

OLD MUTUAL ZIMBABWE LIMITED

FINANCIAL HIGHLIGHTS
FOR THE HALF YEAR ENDED
30 JUNE 2014

INSURANCE | INVESTMENT | SAVINGS | BANKING



*Financial Highlights for the half year ended
30 June 2014*

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GROUP STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 30 JUNE 2014

| | Notes | Group 30-Jun-14 US\$000 | Group 30-Jun-13 US\$000 |
|---|-------|-------------------------------|-------------------------------|
| Revenue | | | |
| Gross earned premiums | 3 | 81 940 | 74 757 |
| Outward reinsurance | | (4 435) | (4 499) |
| Net earned premiums | | 77 505 | 70 258 |
| Investment income (non banking) | 4 | (17 059) | 204 185 |
| Banking interest and similar income | 5 | 18 100 | 17 131 |
| Fee income, commissions and income from service contracts | 6 | 20 436 | 16 151 |
| Other income | | 4 643 | 3 972 |
| Total revenue | | 103 625 | 311 697 |
| Expenses | | | |
| Claims and benefits (including change in insurance contract provisions) | | (47 988) | (46 019) |
| Reinsurance recoveries | | 664 | 1 410 |
| Net claims incurred | | (47 324) | (44 609) |
| Change in provision for investment contract liabilities | 4 | 941 | (132 292) |
| Other operating and administration expenses | | (45 792) | (36 604) |
| Total expenses | | (92 175) | (213 505) |
| Profit before tax | | 11 450 | 98 192 |
| Income tax expense | | (1 284) | (10 280) |
| Profit for the financial year | | 10 166 | 87 912 |
| Attributable to minority interests | | 733 | 2 212 |
| Attributable to equity holders of parent company | | 9 433 | 85 700 |
| Earnings per share | | | |
| Basic and diluted (cents) | 7 | 2.8 | 25.8 |

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

| | Notes | Group 30-Jun-14 US\$000 | Group 30-Jun-13 US\$000 |
|---|-------|-------------------------------|-------------------------------|
| Assets | | | |
| Investment property | | 460 559 | 465 006 |
| Property and equipment | | 91 956 | 93 437 |
| Investments and securities | 8 | 790 622 | 787 690 |
| Loans and advances | 9 | 352 063 | 322 311 |
| Other assets | | 65 487 | 63 281 |
| Cash and cash equivalents | | 118 866 | 89 624 |
| Total assets | | 1 879 553 | 1 821 349 |
| Liabilities | | | |
| Long-term business policyholder liabilities | 10 | 984 091 | 995 816 |
| Provisions | | 11 990 | 7 205 |
| Deferred tax liabilities | | 39 956 | 39 404 |
| Amounts owed to bank depositors | 11 | 387 639 | 319 296 |
| Other liabilities | | 56 954 | 59 262 |
| Inter-company payables | | 60 000 | 60 263 |
| Total liabilities | | 1 540 630 | 1 481 246 |
| Net assets | | 338 923 | 340 103 |
| Shareholders' equity | | | |
| Share capital and premium | | 1 | 1 |
| Other reserves | | 54 331 | 128 536 |
| Retained earnings | | 275 037 | 202 153 |
| | | 329 369 | 330 690 |
| Minority interests | | 9 554 | 9 413 |
| Total equity | | 338 923 | 340 103 |

Notes to the financial highlights
for the half year ended 30 June 2014

1 General Information

Old Mutual Zimbabwe Limited (OMZIL) and its subsidiaries are incorporated in Zimbabwe. The group's main activities include life assurance, short term insurance, property investments, asset management and conducting building society activities which include mortgage lending, deposit acceptance and investing. OMZIL is a 78.5% owned subsidiary of Old Mutual (Netherlands) B.V. In turn, Old Mutual (Netherlands) B.V. is ultimately a wholly owned subsidiary of Old Mutual plc.

2 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in the financial position of the Group. They are based on the statutory records that are maintained under the historical cost convention with the exception of investments which are included at valuation; insurance contract provisions and provision for investment contracts with discretionary participating features which are calculated on a Financial Soundness Valuation Basis. The accounting policies have been consistently applied to all periods presented.

3 Gross earned premiums

Gross premiums and investment contract deposits written

Short term insurance
Life assurance

**Group
30-Jun-14
US\$000**

**Group
30-Jun-13
US\$000**

| | | |
|--|---------------|---------------|
| | 14 235 | 13 293 |
| | 67 705 | 61 464 |
| | 81 940 | 74 757 |
| Comprising | | |
| Insurance contracts | 15 588 | 12 642 |
| Investment contracts with discretionary participating features | 52 117 | 48 822 |
| Deposits received on investment contracts | 632 | 952 |
| General insurance | 14 235 | 13 293 |
| Total gross written premium and investment contract deposits written | 82 572 | 75 709 |
| Less: Deposits on investment contracts | (632) | (952) |
| Total gross earned premiums | 81 940 | 74 757 |

4 Investment income (non banking)

Dividend income
Interest income
Net rental income
Fair value gains and losses

Total investment returns included in income statement

| | | |
|--|-----------------|----------------|
| | 9 512 | 9 327 |
| | 9 657 | 8 363 |
| | 6 353 | 6 050 |
| | (42 581) | 180 445 |
| Total investment returns included in income statement | (17 059) | 204 185 |

During the period under review, the Zimbabwe Stock Exchange (ZSE) performed poorly returning fair value losses. As at 30 June 2013, the ZSE industrial index registered a 38.6% return compared to negative 7.7% in June 2014. The negative returns impacted policyholder liabilities as movements in assets backing policyholder liabilities are directly passed on to the policyholder liabilities. This is the main reason for the change in investment contract liabilities of \$132 292 in 2013 and (\$941) in 2014.

5 Banking interest and similar income

Interest income

Fixed deposits
Loans and advances

Total income

Interest Expense:

Credit lines
Savings certificates
Term deposits
Savings deposits

Total interest expense on Investment liabilities

Net Interest Income

| | | |
|---|-----------------|-----------------|
| | 5 791 | 5 008 |
| | 29 886 | 26 026 |
| Total income | 35 677 | 31 034 |
| Interest Expense: | | |
| Credit lines | (1 199) | (967) |
| Savings certificates | (15 176) | (12 079) |
| Term deposits | (160) | (171) |
| Savings deposits | (1 042) | (686) |
| Total interest expense on Investment liabilities | (17 577) | (13 903) |
| Net Interest Income | 18 100 | 17 131 |

6 Fee income, commissions and income from service contracts

Banking fees and commission income:
Commission
Service fees
Administration fees

Asset management and long term business

| | | |
|--|---------------|---------------|
| | 16 001 | 12 225 |
| | 1 205 | 878 |
| | 11 204 | 7 384 |
| | 3 592 | 3 963 |
| | 4 435 | 3 926 |
| | 20 436 | 16 151 |

7 Earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares adjusted for the effects of all potentially dilutive ordinary shares. The Group had no potentially dilutive ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | 30-Jun-14 US\$000 | 30-Jun-13 US\$000 |
|---|------------------------------|------------------------------|
| 7.1 Basic and diluted (cents) | 2.8 | 25.8 |
| Earnings | | |
| Basic and diluted earnings attributable to equity holders of the parent (\$000) | 9 433 | 85 700 |
| Number of shares used in calculations (weighted) (000) | | |
| Basic and diluted earnings per share | 332 047 | 332 047 |

Notes to the financial highlights
for the half year ended 30 June 2014

| | Group 30-Jun-14 US\$000 | Group 31-Dec-13 US\$000 |
|---|-------------------------------|-------------------------------|
| 8 Investments and securities | | |
| Equities | 635 962 | 648 815 |
| Deposits and Money Market | 139 792 | 128 510 |
| Other | 14 868 | 10 365 |
| | 790 622 | 787 690 |
| 9 Loans and advances | | |
| Gross amount owing | 360 750 | 328 262 |
| Impairment | (8 687) | (5 951) |
| | 352 063 | 322 311 |
| 10 Long-term business policyholder liabilities | | |
| Opening balance | 995 816 | 824 037 |
| Change in technical provisions* | (11 725) | 171 779 |
| Closing balance | 984 091 | 995 816 |
| * refer note 4 | | |
| 11 Amounts owed to bank depositors | | |
| Savings certificates | 265 636 | 157 418 |
| Term deposits | 6 075 | 4 608 |
| Savings deposits | 115 928 | 157 270 |
| | 387 639 | 319 296 |