
[2] From 2017 LTIR on assets in excess of regulatory required capital is now reported within OMEM, previously reported within Old Mutual plc. Comparatives have been restated (H1 2016: R217 million).
[3] Asia AOP includes India profit of R118 million in H1 2017 (H1 2016: R98 million).

Embedded Value (Rm)	H1 2017	H1 2016	% change
PVNBP sales [1]	**31,049**	35,679	(13%)
PVNBP margin (%) [1]	**3.2%**	3.3%	(10 bps)
Return on MCEV (RoEV) (%)	**12.8%**	14.8%	(200 bps)
VNB	**998**	1 162	(14%)
MCEV operating earnings (post-tax and NCI)	**3,769**	4,182	(10%)

[1] With effect from H1 2016, PVNBP includes covered APE sales in Colombia. No PVNBP or VNB is calculated in respect of covered APE sales in India and China.

Nedbank

Highlights (Rm)	H1 2017	H1 2016	% change
IFRS profit after tax attributable to equity holders of the parent [1]	**2,909**	3,005	(3%)
IFRS profit before tax [2]	**7,757**	7,595	2%
AOP (pre-tax)	**7,852**	7,628	3%
Headline earnings	**5,271**	5,427	(3%)
Net interest income	**13,548**	13,028	4%
Non-interest revenue	**11,730**	11,357	3%
Net interest margin [3]	**3.58%**	3.52%	
Credit loss ratio	**0.47%**	0.67%	
Efficiency ratio	**59.3%**	57.1%	
Return on Equity	**14.0%**	14.6%	
Return on Equity (excluding goodwill)	**15.1%**	15.7%	
Common equity Tier 1 ratio	**12.3%**	11.6%	

[1] IFRS profit after-tax attributable to equity holders of Old Mutual plc
[2] As reported by Nedbank
[3] Comparative rebased

The full text of Nedbank's results for the six months ended 30 June 2017, released on 2 August 2017, can be accessed on our website http://www.oldmutualplc.com/media/news/view-news.jsp?news-id=31883. The following is an edited extract:

Banking and economic environment

Despite ongoing geopolitical tensions, economic growth in developed markets improved, supported by accommodative monetary policies as well as manufacturing and trade activity gaining momentum. Emerging and developing economies also improved as a consequence of growth in China, a recovery in global commodity prices and increased capital inflows as global investors search for higher yields.

Against previous expectations of an improved economic environment in 2017, SA entered a technical economic recession, with GDP contracting by 0.3% in the fourth quarter of 2016 and by 0.7% in the first quarter of 2017. The weakness in the economy was widespread, with the manufacturing, utilities and domestic trade sectors all declining sharply. Consumers were placed under increased financial pressure as unemployment rates rose to a historic high of 27.7%. This, combined with the contraction in real disposable income and household consumption expenditure, led to a slowdown in household credit demand as households reduced debt levels, reflected in the debt-to-disposable income shrinking to 73.2%. In addition, credit demand was impacted as government fiscal policy focused on stabilising the budget deficit.

Confidence levels declined to new lows following President Zuma's cabinet reshuffle on 31 March 2017, which triggered a sovereign-ratings downgrade by three international rating agencies. Standard & Poor's Global Ratings downgraded SA's foreign currency debt to sub-investment grade, but retained the local currency rating at investment grade. Fitch downgraded the country's foreign and local currency rating to sub-investment grade. Moody's also downgraded SA's sovereign risk ratings to one notch above sub-investment grade. Both Standard & Poor's and Moody's placed the country on a negative ratings outlook.

While the current levels of political and economic uncertainty persist, there is heightened risk of further sovereign downgrades of the local currency debt to below investment grade and the resultant exclusion from the Citibank World Government Bond Index would have negative consequences for the SA economy.

Review of results

Nedbank produced a resilient performance in a macro environment that has proved to be more challenging than expected. Our managed operations produced headline earnings growth of 6.7% to R6,433 million (June 2016: R6,030 million), driven by slower revenue growth, reduced impairments and good cost management.

Headline earnings, including our share of the loss from ETI of R1,162 million (June 2016: R603 million loss), decreased by 2.9% to R5,271 million (June 2016: R5,427 million).

This translated into a decrease in diluted headline earnings per share (DHEPS) of 3.7% to 1,078 cents (June 2016: 1,119 cents) and a decrease in headline earnings per share (HEPS) of 3.3% to 1,098 cents (June 2016: 1,135 cents). Excluding ETI, DHEPS increased by 5.9% to 1,316 cents (June 2016: 1,243 cents).

ROE (excluding goodwill) and ROE decreased to 15.1% (June 2016: 15.7%) and 14.0% (June 2016: 14.6%) respectively. ROE (excluding goodwill and ETI) improved from 18.4% to 18.9%. The ROA decreased to 1.10% (June 2016: 1.19%). Excluding ETI, ROA improved from 1.32% to 1.35%.

Our common equity tier 1 (CET1) capital ratio of 12.3% (June 2016: 11.6%), average LCR for the second quarter of 104.6% (June 2016: 93.1%) and an net stable funding ratio (NSFR) of above 100% on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet.

Cluster financial performance

Nedbank's managed operations generated headline earnings growth of 6.7% to R6,433 million (June 2016: R6,030 million) and delivered an ROE of 17.6% with good earnings contributions from CIB and RBB.

CIB maintained an attractive ROE of above 20% and produced solid results, underpinned by improved credit losses. Although both revenue lines were affected by slowing economic activity, NIR growth was also impacted by a high base. Early repayments, coupled with slower drawdowns, resulted in weaker advances growth although the pipeline remained stable.

RBB delivered an improved ROE and good headline earnings growth, underpinned by solid NIR growth and lower impairments and expense growth. As a result pre-provisioning operating profit (PPOP) was up 3.1%, which is indicative of a growing franchise. NII benefited from improved volumes and mix changes in both advances and deposits, offset by margin compression largely due to the impact of the prime - JIBAR squeeze. NIR growth was supported by quality transactional income and card revenue.

Nedbank Wealth’s decrease in headline earnings reflects a difficult first half, with good performances in Wealth Management and Asset Management, which were offset by a weaker performance in Insurance due to the impact of higher weather-related claims, an increase in lapses, as well as lower volumes. Nedbank Wealth’s offshore businesses were also impacted by the strengthening of the rand.

RoA's earnings were negatively impacted by the loss from our associate ETI as a result of its fourth-quarter 2016 loss (previously announced on 18 April 2017, negative R1,2013 million impact on Nedbank associate income) and its first-quarter 2017 profit (previously announced on 27 April 2017, positive R142 million impact on Nedbank associate income), in line with our policy of accounting for ETI earnings a quarter in arrear. The RoA subsidiaries grew headline earnings off a low base, benefiting from the first-time consolidation of Banco Único, while continued investment in the franchise and technology systems has led to strong client gains.

The increase in the Centre was largely due to fair-value gains on the underlying hedging portfolios.

Financial performance

Net interest income

NII increased by 4.0% to R13,548 million (June 2016: R13,028 million), ahead of average interest-earning banking asset growth of 2.4%.

NIM expansion of 6 bps to 3.58% (June 2016: 3.52% rebased) was largely driven by an endowment benefit of 9 bps and improved asset mix change of 6 bps, offset by asset pricing pressure of 5 bps and the narrowing of the prime-JIBAR spread costing 4 bps.

Impairments charge on loans and advances

Impairments decreased by 27.9% to R1,594 million (June 2016: R2,211 million), underpinned by a quality portfolio across all clusters. The lower CLR of 0.47% (June 2016: 0.67%) largely relates to the improvement in CIB's CLR.

In CIB impairments are individually determined and 86% of impairments are concentrated in approximately 10 counters. During the period the positive resolution and rerating of some counters led to the release of specific and portfolio impairments. Overall the improvement in CIB's CLR was driven by recoveries from Commercial Property Finance and improved commodity prices. RBB's lower CLR represents the underlying mix effect of personal loans and home loans continuing to improve, and MFC and Card increasing in line with expectations. Furthermore, in RBB some of the additional overlays that were previously raised for event risks, such as drought in certain geographies and a possible deterioration in secured lending to higher-risk clients who also have a personal loan, were released as these risks have not materialised and the related portfolio provisions can no longer be justified. Continued prudence in provisioning and a proactive collections strategy contributed to higher levels of post write-off recoveries at R578 million (June 2016: R564 million).

Total defaulted advances increased by 9.5% to R20,190 million (June 2015: R18,437 million), mostly driven by MFC and Card in RBB, partly offset by the improvement in CIB as well as the effect of SARB directive 7 and new curing definition, reported at 31 December 2016, resulting in loans previously shown as performing being reclassified as defaulted. Defaulted advances, excluding these 'performing defaulted advances' increased by 0.3% to R16,608 million (June 2016: R16,556 million).

The specific coverage ratio of 37.2% (June 2016: 36.2%) reflects the changing mix across all our portfolios and includes the increase in CIB’s specific coverage to 24.6% (June 2016: 14.8%) along with RBB's lower specific coverage of 41.1% (June 2016: 44.6%). RBB's coverage ratio is in line with the 41.1% level reported at December 2016 and, excluding performing defaulted advances, RBB's specific coverage was maintained at 49.6% (June 2016: 49.7%).

The reduction in the portfolio coverage ratio to 0.65% (June 2016: 0.71%) mostly relates to RBB's additional overlays decreasing to R409 million (June 2016: R701 million). The central portfolio provision decreased from R500 million at 31 December 2016 to R350 million (June 2016: R350 million). This provision is being maintained for, inter alia, the effect of the potential ratings downgrade of the local currency and stressed sectors such as resources, cement, construction and retailers remaining under pressure. We continue to monitor asset quality closely for any material evidence of the effect of the sovereign downgrades and the recession.

Non-interest revenue

NIR growth of 3.3% to R11,730 million (June 2016: R11,357 million) reflects a resilient performance. The underlying movements relate to:

- Commission and fee income growth of 3.1% to R8,436 million (June 2016: R8,185 million), as weak business and consumer confidence levels negatively affected transactional activity in CIB and led to lower volumes in RBB where an increasing number of clients also transacted within fixed-rate bundles.
- Insurance income decreasing 15.7% to R776 million (June 2016: R921 million) as a result of significant weather-related claims, lower homeowner's cover and credit life volumes, and an increase in lapses.
- Trading income increasing 13.3% to R2,006 million (June 2016: R1,771 million) from good performance in the markets business as volatility levels remain elevated.
- Private-equity income reducing to R203 million (June 2016: R432 million) relative to the high base in the comparative period, which included positive realisations in the Commercial Property Finance portfolio.

Expenses

Expense growth of 5.0% to R14,369 million (June 2016: R13,686 million) was below inflation and below the guidance we provided for the full 2017 year (being growth of mid-to-upper single digits), demonstrating disciplined and careful management of discretionary expenses in an environment of slowing revenue growth. Overall, growth was largely driven by our investments for transactional banking strategies of R265 million and the consolidation of Banco Único of R147 million, partly offset by efficiencies of R342 million. The underlying movements included:

- Staff-related costs increasing at a slower rate of 3.6%, following-
    - 8.4% growth in remuneration and other staff costs, including an average annual salary increase of 6.5% and a reduction in staff numbers since December 2016; and
    - a 7.6% decrease in short- and long-term incentives.
- Computer-processing costs increasing 6.9% to R2,121 million off a higher base in the prior year.
- Fees and insurance costs being 12.7% higher at R1,557 million, due mostly to additional regulatory-related costs.

Nedbank's growth in expenses exceeded total revenue growth of 3.7%, resulting in a negative jaws ratio of 1.7% (June 2016: 1.7% positive) and an efficiency ratio of 56.5% (June 2016: 55.6%) for managed operations. Expense growth, excluding the RoA, was 3.4%.

Earnings from associates

The loss of R1,053 million (June 2016: R431 million loss) 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 R142 million reported by ETI for the first quarter of 2017 (announced on 27 April 2017), in line with our policy of accounting for ETI earnings a quarter in arrear. The effect of ETI's loss on Nedbank's headline earnings was R1,162 million, including the R101 million impact of funding costs.

Accounting for this associate loss, together with Nedbank's share of ETI's other comprehensive income and Nedbank's foreign currency translation reserve, reduced the carrying value of the strategic investment in ETI from R4.0 billion on 31 December 2016 to R3.1 billion at 30 June 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 equity market has increased by 31%. In line with this the market value of Nedbank's investment in ETI, based on its quoted share price - albeit in illiquid markets, increased to R3.0 billion on 30 June 2017 and R3.7 billion on 28 July 2017. While risks remain, we believe the outlook for ETI is improving.

As required by IFRS, the R1 billion impairment provision recognised at 31 December 2016 was reviewed at 30 June 2017 and it was determined that no change to the provision is required. A similar review will be performed at our 2017 financial year-end.

ETI remains a strategic 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. We have made good progress in working with ETI's board and other institutional shareholders to strengthen their board and management. Institutional shareholder representation on ETI's board has increased and Nedbank has two appointees. Subject to regulatory approval, Brian Kennedy will join Mfundo Nkuhlu on ETI's board. Mfundo has recently been nominated to become Chair of the ETI Risk Committee. We remain supportive of ETI's endeavours of delivering an ROE in excess of its cost of equity (COE) in due course.

Part 2 – Detailed Business Review

Statement of financial position

Capital

Nedbank continued to strengthen its capital position, with our CET1 ratio at 12.3% (June 2016: 11.6%) now close to the top end of our internal target range, following organic capital generation through earnings.

In the current environment of slower advances growth, capital generation has been stronger following low credit RWA growth, a decrease in trading market RWA due to foreign exchange movements and the decline in the threshold deduction given the decrease in the carrying value of ETI.

In addition to lower RWA growth, we continue to identify RWA optimisation initiatives that will support the industry implementation of the new Standardised Approach for counterparty credit risk that becomes effective later this year.

Nedbank's tier 1 ratio improved to 13.2% (June 2016: 12.5%) and includes the issuance of R1.1 billion of new-style additional tier 1 capital instruments during the last 12 months, offsetting the progressive grandfathering of perpetual preference shares as we transition towards end-state Basel III requirements. Nedbank's total capital ratio improved to 15.7% (June 2016: 14.5%) and includes the issuance of R4.5 billion of new-style tier 2 capital instruments that more than offsets the redemption of US$100 million in old-style tier 2 capital instruments during the last 12 months.

Funding and liquidity

Optimising our funding profile and maintaining a strong liquidity position remain priorities for Nedbank in the current environment.

Nedbank's three-month average long-term funding ratio improved to 33.1% for the second quarter of 2017 (June 2016: 30.9%), supported by growth in Nedbank Retail Savings Bonds of R3.1 billion to R22.3 billion and the successful capital markets issuance of R3.5 billion of senior unsecured debt, R2.5 billion of tier 2 debt and R1.0 billion of securitisation. Our funding profile benefited from our above-average market share in the medium-to-longer-term wholesale funding buckets, which reduced our LCR HQLA requirements, positively impacting the all-in cost of wholesale funding.

Nedbank's quarterly average LCR of 104.6% (June 2016: 93.1%) exceeded the minimum regulatory requirement of 80% in 2017 and 90% from 1 January 2018. To absorb the seasonal and cyclical volatility in the LCR Nedbank maintains appropriate operational buffers.

Liquidity Coverage Ratio	H1 2017	FY 2016	H1 2016
High quality liquid assets (Rm)	**144,568**	137,350	127,114
Net cash outflows (Rm)	**138,260**	125,692	136,469
Liquidity Coverage ratio (%) [1]	**104.6**	109.3	93.1
Regulatory Minimum (%)	**80.0**	70.0	70.0

[1] Average for the quarter

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 to a quarterly average of R144.6 billion (June 2016: R127.1 billion). Together with our portfolio of other quick-liquidity sources, the total available sources of quick liquidity amounted to R190.0 billion (June 2016: R167.7 billion), representing 19.7% of total assets.

Nedbank has maintained the NSFR at above 100% on a pro forma basis and is already compliant with the minimum regulatory requirements that will be effective on 1 January 2018. The remaining key focus areas relating to the NSFR are finalising a number of minor interpretational matters and ensuring that compliance is achieved in the context of balance sheet optimisation.

Loans and advances

Loans and advances increased 2.4% to R709.9 billion (June 2016: R693.3 billion), driven by improved growth across the retail banking portfolios.

Advances growth in CIB was flat, with commercial-mortgage advances increasing 8.3%. Our leading market share in commercial mortgages continued to be underpinned by a strong client base and a large, secure asset pool. In contrast, term loans decreased 5.8% due to weak business confidence levels resulting in drawdowns being delayed, as well as early repayments of loans. Excluding the impact of the stronger USD/ZAR exchange rate on the foreign lending book, total CIB advances growth was 2.6%.

RBB grew advances across all key categories with MFC and Card increasing 6.6% and 6.7%, respectively, while Home Loans and Personal Loans grew at below-inflation levels. Business Banking advances growth remained flat, owing to slower drawdowns as many clients continue to manage their cashflows more carefully and delay investment decisions.

Growth in advances in the RoA Cluster was largely due to the inclusion of Banco Único, which contributed R2.5 billion to the advances portfolio. On a like-for-like basis advances growth was flat due to muted economic growth in the rest of the SADC countries.

Deposits

Deposits grew 2.8% to R762.7 billion (June 2016: R741.7 billion), with total liabilities increasing 2.1% to R881.2 billion (June 2016: R863.3 billion). The loan-to-deposit ratio improved to 93.1% (June 2016: 93.5%).

Active management of our deposit and transactional banking franchise resulted in RBB deposits growing strongly by 8.8% to R279.3 billion (June 2016: R256.7 billion), contributing to market share gains in household deposits to 19.1% (June 2016: 18.6%) and current accounts to 19.4% (June 2016: 19.1%). Growth in current accounts of 8.3% and fixed deposits of 9.2% was driven by the success of investment products such as our Tax-free Savings Account, Green Savings Bond and 12-month Fixed Deposits, as part of our strategy to grow Basel III-friendly deposits.

Good growth was recorded in other key deposit categories, including call accounts and term deposits of 6.3% and cash management of 5.4%, while foreign currency liabilities decreased by 17.9%. This was predominantly driven by a reduction in expensive foreign currency funding used in the general rand funding pool. The balance of foreign funding is closely matched to foreign currency assets and the mismatch is negligible.

Strategic focus

Nedbank continued to focus on delivering on our five strategic focus areas designed to make us a more agile, competitive and digital bank.

Delivering innovative market-leading client experiences

Our personal loans digital sales application was rolled out during the period and we plan to launch our refreshed retail and wealth banking apps, and new Travel Card and Investments Online products, among others, in the second half of 2017. Digitally enabled and active retail clients grew strongly, driving up the value of Nedbank App Suite™ transactions 68% to R18.6 billion. To date 48% of our outlets have been converted to new-image branches and our investment in distribution channels over the next four years (2017 to 2020) will result in 82% of our retail clients being exposed to the new-image branch format and self-service offerings. Nedbank's retail integrated channels won the Best Smart Branch Project in Africa award at The Asian Banker Technology Innovation Awards ceremony. Nedbank Private Wealth's mobile app has been rated Gold Standard in a McKinsey review that compared the client experience of SA bank's mobile applications for both visual presentation and functionality.

Growing our transactional banking franchise faster than the market

Nedbank's RBB franchise maintained a total client base of 7.5 million, with 2.7 million main-banked clients translating into retail transactional NIR growth of 5.2%. Our main-banked clients decreased by 0.3%, with the youth client segment declining by 6.4% as slower transactional activity caused existing clients to fall out of our main-banked definition, while the middle-market and Retail Relationship Banking client segments increased by 0.5% and 5.1%, respectively. Transactional banking progress was also reflected in market share gains in household and current-account deposit market share gains to 19.1% and 19.4% respectively. The CIB integrated model enabled deeper client penetration and increased cross-sell, generating 12 primary-bank client wins year to date and increased dealflow into the markets business, supporting 13.3% growth in trading income.

Being operationally excellent in all we do

Cost discipline in an environment of slower revenue growth remains an imperative, with ongoing initiatives such as reducing our core systems by 113 to 138 from 251 since inception and we are well on our way to reaching 60; and the reduction of floor space in RBB by 30,000 m² by 2020, of which 24,819 m² has been achieved since 2014. We continued to remain on track for the delivery of Old Mutual Group's target of R1.0 billion pre-tax run rate synergies, of which approximately 30% should accrue to Nedbank by the end of 2017. Good progress was also made with our target operating model initiatives, which aims to generate R1.0 billion pre-tax benefits for Nedbank by 2019. The majority of the cost initiatives have been identified in RBB, which will contribute approximately 40% of the benefits. RBB has established a transformation office to track and monitor the delivery of 221 initiatives across the five broad areas of credit, distribution, operational excellence, simplification and procurement. Approximately 30% of the synergies will be from cost optimisation in Shared Services through the removal of duplicative service functions, cost-efficiencies from marketing and improving the RoA operating model. The remaining 30% will be achieved through revenue opportunities from data-driven intelligence, new digital technologies and innovation integration that is being accelerated through our Digital Fast Lane initiative.

Managing scarce resources to optimise economic outcomes

We maintained our focus on growing activities that generate higher levels of economic profit (EP), such as growing transactional deposits, with current accounts up 8.3%; increasing transactional banking activity, with commission and fees in RBB up 5.2%; and achieving earnings growth of 7.3% in RBB and 6.9% 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 47 bps, below the bottom end of our through-the-cycle (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.

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

In Central and West Africa, ETI remains a strategic investment. Working together, Nedbank and ETI assisted a number of SA-based corporates with currency solutions in a challenging Nigerian market. We have strengthened our board representation and have increased our involvement in the group. In April 2017 ETI proposed a convertible-bond issue of up to US$400 million at a conversion price of US$ 0.06, with an interest rate of 6.46% above LIBOR. US$200 million of this issue was used to establish a resolution vehicle for the more effective management of capital and ring-fencing of its legacy loans in Nigeria to improve transparency of the NPLs and turnaround the Nigerian business. The remaining US$200 million was for the debt restructure of the maturity profile of the ETI holding company balance sheet. Nedbank did not participate in the issue as it did not meet our internal hurdle rates. However, the convertible bond is anticipated to be fully subscribed and underwritten. We are pleased that ETI reported a profit for the first quarter of 2017 and that the market value of Nedbank's investment in ETI at 30 June 2017, based on its quoted share price - albeit in illiquid markets, had increased by 24.9% since 31 December 2016 to R3.0 billion, in line with our carrying value of R3.1 billion. While risk remains, economic conditions in Nigeria and the outlook for ETI are improving.

In SADC and East Africa we are building scale and optimising costs. Our core banking system, Flexcube, has now been successfully rolled out in four countries, we launched a number of new digital products and we continue to grow our distribution footprint.

Old Mutual plc managed separation

OM plc announced on 25 May 2017 that it intends to list a new SA holding company on the JSE with a secondary listing on the LSE, which will be named Old Mutual Limited and will initially comprise Old Mutual Emerging Markets, the group's Nedbank shareholding, as well as OM plc, which will become a subsidiary of Old Mutual Limited. The managed separation is expected to be materially complete by the end of 2018 and the listing of Old Mutual Limited is anticipated to take place at the earliest opportunity in 2018, following OM plc's 2017 full-year results announcement.

The subsequent distribution of a significant proportion of the shareholding in Nedbank from Old Mutual Limited will follow in due course at an appropriate time, and in an orderly manner, as previously announced. Old Mutual Limited will retain an appropriate strategic minority shareholding in Nedbank to underpin the ongoing commercial relationship.

For Nedbank it is business as usual and OM plc's decision will have no impact on the strategy, the day-to-day management or operations, nor our staff and clients. Our engagements have been at arm's length, overseen by independent board structures. OM plc operates predominantly in the investment, savings and insurance industry, which has little overlap with banking, however we compete in the areas of wealth and asset management and personal loans. Our technology systems, brands and businesses have not been integrated.

Our collaboration with OM plc to unlock R1.0 billion of synergies by the end of 2017 from the OM plc businesses in SA, remains on track and will continue to be underpinned by Old Mutual Limited's strategic shareholding of Nedbank Group. We are fully committed to working with Old Mutual Limited to deliver ongoing synergistic benefits on an arm's length basis.

Economic outlook

The International Monetary Fund currently expects global economic growth to improve to 3.5% in 2017, with advanced countries growing at 2.0% and emerging and developing economies by 4.5%. Growth in sub-Saharan Africa is expected to accelerate to 2.1% in 2017 from 1.4% in 2016.

Given SA's weaker-than-expected growth in the first half, Nedbank Group's current forecast for growth in 2017 is 0.6%, with risk to growth on the downside. Inflation is expected to be contained within SARB's inflation target range and, as a result, interest rates could decline by a further 25 bps in September, following the 25 bps rate cut in July 2017.

Much depends on how the political and policy landscapes unfold in the period to December 2017, and the implications thereof for the country's sovereign risk ratings. With sovereign risk ratings remaining unchanged, the end of the drought, a stronger world economy and marginally firmer commodity prices should support cyclical recoveries in export-orientated industries, particularly agriculture, mining and manufacturing. Corporate credit demand should benefit from recoveries in these sectors, but the risk remains that long-term investments could be delayed by continued political and policy uncertainty, low confidence and challenging operating conditions.

Households will remain vulnerable, with job losses more prevalent and lower prospects of wage growth. Household credit demand is anticipated to remain subdued as consumers postpone buying new homes and vehicles, and instead save and/or reduce debt levels.

Government spending should be kept in check by the need to reduce the budget deficit and contain the rise in government debt to avoid a further sovereign-ratings downgrade. In this regard improved management of state-owned enterprises is necessary.

Despite the many challenges faced by the SA economy, the SA banking system remains sound, liquid and well capitalised. This strength was once again acknowledged by the World Economic Forum, which ranked SA banks at second highest for soundness of banks, and by Standard & Poor's, which stated in its report published on 19 July 2017 that there are good governance and transparency across the SA financial system, that regulation is in line with international best practices, and that SA banks have top-tier banking stability and risk management. This creates low credit losses and strong profitability with low levels of external banking sector debt. The risk of short-term concentrated funding is mitigated by the closed SA rand system.

Prospects

In light of the weak economic outlook in SA we have revised our guidance on financial performance for the full year 2017 as follows:

- Average interest-earning banking assets to grow below nominal GDP growth.
- NIM to be slightly above the 2016 rebased level of 3.54%.
- CLR to increase from the level of 47 bps in the first half of 2017 towards the bottom end of our target range of 60 to 100 bps.
- NIR, excluding fair-value adjustments, to grow at mid-single digits.
- Associate loss to be lower than the loss reported in the first half of 2017 (ETI associate income reported quarterly in arrear).
- Expenses to increase by mid-single digit levels.

Our financial guidance is for growth in DHEPS for the full 2017 year to be positive, but less than or equal to growth in nominal GDP (consumer price index plus GDP growth). This has been revised from the guidance we provided at 28 February 2017 of growth in DHEPS for the full 2017 year to be greater than growth in nominal GDP.

Part 2 – Detailed Business Review

Nedbank data tables (Rand)

Cluster performance	Headline earnings (Rm)			RoE excl. goodwill (%)	
	H1 2017	H1 2016	% change	**H1 2017**	H1 2016
Nedbank Corporate & Investment Banking	**3,211**	3,004	7%	**20.8%**	21.3%
Nedbank Retail & Business Banking	**2,544**	2,371	7%	**18.7%**	18.3%
Nedbank Wealth	**519**	614	(15%)	**27.8%**	35.9%
Rest of Africa subsidiaries	**70**	53	32%	**3.0%**	2.7%
Centre	**89**	(12)	>100%		
Nedbank managed operations	**6,433**	6,030	7%	**18.9%**	18.4%
ETI	**(1,162)**	(603)	(93%)		
Total	**5,271**	5,427	(3%)	**15.1%**	15.7%

Cluster performance (Rm)	Average Allocated Capital			Economic Profit		
	H1 2017	H1 2016	% change	**H1 2017**	H1 2016	% change
Nedbank Corporate & Investment Banking	**31,071**	28,329	10%	**1,065**	959	11%
Nedbank Retail & Business Banking	**27,415**	26,040	5%	**650**	491	32%
Nedbank Wealth	**3,764**	3,445	9%	**259**	366	(29%)
Rest of Africa	**6,788**	7,287	(7%)	**(1,561)**	(1,077)	(45%)
Business clusters	**69,038**	65,101	6%	**413**	739	(44%)
Centre	**7,185**	10,249	(30%)	**(20)**	(331)	94%
Total	**76,223**	75,350	1%	**393**	408	(4%)
Cost of equity[1]				**13.9%**	14.4%	

[1] The cost of equity (COE) is forecast at 13.8% for 2017

Credit loss ratio by cluster (%)	% banking advances	**H1 2017**	H1 2016	Through-the-cycle target ranges
Nedbank Corporate & Investment Bank	48.7%	**(0.03%)**	0.31%	0.15% - 0.45%
Nedbank Retail & Business Banking	44.2%	**1.14%**	1.23%	1.30% - 1.80%
Nedbank Wealth	4.3%	**0.09%**	0.16%	0.20% - 0.40%
Rest of Africa	3.0%	**0.80%**	0.76%	0.65% - 1.00%
Total		**0.47%**	0.67%	0.60% - 1.00%

Cluster performance	Net Interest Margin (%)		Loans and advances (Rm)		
	H1 2017	H1 2016	**H1 2017**	H1 2016	% change
Nedbank Corporate & Investment Bank	**2.13%**	1.97%	**363,873**	359,041	1%
Banking activity			**325,266**	325,258	-
Trading activity			**38,607**	33,783	14%
Nedbank Retail & Business Banking	**5.93%**	6.12%	**296,945**	284,617	4%
Nedbank Wealth	**2.15%**	2.07%	**29,464**	29,677	(1%)
Rest of Africa	**4.93%**	3.65%	**20,382**	18,199	12%
Centre			**(800)**	1,798	<(100%)
Total [1]	**3.58%**	3.37%	**709,864**	693,332	2%

[1] Inter-company eliminations

Credit loss ratio analysis (%)	H1 2017	FY 2016	H1 2016
Specific impairments	**0.56%**	0.69%	0.64%
Portfolio impairments	**(0.09%)**	(0.01%)	0.03%
Total credit loss ratio	**0.47%**	0.68%	0.67%

Capital (Basel III)	H1 2017	FY 2016	H1 2016	Internal target range	Regulatory minimum[1]
Common equity tier 1 ratio	**12.3%**	12.1%	11.6%	10.5% - 12.5%	7.25%
Tier 1 ratio	**13.2%**	13.0%	12.5%	>12.0%	8.75%
Total capital ratio	**15.7%**	15.3%	14.5%	>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 systematically important bank minimum requirements

Metric	H1 2017 performance	Full-Year 2017 outlook	Medium-to-long-term targets
RoE (excluding goodwill)	15.1%	Below target	5% above cost of ordinary shareholders' equity[1]
Growth in diluted headline earnings per share	(3.7%)	Below target	≥ consumer price index + GDP growth + 5%
Credit loss ratio	0.47%	Increases towards the bottom end of target range	Between 0.6% and 1.0% of average banking advances
NIR-to-expense ratio	81.6%	Below target	> 85%
Efficiency ratio (including associate income) [1]	59.3%	Above target	50.0% to 53.0%
Tier 1 capital adequacy ratio (Basel III)	12.3%	Within target	10.5% - 12.5%
Economic capital	Internal Capital Adequacy Assessment Process (ICAAP): A debt rating (including 10% capital buffer)		
Dividend cover	1.80 times	Within target range	1.75 to 2.25 times

[1] The COE is forecasted at 13.8% in 2017

Shareholders are advised that these forecasts are based on organic earnings and our latest macroeconomic outlook, and have not been reviewed or reported on by the Nedbank Group auditors.

Old Mutual Wealth

Old Mutual Wealth interim results for the six months ending 30 June 2017

Strong trading and profits in year of transition

"I am delighted to report continued excellent progress on Old Mutual Wealth's strategic ambition to become a leading, integrated, advice-led wealth management business. Net inflows were 11% of opening funds under management (H1 2016: 8%), excluding our Heritage closed book, demonstrating robust growth in a difficult environment, and well ahead of our 5% annualised target.

"The period has seen strong performance across each of our Invest and Grow business areas. Despite continued questions over the strength and resilience of the UK economy, including rising inflationary pressures, we saw continued growth in net client cash flows which were up 53% to £4.9 billion (H1 2016: £3.2 billion) with a particularly noteworthy performance in the UK Platform and by both the multi-asset and single-strategy businesses in Old Mutual Global Investors.

"For the six months ended 30 June 2017 we reported an adjusted operating profit ('AOP') of £134 million, up 29% (H1 2016: £104 million) and an IFRS post-tax profit of £42 million (H1 2016: loss of £23 million). Strong investment performance led to performance fees in the period of £17 million, compared to £nil million in the comparative period of 2016.

"Pleasingly, we have seen continued recognition of the strength and, we believe, the value of our integrated business model. Integrated flows rose substantially from £0.7 billion to £2.2 billion for the six months to 30 June 2017. One of our strongest performance areas was our multi-asset solutions business, which is part of OMGI, which saw impressive growth in net flows to £1.6 billion.

"Recognising the importance of sound financial advice in securing good customer outcomes, we have continued to invest in distribution with the completion of our acquisition of Caerus and a number of small acquisitions into our Old Mutual Wealth Private Client Adviser business.

"I am especially pleased with the performance of our UK Platform business which achieved NCCF of £2.1 billion, up 50%. Pension related flows were particularly strong in the period. Following our announcement on 2 May 2017, we have successfully transitioned to FNZ as our UK platform implementation partner.

"2017 continues to be a year of transition for Old Mutual Wealth as we move towards our separation from Old Mutual plc, and we are excited about the opportunities ahead."

Paul Feeney
CEO, Old Mutual Wealth
August 2017

Highlights	H1 2017	H1 2016	% change
IFRS profit/(loss) after tax attributable to equity holders of the parent (£m)	**42**	(23)	
AOP (pre-tax, £m)	**134**	104	29%
Invest & Grow AOP (pre-tax, £m) [1]	**124**	92	35%
Manage for Value AOP (pre-tax, £m) [2]	**22**	14	57%
Other shareholder income and expenses (OSIE) (pre-tax, £m) [3]	**(12)**	(2)	(500%)
Pre-tax operating margin [4]	**30%**	28%	
Revenue margin (bps)	**59**	64	
Gross sales (£bn)	**14.1**	10.5	34%
NCCF (£bn)	**4.9**	3.2	53%
NCCF/Opening FUM[5]	**11%**	8%	
FUM (£bn)[6]	**127.3**	115.3	10%

[1] Invest & Grow includes Old Mutual Global Investors, Quilter Cheviot, UK Platform, Old Mutual International and UK Other (which consists of Intrinsic, series 6 pensions, institutional platform assets, protection products and service companies).

[2] Manage for Value includes Heritage and Old Mutual Wealth Italy, the sale of which completed in January 2017 (H1 2016: £11 million).

[3] For the six months to 30 June 2017, one-off managed separation and standalone costs are excluded from AOP. Recurring managed separation and standalone and Old Mutual Wealth head office function costs are included in OSIE. OSIE for H1 2017 includes the costs incurred to prepare the business for separation from Old Mutual plc (£3 million) and Head Office function costs, which were previously allocated to the businesses. H1 2016 only included costs incurred to prepare the business for separation from Old Mutual plc (£2 million).

[4] Operating margin is calculated using reported AOP pre-tax divided by net revenue, where net revenue includes gross performance fees.

[5] Annualised NCCF is used in the calculation of NCCF as a % of opening FUM, excluding Italy, South African branches and Heritage.

[6] FUM as at 31 December 2016, excludes Old Mutual Wealth Italy (£6.2 billion), divested in January 2017 and South African branches (£2.0 billion) which are being transferred to Old Mutual Emerging Markets.

Financial results

Gross sales

Old Mutual Wealth gross sales of £14.1 billion were up 34% from H1 2016 (£10.5 billion). Gross sales in Old Mutual Global Investors (OMGI) were 31% higher than H1 2016 with good sales into the *Global Equity Absolute Return* fund of £2.9 billion, the *Cirilium* fund range of £1.4 billion and *North American Equity* fund of £0.9 billion. UK Platform gross sales, of which 16% were generated via Intrinsic advisers, rose 38%. Pension sales in the UK Platform have performed well and were 48% higher than prior year as our flexible drawdown pension continues to meet investors' needs following the 2015 pension reforms. Following a poor ISA season for the industry in H1 2016, sales rose 29% as clients increasingly saw ISAs as a tax efficient and accessible complement to their existing savings plans.

Net client cash flow (NCCF)

In a buoyant but uncertain market during much of the period, NCCF performance was strong at £4.9 billion, up 53% on prior year (H1 2016: £3.2 billion) with both inflows and outflows being higher than in the prior year. Net inflows were 11% of opening funds under management, excluding our Heritage closed and Institutional books, demonstrating robust growth in a difficult environment, and well ahead of our 5% annualised target. Integrated flows rose substantially from £0.7 billion to £2.2 billion for the six months to 30 June 2017.

Net inflows into OMGI as a whole were £3.3 billion, 106% ahead of prior year (H1 2016: £1.6 billion), exceeding those of the 2016 full year of £2.4 billion. Our multi-asset solutions business, which is at the core of our proposition and wealth management strategy, contributed £1.6 billion (H1 2016: £0.3 billion) of net flows in H1 2017, of which £1.5 billion is invested in OMGI multi-managed funds, driven by strong sales into *Cirilium* and *WealthSelect*. Single strategy funds added £2.2 billion (of which £0.4 billion was generated by our multi-asset solutions business) with strong net flows into the *Global Equity Absolute Return* fund, *North American Equity* fund and *UK Mid Cap* fund ranges. The *Style Premia Absolute Return* fund and *Systematic Positive Skew* fund were launched during H1 2017 and the team expect to achieve increased momentum in flows over H2 2017.

Quilter Cheviot net inflows of £0.6 billion were 50% above prior year (H1 2016: £0.4 billion) with a strong second quarter of 2017. The comparative six month period was impacted by low investor confidence prior to the June 2016 Brexit referendum.

UK Platform net inflows were £2.1 billion, up 50% from H1 2016 (£1.4 billion) primarily due to strong flows into our pension proposition, which accounted for 86% of total net flows.

International net inflows of £0.4 billion were double those of the prior year (H1 2016: £0.2 billion). There was strong growth in the Middle East with net inflows up 111% from H1 2016 and the UK continued the strong momentum experienced through the whole of 2016. Net flows grew 36% in H1 2017 as the sales integration with the UK domestic business gained traction.

Part 2 – Detailed Business Review

We highlighted in our 2016 Preliminary Results in March 2017 that we expected outflows of c£0.5 billion across 2017 from a large institutional scheme reported within UK Other following £0.2 billion which had transferred out in 2016. In July £0.4 billion transferred out and we expect the remaining balance of remaining members' assets to transfer out by the end of the year.

Intrinsic continues to secure increasing flows for our business, supported by the expanding capabilities of Old Mutual Wealth Private Client Advisers (OMWPCA). The restricted channel accounted for £0.6 billion (29%) of UK Platform net inflows in H1 2017 (H1 2016: £0.4 billion, 29%) and £1.1 billion of net flows into OMGI's multi-asset solutions business in H1 2017 through the *Cirilium* and *Generation* fund ranges. Integrated net inflows from Intrinsic into Quilter Cheviot amounted to £0.1 billion, over half of which was through OMWPCA.

UK Heritage net outflows of £0.5 billion were in line with prior year (H1 2016: £0.5 billion of net outflows).

Funds under management (FUM)

FUM were £127.3 billion, up 10% 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 are being transferred to Old Mutual Emerging Markets). The increase is driven by positive NCCF of £4.9 billion in the period, positive market performance of £5.6 billion, and £1.5 billion of assets via the purchase of Caerus (£1.2 billion) and Attivo (£0.3 billion).

Intra-Old Mutual Wealth FUM were £16.5 billion, the majority of which is managed within the multi-asset solutions teams in OMGI, up from £13.8 billion as at 31 December 2016. Funds managed by OMGI and Quilter Cheviot represent 46% of the total Old Mutual Wealth FUM. OMGI manages 18% of UK Platform assets, increasing from 14% at H1 2016, of which the multi-asset solutions manage 80%.

OMGI FUM were £36.6 billion, up 17% from the end of 2016 (31 December 2016: £31.4 billion). In the multi-asset ranges, *Cirilium* has nearly £6 billion assets under management and the *WealthSelect* fund range has above £3 billion of assets. In our single-strategy ranges, *GEAR* exceeds £7 billion and each of the *UK Mid Cap* and *UK Alpha* funds is above £2 billion of FUM. Quilter Cheviot FUM were up 9% from the start of the year to £22.5 billion (31 December 2016: £20.7 billion), benefiting from £0.3 billion added through the acquisition of Attivo.

UK Platform assets were £45.9 billion, up 11% from the end of 2016 (31 December 2016: £41.4 billion) and International FUM of £17.8 billion were up 5% over the same period (31 December 2016: £16.9 billion on a like-for-like basis after removing £2.0 billion FUM in the South African branches).

IFRS post-tax profit/loss

Old Mutual Wealth IFRS post-tax profit was £42 million for the first half of 2017, compared to a loss of £23 million in H1 2016. Reconciling items between adjusted operating profit and IFRS profit include UK Platform transformation costs of £59 million pre-tax (H1 2016: £48 million), the effects of goodwill amortisation and the impact of acquisition accounting totalling £43 million (H1 2016: £87 million). Managed separation and standalone one-off costs have been reclassified as adjusting items with effect from 2017 and are no longer reported in AOP (H1 2017: £12 million, H1 2016: £2 million in AOP). In addition, there was a £24 million profit on disposal of our Italian business included in IFRS in H1 2017.

Adjusted operating profit (AOP)

£m	**H1 2017**	H1 2016	% change
Invest & Grow [1]	**124**	92	35%
Manage for Value [2]	**22**	14	57%
Other shareholder income and expense [3]	**(12)**	(2)	(500%)
Reported AOP pre-tax	**134**	104	29%
Corporate activity[4]	**-**	(16)	-
Heritage fee restructure	**-**	21	-
Managed separation and standalone costs (one-off)	**-**	2	-
Changes to executive management team	**-**	5	-
Underlying AOP pre-tax	**134**	116	16%
Of which:			
Managed separation and standalone costs (recurring)[5]	**(6)**	-	-
Net performance fees	**17**	-	-

[1] Invest & Grow includes Old Mutual Global Investors, Quilter Cheviot, UK Platform, Old Mutual International and UK Other (which consists of Intrinsic, series 6 pensions, institutional platform assets, protection products and service companies). H1 2016 includes the £5 million profits of the South African branches which are now reported within Old Mutual Emerging Markets.
[2]Manage for Value includes Heritage and the results of Old Mutual Wealth Italy, the sale of which completed in January 2017 (H1 2016: £11 million).
[3]OSIE for H1 2017 includes the costs incurred to prepare the business for separation from Old Mutual plc (£3 million) and Head Office function costs, which were previously allocated to the businesses. H1 2016 only included costs incurred to prepare the business for separation from Old Mutual plc (£2 million).
[4]Corporate activity includes the sale of Old Mutual Wealth Italy which completed in January 2017 and the South African branches are transferring to Old Mutual Emerging Markets and are excluded from the 2017 result.
[5] Managed separation and standalone costs (recurring) includes the costs incurred to prepare the business for separation from Old Mutual plc of £3 million and branding costs of £3 million borne by Old Mutual plc in previous periods.

Old Mutual Wealth pre-tax adjusted operating profit ("AOP") of £134 million for H1 2017 was 29% higher than prior year (H1 2016: £104 million) and includes net performance fees of £17 million (H1 2016: £nil).

Invest & Grow business

Invest & Grow pre-tax AOP of £124 million has increased by 35% from prior year driven by strong revenue growth and performance fees following strong investment performance.

The performance from the UK Platform and OMGI was particularly strong. UK Platform profit of £20 million was up 43%, driven by increased FUM. The profit for Old Mutual Global Investors more than doubled to £59 million. Excluding performance fees, OMGI profit increased 68% from H1 2016 following revenue growth of £30 million. Above benchmark performance in several funds resulted in the £17 million net performance fees in H1 2017 (H1 2016: £nil). Profit for International remained broadly flat, on a reported basis, though on a like-for-like basis, i.e. excluding the South African branches in H1 2016, profit was up 14%. Quilter Cheviot profit remained consistent with prior year, with lower commission income limiting the revenue growth.

We continue to invest in distribution through Intrinsic as we grow the number of Restricted Financial Planners ('RFPs') supporting the increase in integrated flows. Intrinsic is currently loss-making with its loss increasing from £9 million for H1 2016 to £13 million for H1 2017. Half of this increase in the loss is due to increased contributions to the Financial Services Compensation Scheme and half is due to costs associated with the growth of the business. Intrinsic is currently reported within UK Other along with the small, but profitable, Protection and Institutional business lines. Net flows from Intrinsic's advisers generate substantial business for Old Mutual Wealth and thereby contribute to our overall profitability.

Manage for Value business

Manage for Value profit for H1 2017 was £22 million, a 57% increase from H1 2016 as reported. The previously announced restructuring of our Heritage fees reduced profit by £21 million in H1 2016, all of which was accounted for as an offset to revenues. In H1 2016 we benefited from £11 million reported profit in Old Mutual Wealth Italy, which was sold in January 2017.

Other shareholder income and expenses

Other shareholder income and expenses reflects the incremental recurring costs associated with managed separation and other head office costs. This has increased in line with the guidance provided in the 2016 Preliminary Results in March 2017 and we expect to incur additional costs over H2 2017 and into 2018 as our business evolves to operate on a fully standalone basis.

Underlying AOP pre-tax

AOP has increased by 16% to £134 million on an underlying basis (H1 2016: £116 million). This excludes the results of Old Mutual Wealth Italy, the sale of which completed in January 2017, the results of the South African branches which are now reported within Old Mutual Emerging Markets, the impact of the changes to Heritage fees announced in H1 2016, and the H1 2016 costs associated with both the executive management changes and one-off managed separation costs.

Revenue

On a like-for-like basis, average assets during H1 2017 were 22% higher than during H1 2016, contributing to increased fund-based revenue of £351 million in H1 2017 (H1 2016: £307 million), an increase of 14%.

Above benchmark investment performance in OMGI funds (primarily the *Global Equity Absolute Return, UK Specialist Equity* and *UK Dynamic Equity* funds) generated additional net performance-related fees of £17 million. In H1 2016, there were no performance fees.

As expected, the underlying revenue margins in some of our individual businesses have reduced due to a combination of a changing fee structure mix, changes in business mix and competitive pressures. However, our integrated business model has allowed us to mitigate some of this impact by providing services and solutions across the value chain. As a result, the overall Old Mutual Wealth revenue margin of 59bps was 5bps lower than in H1 2016 (excluding performance fees).

OMGI revenue margin improved by 1bp from 66bps to 67bps as a result of favourable mix changes in the asset base.

Our UK Platform business has experienced a 3bps revenue margin reduction to 33bps compared with H1 2016 due to competitive industry margin pressures and customers benefiting from our lower costs and therefore lower margin charging structures. The resulting reduction in revenue was c£5 million compared to H1 2016, although this has been offset in absolute terms by fees being earned off a growing asset base. Quilter Cheviot margin has decreased by 6bps to 74bps compared with prior year due to a reduction in commission levels (5bps) and further falls in cash yields to negligible levels (1bp), reducing revenue by c£6 million when compared to H1 2016.

The largest contributor to the reduction in the margins in the International business is adverse currency movements (11bps). In addition, as previously disclosed, we have also experienced reduced margins (reduction of 7bps) in our International business to 59bps as we replace older-style, higher margins products with new, simpler charging structures which provide better outcomes for our customers.

Expenses

Overall costs rose 17% (£44 million) compared to the prior year (H1 2016: £265 million). This cost increase is analysed into its main components below:

£m	H1 2017	H1 2016	Variance
Underlying administration expenses	**228**	**203**	**25**
Italy and SA branches' expenses	-	9	(9)
Variable incentives	65	49	16
Investment in business initiatives	10	4	6
Managed separation and standalone costs (recurring)	6	-	6
Reported administration expenses	**309**	**265**	**44**

The increase in underlying administration expenses of £25 million reflects costs incurred in three specific areas, on top of costs relating to organic growth and inflation. The first area relates to a focussed increase in technology spend (£7 million) principally in respect of improving the resilience of our IT infrastructure. Secondly, changes in regulation, including compliance with MIFID II requirements, and increased FSCS costs have together increased regulatory costs by £4 million. Lastly, expenses include adverse year-on-year movements in provisions totalling £8 million, comprising provisions of £5 million in relation to policy rectifications in our Heritage book and a non-recurring release of a £3 million unoccupied property provision in H1 2016. The residual £6 million increase in underlying administration expenses relates to other organic and inflationary costs.

Variable incentives are £65 million, an increase of £16 million on H1 2016. Elements of incentives vary in relation to funds under management, revenue and profit. The principal driver of the increase on H1 2016 reflects the higher level of funds under management in OMGI and Quilter Cheviot. The balance of the increase reflects the phasing of bonus accruals and higher senior headcount due to strengthening of executive and senior management in readiness for listing.

Investment in business initiatives of £10 million reflects additional spend within Old Mutual Wealth Private Client Advisers and the costs of incorporating Caerus since its acquisition completed on 1 June 2017.

The incremental managed separation and standalone costs of £6 million include £3 million of branding costs which were previously incurred by Old Mutual plc, as highlighted in our 2016 Preliminary Results in March 2017, and an increase of £3 million to reflect the strengthened Board and other recurring standalone costs. 2017 is a transitional year for the business and incremental recurring costs of £6 million for H1 2017 do not yet reflect a full-year run-rate. In our 2016 Preliminary Results, we estimated that separation would increase our cost base by £25-30 million per annum, and we therefore expect to incur additional costs, beyond the £6 million incurred in H1 2017, in H2 2017 and into 2018 as our business evolves to operate on a fully standalone basis. As previously highlighted, given the dynamic nature of the process, these cost estimates will be refined further as we get closer to separation. There may be additional costs that we incur in the future as a standalone business, such as debt financing costs.

Operating margin

Operating margin, including the benefit of performance fees, was 30% in H1 2017 (H1 2016: 28%, with £nil performance fees). Excluding performance fees, the operating margin is unchanged at 28%. We continue to expect the operating margin to be constrained in the short-term by the incremental expenses associated with operating as a separate standalone business. We expect an improving operating margin in the medium term as we transition and grow our business while absorbing these additional costs.

IFRS NAV

Net assets of £1,168 million at 30 June 2017, which excludes the remaining goodwill and other unamortised intangible assets associated with the original acquisition of the remaining Skandia business, are broadly in line with the closing 2016 position (31 December 2016: £1,087 million).

Goodwill and other intangible assets value has reduced by £70 million through the normal course of amortisation of the intangible assets and as a result of the sale of Old Mutual Wealth Italy, proceeds of which were remitted to Old Mutual plc in January 2017.

Investments and securities have increased by £4 billion over the half year due to positive net flows and market performance. The long-term business policyholder liabilities have increased correspondingly, as expected for unit-linked business. Cash and balances with central banks have increased by £320 million, which includes a £200 million capital injection received from Old Mutual plc in May 2017.

Cash and capital

At our 2016 Preliminary Results in March 2017, Old Mutual plc highlighted that its cash and liquidity buffers were inclusive of £200 million of undrawn support for Old Mutual Wealth. Where appropriate, and as part of the preparations for managed separation, certain liquidity buffers and cash may transition from Old Mutual plc to Old Mutual Wealth. As an initial step in this process, Old Mutual Wealth received £200 million of capital in May 2017 from Old Mutual plc with a consequential reduction in Old Mutual plc's liquidity support and centrally held liquidity buffers for Old Mutual Wealth of £130 million to £70 million. Work continues developing the appropriate capital and liquidity position commensurate with Old Mutual Wealth being ready for managed separation and listing. We expect to provide an update shortly ahead of separation.

Free surplus generation

Free surplus generation analysis considers the efficiency of the businesses in converting profits into operational cash flows. Our free surplus is calculated on a local statutory basis which for the businesses in the EU is consistent with Solvency II principles. In H1 2017, the businesses generated free surplus of £86 million (H1 2016: £82 million), representing a conversion rate of 77% of AOP post-tax (H1 2016: 93%). The lower conversion rate reflects increased capital requirements on the life business.

£m	**H1 2017**	H1 2016
Free surplus generated	**86**	82
% of post-tax AOP converted to free surplus	**77%**	93%

Return on equity (ROE) (annualised)

Strong operating performance across our business in H1 2017 has increased ROE to 14% (31 December 2016: 13%).

ROE[1] of business components	H1 2017 Average shareholder equity	H1 2017 AOP (post-tax)	**H1 2017 adjusted ROE**	FY 2016 adjusted ROE
Invest & Grow markets				
UK	1,069	79	**15%**	13%
of which: Quilter Cheviot	*695*	*20*	***6%***	*6%*
International	296	25	**17%**	18%
Manage for Value markets				
UK Heritage	287	18	**13%**	11%
Europe - Open Book	-	-	**-**	13%
Head office	n/a	(10)	**n/a**	n/a
Total Old Mutual Wealth	1,644	112	**14%**	13%

[1] ROE is calculated as annualised post-tax AOP over average IFRS NAV plus the capital funding originally provided by Old Mutual plc to fund the 2015 acquisition of Quilter Cheviot.

Return on invested capital

Capital deployed and productivity of corporate activity at cost - Significant acquisitions (>£50m) **(£m)**	**H1 2017 invested capital**	**H1 2017 AOP (post-tax)**	**H1 2017 Annualised return on invested capital[1]**	FY 2016 return on invested capital
Quilter Cheviot (acquired in February 2015) (100%)	**585**	**20**	**6.8%**	6.5%
Intrinsic (acquired in July 2014)	**98**	**(1)**	**4.0%[2]**	1.0%
Total	**683**	**19**	**6.4%[2]**	**5.7%**

[1] Return on invested capital is annualised post-tax AOP over invested capital.
[2] Intrinsic's return on invested capital and the total do not annualise regulatory costs (FSCS levies) incurred in H1 2017.

As Old Mutual Wealth has developed as a business, two substantial investments have been made in recent years: Intrinsic in 2014 and Quilter Cheviot in 2015. In making these acquisitions, we recognise that shareholder returns take some time to materialise, especially in an uncertain macroeconomic environment.

Quilter Cheviot's annualised return on capital improved slightly to 6.8% over H1 2017 (FY 2016: 6.5%) reflecting higher post-tax profits. At the time of the acquisition of Quilter Cheviot, certain targets to be measured at the end of 2017 were to set. An update on achievement of these targets will be provided with our 2017 Preliminary Results.

Intrinsic's return on capital invested, including profit generated by *Cirilium* is 4.0%, up from 1.0% at 31 December 2016. Intrinsic also secures flows for other parts of our business; for example, the Intrinsic restricted channel accounted for 29% of UK Platform net flows in H1 2017 (H1 2016: 29%). The contribution to profit from these flows is not recognised in the post-tax AOP result stated above. If all integration benefits were included, return on invested capital would increase by c.3%. The acquisition continues to perform ahead of original expectations.

Business developments

Our strategy of recognising the importance of sound financial advice in securing good customer outcomes is unchanged, and accordingly, we have continued to invest in advised distribution. The acquisition of Caerus, which we announced in March, completed on 1 June 2017. Caerus is one of the UK's leading financial planning firms with 289 advisers, including 130 restricted financial planners and more than £4 billion of assets under advice.

We remain committed to improving the strength and sustainability of the financial advice industry and improving customer access to advice. The number of Intrinsic restricted financial planners rose 11% to 1,582 as at 30 June 2017 (31 December 2016: 1,423), including the benefits of the Caerus acquisition. OMWPCA's advisory capabilities and coverage were enhanced during H1 2017 through a number of small-scale acquisitions made in the year, with several acquisitions combining to form a new Birmingham hub. OMWPCA

now has £1.7 billion of assets under advice and delivered over £100 million of assets under management to Quilter Cheviot, making it one of Quilter Cheviot's largest suppliers of new business.

Delivering good customer outcomes

We believe a broad range of structured multi-asset propositions is right at the heart of delivering modern wealth management solutions for customers. We have therefore expanded our *Cirilium* fund range by launching the *Old Mutual Cirilium Adventurous Portfolio* and the *Old Mutual Cirilium Adventurous Passive Portfolio*. In addition, we restructured our *Spectrum* fund range in July 2017 as the *Old Mutual Creation Portfolios*, as part of a wider review of our multi-asset capabilities. On 1 June 2017, we introduced a fixed ongoing charge pricing structure to eight risk-profiled *Cirilium* active and passive multi-asset portfolios to improve transparency and clarity around fund charges for our customers.

We have achieved strong investment performance in OMGI, with 79% of all funds above target over three years on an FUM-weighted basis at 30 June 2017, compared to 74% at December 2016. 71% of our multi-asset fund ranges were above their target over three years, 72% of single manager funds were ahead of their target over three years, and 100% of Absolute Return funds were above target over three years driven by very strong performance from *GEAR*. The improvement in multi-asset performance from 60% at December 2016 was driven largely by the increased proportion of *Cirilium* within multi-asset FUM and the *Foundation* fund range being included in the measure for the first time as it now has a three year track record. The *Generation* fund range is performing well and passed through the £250 million FUM mark during the first half of the year.

Regulatory developments

There are a number of studies and thematic reviews currently being initiated or undertaken 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. We fully support these studies which we believe will increase the confidence and credibility of the wealth management industry in this country and ensure that it provides fair outcomes for customers.

Managed separation and governance

We are progressing well with our programme of activity as we work towards independence as part of the managed separation from Old Mutual plc. A number of functions have delivered the changes necessary to be standalone with the remaining functions expected to complete preparations by the end of 2017.

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. Tim Tookey has been appointed as Chief Financial Officer and Mark Satchel has assumed the role of Corporate Finance Director. Tim joined the Old Mutual Wealth Board of Directors in February as Chair of the Board's Audit Committee. George Reid, Independent Non-Executive Director, has become interim Chair of the Audit Committee. Rosie Harris and Jon Little have joined the Board as Independent Non-Executive directors during Q2 2017. Rosie has been appointed Chair of the Board Risk Committee and Jon has additionally joined the Board of Old Mutual Global Investors as a Non-Executive Director. We have also established a new IT Committee of the Board, chaired by Moira Kilcoyne, an Independent Non-Executive Director, to provide oversight of IT strategy, risk profile, resilience and strategic change programmes.

Managing conflicts of interests

In the Old Mutual Wealth model, we combine our knowledge and capabilities across the businesses to gain a deep understanding of our clients and their needs. Our business model allows us to interact directly with advisers to deliver new products and solutions that are suitable for clients. Suitable investment solutions are central to ensuring good customer outcomes. We aim to blend peer-leading capabilities across our business, but the decision about which investment solutions are right for each individual client remains with the financial adviser, where client suitability decisions will always remain sacrosanct.

To ensure we manage 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.

UK Platform Transformation

The contracts related to the UK Platform Transformation with IFDS and DST have come 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. Following these changes, the initiation phase of our work with FNZ is now underway, and we have started detailed requirements workshops which will continue over a three to five month period. To date, nothing has arisen to alter the time and cost estimates announced in May. We anticipate increasing levels of confidence in our estimates as we progress through the requirements and planning stages.

We continue to plan for an enhanced customer and adviser proposition supplied by FNZ to be operational for new business by late 2018/early 2019, with migration to follow swiftly thereafter.

All aspects of the previous programme, including the financial and operational aspects of ending of the contracts with IFDS and DST, have now been concluded. As a result, final costs associated with this phase of the project amounted to £332 million, marginally ahead of actual costs to 30 April 2017 of £330 million.

Key risks

The Old Mutual plc 2016 Annual Report and Accounts contained a detailed analysis of the principal risks faced by our business, which arise as a result of both the market environment and our business model. These risks include those associated with operating in a highly regulated industry, including the provision of financial advice, the relationship between income and both investment performance and investor confidence, key person risk, other operational risks and macro-economic risks. There have been no material changes in the principal risks faced by the business over the past six months. As noted in our 2016 Preliminary Results, increased exposure to regulatory risk is expected as a consequence of our preparation for separation from Old Mutual plc and from the FCA investigation and thematic review into our Heritage business, and we continue to be transparent, proactive and responsive with the regulators to help manage and build our relationships.

We continue to manage the above risks by establishing a risk appetite and managing risks within that appetite, which is integrally linked to our business strategy. Risk appetite is used to provide boundaries for business decisions, to guide our monitoring of risks and business performance, determine levels of capital and liquidity and to trigger actions to manage risks. In addition, we regularly perform stress and scenario testing in order to test the resilience of our business and validate our management action plans.

Outlook

We anticipate continued equity and bond market and currency uncertainties in the medium term, with the geo-political landscape increasing in complexity following June's General Election and as the potential impacts of the UK's exit from the EU evolve over the next two years. The end of quantitative easing in the USA and Europe, along with rising interest rates, could have a significant impact on financial markets.

Retail investor sentiment in H1 2017 has been remarkably strong despite commentators being concerned about the future performance of the UK economy and broader markets. Notwithstanding the confidence to date, retail investor sentiment is influenced by general market conditions through the cycle, and therefore we remain cautious on the ability of the business to sustain our current strong flows over the medium term. There have been certain legislative and regulatory events in the run up to and during H1 2017, which created high levels of demand for financial services advice and tax-efficient client solutions. These may not repeat in coming periods and there is increasing uncertainty over of future flows. Our flows into single strategy parts of our asset management are inherently subject to greater volatility than our long-term investment, pension related and multi-asset flows.

2017 is a transitional year for Old Mutual Wealth in light of the managed separation from Old Mutual plc. As disclosed in the Old Mutual plc 2016 Preliminary Results in March 2017, we currently expect separation will increase our cost base. We expect to incur additional costs over H2 2017 and into 2018 as our business evolves to operate on a fully standalone basis. We also anticipate additional costs as we comply with regulatory changes, such as MIFID II, and absorb higher operating costs associated with Caerus and additional OMWPCA acquisitions. OMGI and QC are facing a combination of regulatory-driven changes which means that their operating costs will continue to rise above the level of inflation in the medium term. Our investment in distribution will continue. This investment will be primarily organic although minor "in-fill" acquisitions may also be considered if these fit into the core business, can be readily integrated and enable good customer outcomes. The new acquisitions are expected to provide revenue uplift in the future and are a key part of delivering our strategic ambitions in the future.

Our long-term strategy is to build an advice-led wealth management business. We are focussed on generating appropriate long-term economic returns from our business. We continue to operate in an evolving regulatory environment and need to ensure that our business model adapts to remain customer-focussed whilst delivering long-term returns to shareholders above our cost of capital and within our risk appetite. Our diversified business model is expected to provide some mitigation to the impacts of market volatility and we therefore remain confident in the ability of our business to deliver for all stakeholders.

Part 2 – Detailed Business Review

Old Mutual Wealth data tables

Adjusted operating profit pre-tax (£m)	H1 2017	H1 2016	% change
Invest & Grow markets			
UK Platform	**20**	14	43%
UK Other [1]	**(4)**	2	-
International	**25**	27	(7%)
Old Mutual Global Investors	**59**	25	136%
Quilter Cheviot	**24**	24	-
Total Invest & Grow	**124**	92	35%
Manage for Value markets			
UK Heritage	**22**	3	633%
Europe - Open book [2]	**-**	11	-
Total Manage for Value	**22**	14	57%
Other shareholder income and expenses (OSIE)[3]	**(12)**	(2)	(500%)
Total Old Mutual Wealth	**134**	**104**	29%

[1] Includes profit from Intrinsic, series 6 pensions, institutional platform assets, protection products and service companies.

[2] Includes Italy (sold 9 January 2017).

[3] OSIE for H1 2017 includes the costs incurred to prepare the business for separation from Old Mutual plc (£3 million) and Head Office function costs, which were previously allocated to the businesses. H1 2016 only included costs incurred to prepare the business for separation from Old Mutual plc (£2 million).