



OLDMUTUAL

REVIEWED PRELIMINARY ANNUAL RESULTS

For the year ended 31 December 2018



DO GREAT THINGS EVERY DAY

JSE Sponsor: Merrill Lynch South Africa (Pty) Limited
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CAUTIONARY STATEMENT

This report may contain certain forward-looking statements with respect to certain of Old Mutual Limited'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 Limited's control including amongst other things, South African domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual Limited and its affiliates operate. As a result, Old Mutual Limited's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual Limited's forward looking statements. Old Mutual Limited undertakes no obligation to update the forward-looking statements contained in this report or any other forward-looking statements it may make. Nothing in this report shall constitute an offer to sell or the solicitation of an offer to buy securities.

NOTES TO EDITORS

A webcast of the presentation of the 2018 Reviewed Preliminary Annual Results and Q&A will be broadcast live at 11:00 am South African time on 11 March 2019 on the Company's website www.oldmutual.com. Analysts and investors who wish to participate in the call can do so using the numbers below:

| | |
|---------------------|------------------|
| South Africa Neotel | +27 11 535 3600 |
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| UK | +44 33 3300 1418 |
| USA and Canada | +1 508 924 4326 |

Pre-registration to participate in the call is available at the following link: <https://bit.ly/2SSwr2W>

ABOUT OLD MUTUAL LIMITED

Old Mutual is a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key market segments in 17 countries. Old Mutual's primary operations are in South Africa and the rest of Africa, and we have niche businesses in Latin America and Asia. With over 173 years of heritage across sub-Saharan Africa, we are a crucial part of the communities we serve and broader society on the continent.

For further information on Old Mutual Limited, and its underlying businesses, please visit the corporate website at www.oldmutual.com.

CALENDAR OF EVENTS 2019

29 MARCH 2019 | Publication of Integrated Report

29 MARCH 2019 | Publication of audited annual financial statements

24 MAY 2019 | AGM (Annual General Meeting)

Q3 2019 | Interim Results Announcement

Q4 2019 | Investor showcase

The preliminary condensed consolidated financial statements for the year ended 31 December 2018 and the notes to the condensed consolidated financial statements have been reviewed by independent joint auditors KPMG Inc. and Deloitte & Touche, who expressed a review conclusion. The review report is available on page 56 of this report.

The auditors have also issued an ISAE 3420 Independent Reporting Accountants' assurance report on the compilation of the non IFRS financial information of Old Mutual Limited. This report is included in section 7 of the additional disclosures.

STRATEGIC DELIVERY

Delivering against many of our eight battlegrounds, continued progress in the turnaround of Old Mutual Insure and strong sales in Corporate, Wealth and Investments as well as Mass and Foundation Cluster

Successful listing of Old Mutual Limited on five stock exchanges on 26 June 2018 and the **unbundling** of 32% of Nedbank on 15 October 2018 marked the completion of Managed Separation. We were awarded **deal of year** at the 19th annual DealMakers awards

R45.9 billion returned to shareholders in 2018, with further returns of **at least R5.6 billion** expected in 2019 reflecting final dividend and share buyback

Achieved **approximately R750 million of recurring expense savings** in 2018. On track to achieve **cost efficiency target of R1 billion of run rate savings** by the end of 2019 and to manage expense growth within inflation thereafter

Good progress on technology refresh and **customer experience improvements**. On track to deliver further enhancements in 2019

Segment leadership positions filled at Old Mutual Insure and Wealth and Investments

FINANCIAL RESULTS

HEADLINE EARNINGS (HE)

R14,241 million

(FY 2017: R13,144 million)

IFRS PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

R36,566 million

(FY 2017: R14,372 million)

RESULTS FROM OPERATIONS (RFO)

R9,963 million

(FY 2017: R10,367 million)

ADJUSTED HEADLINE EARNINGS (AHE)

R11,512 million

(FY 2017: R12,947 million)

AHE PER SHARE

239.1 cents per share

(FY 2017: 271.1 cents per share)

FINAL DIVIDEND

72 cents per share

RONAV

18.6%

(FY 2017: 22.9%)

GROUP SOLVENCY RATIO

170%

(FY 2017: 161%)

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MESSAGE FROM THE CEO

MESSAGE FROM THE CEO



“I am pleased with the progress we made on our eight battlegrounds. We delivered particularly good sales and NCCF in a tough economic and competitive environment. We delivered very well against the promises we made to investors. Sadly we did not meet our Results from Operations (RFO) growth target of GDP+2%. We are still confident that we will meet all our targets in the medium term noting that the RFO target will be difficult given the negative growth in 2018.

We have improved our customer experience through digital enhancements and the delivery of key phases of our IT refresh journey. Whilst we continue to see economic headwinds in the near term, our Group is resilient, well capitalised and managing its costs tightly.”

PETER MOYO

2018 was a momentous year for our Group. We completed the Managed Separation, highlighted by our successful listing on 26 June 2018. This was followed by the unbundling of 32% of Nedbank on 15 October 2018, returning a total of R38.8 billion to our shareholders and retaining 19.9%. In addition, we have distributed and declared R10.7 billion in special and ordinary dividends. We have also made good progress on accelerating the conversion of Residual plc net asset value to cash with the repayment of all outstanding international debt. We delivered well against the commitments we made to our investors, with the exception of Results from Operations. I am pleased with the progress we made on our eight battlegrounds. These results were delivered in a difficult operating environment. We have conducted our operations in a responsible way and managed the business within our risk appetite.

OPERATING ENVIRONMENT

2018 was characterised by volatility in global equity, currency and bond markets due to escalating global trade tensions. These global dynamics, in addition to weak local economic data, negatively affected the South African economic landscape resulting in low GDP growth in 2018.

Persistently high unemployment rates, a Value Added Tax (VAT) rate increase and fuel hikes contributed to lower real disposable incomes for our retail customers in South Africa. This adversely affected our customer acquisition and

persistence, especially in the middle income market. The economic outlook has marginally improved relative to the previous year, when political uncertainty prevailed and credit downgrades led to an even weaker operating environment. Improvements in governance and accountability taking place at State Owned Entities (SOEs) have resulted in some increase in business and consumer confidence. However, investor confidence is still fragile with concerns around government debt levels and policy uncertainty particularly around the proposed policy on land expropriation without compensation.

The South African equity market declined with the JSE SWIX down 14% in the year and down 9% from the end of the first half of 2018.

Inflation continued to remain within the South African Reserve Bank (SARB) target range at a 12-month average of 4.6% for 2018. The inflation outlook is benign, although it is expected to be closer to the upper end of the target range in the short to medium term due to upward pressures from effects such as rising utility, transport costs and oil prices.

Although a new government under President Mnangagwa came into power in the year, economic and political instability still persists in Zimbabwe. Equity markets were volatile, with a 40% rise in the second half of the year, resulting in substantial mark to market gains. In order to mitigate shortages of physical currency (US dollars) in

Message from the CEO (continued)

Zimbabwe, the use of electronic money was encouraged. This is facilitated through the Real Time Gross Settlement (RTGS) system. The increased reliance on RTGS, which is purely a mechanism for settlement of Bond Notes, effectively became a de facto currency. On 20 February 2019, the Reserve Bank of Zimbabwe announced that the RTGS would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. In line with industry consensus on this matter we have applied a reporting change to the functional currency for our businesses in Zimbabwe from 1 October 2018. This change has reduced both reported profits and net asset value in 2018.

Macroeconomic indicators in Kenya remained broadly stable in 2018 with overall inflation within target, GDP growth and short term interest rates remaining low. Equity markets remained volatile with a decline in the levels over the period.

In Nigeria, economic growth accelerated in the third quarter of 2018, assisted by improved dynamics in both the oil and non-oil economy. Oil output increased in the second half of the year following a reduction in pipeline disruptions.

FINANCIAL PERFORMANCE

We delivered our 2018 financial results in tough economic and market conditions in our key markets. Strong sales and

excellent Net Client Cash Flow (NCCF) supported average Funds under Management (FUM) levels which rose in the year. Closing FUM of R1.044 billion declined by 3% from the end of 2017, largely reflecting lower equity market levels in the fourth quarter.

Return on Net Asset Value (RoNAV) of 18.6% was ahead of our Cost of Equity (COE)+4% target of 17.4%.

Results from Operations (RFO) of R9,963 million decreased by 4% over the period reflecting net reserve movements, and mortality and morbidity losses in Personal Finance in the first half of 2018 and the change in functional currency in Zimbabwe.

We delivered Adjusted Headline Earnings (AHE) of R11,512 million, a decrease of 11% compared to the prior period. The primary cause of this was the lower RFO, lower investment income in South Africa as a result of weaker equity markets and in Zimbabwe, the change in functional currency in the fourth quarter. This decrease was partially offset by higher income from associates, reflecting higher earnings from our stake in Nedbank.

We have delivered R750 million of cost savings, putting us in a good position to meet our R1 billion efficiency target next year.

The Group solvency ratio¹ increased to 170% (FY 2017: 161%), reflecting the robust capital position of the Group.

OUR BATTLEGROUND SCORECARD REVIEWS

We remain committed to delivering value in the medium term through our strategic priorities, which are defined through our eight battlegrounds.



DEFEND AND GROW SOUTH AFRICAN MARKET SHARE IN MASS AND CORPORATE MARKETS

Mass and Foundation Cluster

- Maintained strong sales in the mass market despite ongoing competition from existing players and new entrants
- Opened 25 branches, increasing our branch footprint to 348 branches, contributing to strong sales growth
- Growth in loan book, with low credit losses, as we continued to lend responsibly
- Investment in technology has resulted in reduced claims payout time from 24 hours to 8 hours, and 4 hours for those initiated via the Money Account app
- Online funeral policy launched in 2018

Old Mutual Corporate

- Market leader with attractive offering for customers, excellent cost of delivery and strong underwriting capabilities, backed by our strong balance sheet
- Strong flows into our umbrella proposition, producing an improved business mix, even with the lumpy nature of the business
- Good traction on management actions to improve Group Risk underwriting experience
- Launch of self service portal for retirement members

¹ The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement except for the use of the iterative risk margin approach.

Message from the CEO (continued)

| | |
|---|---|
|  <p>DEFEND AND GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET</p> | <ul style="list-style-type: none"> • A number of initiatives launched to meet customer needs and enhance our product offering, including the launch of Old Mutual Rewards and enhancements to our savings and risk propositions • Mortality losses stabilised in H2 2018, management actions determined at H1 2018 to improve mortality and morbidity profits are being implemented. We continue to actively monitor the experience in this area • Overall sales were affected by the tough environment but we continue to maintain and grow our position in this market • Distribution channels contributed a total of R69.2 billion in gross flows, R37.2 billion to Wealth and Investments |
|  <p>IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS</p> | <ul style="list-style-type: none"> • Improved investment performance across diversified asset base • Strong NCCF and record high transaction activity in Specialised Finance • Made good progress on building our internal distribution capability |
|  <p>CONTINUED TURNAROUND OF OLD MUTUAL INSURE</p> | <ul style="list-style-type: none"> • Improved underwriting margin, now at upper end of target range • Substantial completion of remediation and claims management processes • Launch of MyOMInsure, a digital platform for claims registration |
|  <p>TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS THE REST OF AFRICA</p> | <ul style="list-style-type: none"> • Staff reorganisation completed in East Africa during the first half of 2018 to optimise staffing levels and eliminate duplication. This is expected to create savings going forward • Positive RFO delivered by East Africa for the first time since acquisition • Southern Africa continues to generate strong profit growth, particularly in Malawi and Zimbabwe • Appointment of a new Managing Director of West Africa in November 2018 • Launched Dream Enabler, a sales and servicing mobile application |
|  <p>WIN THE WAR FOR TALENT</p> | <ul style="list-style-type: none"> • Embarked on a cultural transformation journey to align behaviours to our values • Attracting and retaining the talent that we want in the organisation, evident in the appointment of Garth Napier and Khaya Gobodo as Managing Directors of Old Mutual Insure and Wealth and Investments, respectively |
|  <p>REFRESH THE TECHNOLOGY OFFERING</p> | <ul style="list-style-type: none"> • Focused on execution, with protection solutions for Mass and Foundation Cluster and Personal Finance segments expected to be activated during 2019 • Introduced robotics processes and system automations which have improved our customer service turnaround time • Launched MyOldMutual, a new secure customer portal, on cloud infrastructure |
|  <p>COST EFFICIENCY LEADERSHIP</p> | <ul style="list-style-type: none"> • In 2018 we saved approximately R750 million of recurring cost • On track to meet R1 billion target and contain expense growth within inflation thereafter |

NEDBANK UNBUNDLING

We completed the distribution of 158,726,732 Nedbank shares worth R38.8 billion to our shareholders in the fourth quarter of 2018. We continue to view our remaining shareholding of 19.9% as a long-term investment and this ownership underpins significant commercial benefits we

derive from the continuation of this relationship. During 2018, around R900 million of insurance premiums arose in Old Mutual Limited sourced via the Nedbank distribution channels.

Message from the CEO (continued)

OUR ROLE IN SOCIETY

Having entered a new phase in our journey following the completion of Managed Separation, we continue to build a business with a conscience. During 2018 we paid R91.5 billion in claims and benefits. This includes insurance claims, annuity payouts and investment maturities. We also regularly review the value our products provided to customers and assess whether they adequately provide for the identified need.

Developing our people is crucial to achieving our targets. As such, we supported our employees through learning and development activities to the value of c. R165 million.

We remain committed to uplifting the communities in which we operate. During 2018 we allocated R500 million to a ring-fenced Enterprise Supplier Development Fund to support small and black-owned businesses, in recognition of the commitment made under the Framework Agreement agreed with the Minister of Economic Development ahead of the listing of Old Mutual Limited. The Fund's intention is to generate additional jobs in the Group's ecosystem to be evidenced by the end of June 2021. By the end of 2018, R50 million of the Fund had been allocated to the Black Distributors Trust, an entity that promotes the development and advancement of black advisers in the tied and broker segment of the insurance industry. The remaining R450 million will be allocated in the near term.

The completion of our water filtration plant at our Mutualpark office will help us save 10 million litres of municipal water per month. This will help alleviate the water requirement pressures faced by Cape Town.

We remain committed to transforming our organisation to reflect the societies we operate in.

For the 2018 period, we maintained a level 2 B-BBEE contributor status.

As part of our Managed Separation and listing process we committed to the Economic Development Department in South Africa to achieve an effective black ownership level of 25% within three years of listing and to be best in class, as measured at the time of listing, within five years of listing. We are formulating a plan to achieve this through internal and if necessary external mechanisms. This will be guided by a close review of the shareholder value to be created by achieving the score and facilitating transformation in South Africa.

CAPITAL MANAGEMENT, DIVIDENDS AND SHARE BUYBACK

We continue to develop our capital management to support the delivery of total return to shareholders both in recurring and sustainable ordinary dividend and one-off capital returns where appropriate.

For 2018, we have declared a final dividend of 72 cents per share to be paid on 29 April 2019. In accordance with our stated dividend policy, consideration has been given to the Group's underlying cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategic

requirements and market conditions. We paid an interim dividend of 45 cents per share in October 2018 which brings the total ordinary dividend for 2018 to 117 cents per share and is covered 2.04 times by AHE per share. This is in line with our dividend policy. Further details of the timetable for the exchange rate conversion for dividends payable in currencies other than Rand will be communicated in due course.

We are also pleased to announce a share buyback programme. Following a review of all capital available at 31 December 2018, and taking into account capital and liquidity projections to the end of the 2019 financial year, we have identified sufficient excess capital available to conduct on market share buybacks of approximately R2 billion.

Going forward, we anticipate future cash inflows from the completion of the sale of Latin America and further inter company dividends as we carry on converting Residual plc net asset value into cash. We will assess the capacity for further returns when such proceeds are received, taking into account our solvency capital position and projections at the time.

OUTLOOK

Global growth is still expected to continue for 2019, assuming trade tensions and equity market risks do not result in a loss of confidence. This presents the opportunity for our operations in those regions to grow our consumer base and develop our product lines.

GDP forecast for 2019

| | |
|--------------------|-------------|
| South Africa | 1.4% |
| Sub Saharan Africa | 3.5% |
| Zimbabwe | 4.2% |
| Nigeria | 2.0% |
| Chana | 7.6% |
| East Africa | 6.1% – 7.8% |

Source: International Monetary Fund

National elections are planned for 8 May 2019 in South Africa and elections in several other key markets are also planned. In the case of Nigeria, have occurred during the first half of 2019.

At a segment level we are encouraged by the strong flows secured in Corporate and operational improvements in Old Mutual Insure. In Mass and Foundation Cluster and Personal Finance, we are focussed on driving further growth through expanding our multi-channel distribution capabilities. We remain on track to deliver R1 billion in recurring expense savings in 2019, and grow expenses within inflation thereafter.

Our RFO target of GDP+2% CAGR will become increasingly challenging to achieve over our three year target period due to negative RFO growth in 2018. AHE will continue to be influenced by investment returns in South Africa and the Rest of Africa. Despite the weak growth outlook in South Africa, the above macroeconomic risks and strong competitive pressures, we remain confident in delivering our medium term targets.



03

FINANCIAL REVIEW



FINANCIAL REVIEW

GROUP HIGHLIGHTS

| Rm (unless otherwise indicated) | FY 2018 | FY 2017 | % change |
|--|----------------|---------|-----------|
| Key financial indicators | | | |
| Gross flows ¹ | 181,800 | 173,317 | 5% |
| Life APE sales ¹ | 12,311 | 11,512 | 7% |
| NCCF (Rbn) ¹ | 10.7 | 5.6 | 91% |
| FUM (Rbn) ¹ | 1,043.7 | 1,072.3 | (3%) |
| Results from Operations (RFO) ¹ | 9,963 | 10,367 | (4%) |
| Adjusted Headline Earnings (AHE) ¹ | 11,512 | 12,947 | (11%) |
| Return on net asset value (RoNAV) ¹ (%) | 18.6% | 22.9% | (430 bps) |
| Free Surplus Generated from Operations ¹ | 6,585 | 7,842 | (16%) |
| % of AHE converted to free surplus ¹ | 57% | 61% | (400 bps) |
| Group Solvency ratio (%) ² | 170% | 161% | 900 bps |
| IFRS profit after tax attributable to equity holders of the parent | 36,566 | 14,372 | >100% |
| Headline earnings (HE) | 14,241 | 13,144 | 8% |
| Basic earnings per share (cents) | 788.1 | 304.7 | >100% |
| Adjusted Headline Earnings per share (cents) ³ | 239.1 | 271.1 | (12%) |
| Final Dividend per share (cents) | 72 | n/a | n/a |

1 Comparatives have been re-presented to exclude Latin America and India (sold in October 2017) as these businesses have been classified as discontinued operations.

2 The Group solvency ratio includes our remaining stake in Nedbank and is presented consistent with the disclosure in the pre-listing statement, except for the use of the iterative risk margin

3 WANS used in the calculation of Adjusted Headline Earnings per share is 4,815 million (FY 2017: 4,776 million).

IMPACT OF THE CHANGE IN FUNCTIONAL CURRENCY OF ZIMBABWE

| Rm (unless otherwise indicated) | FY 2018 | | | % change | | |
|--|------------------------|---------------------|-----------------------|-----------|-----------|---------|
| | Before FC ¹ | Impact ¹ | Reported ² | Before FC | FY 2018 | FY 2017 |
| Gross flows | 183,538 | (1,738) | 181,800 | 6% | 5% | 173,317 |
| NCCF (Rbn) | 11.2 | (0.5) | 10.7 | 100% | 91% | 5.6 |
| FUM (Rbn) | 1,083.8 | (40.1) | 1,043.7 | 1% | (3%) | 1,072.3 |
| Loans and advances | 31,913 | (8,175) | 23,738 | 37% | 2% | 23,311 |
| Results from Operations (RFO) | 10,186 | (223) | 9,963 | (2%) | (4%) | 10,367 |
| Adjusted Headline Earnings (AHE) | 13,057 | (1,545) | 11,512 | 1% | (11%) | 12,947 |
| Return on Net Asset Value (RoNAV) (%) | 20.1% | (150 bps) | 18.6% | (280 bps) | (430 bps) | 22.9% |
| Free Surplus Generated from Operations | 6,585 | – | 6,585 | (16%) | (16%) | 7,842 |
| Group Solvency ratio (%) | 161% | 900 bps | 170% | – | 900 bps | 161% |

1 Reflects the key financial indicators of the Group before applying the functional currency change.

2 The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated RTGS US Dollar exchange rate of 3.3 to 1.

ACCOUNTING IMPLICATIONS OF MANAGED SEPARATION

Managed Separation resulted in the separate listings of Old Mutual Limited and Quilter. The majority of the shares in Quilter (86.6%) were distributed to existing Old Mutual plc shareholders with the sale of 9.6% to new shareholders. The listing of Old Mutual Limited was effected via a UK court scheme of arrangement which inserted Old Mutual Limited as the new holding company of Old Mutual plc, after the Quilter distribution, by way of a share for share exchange.

From an accounting perspective Managed Separation was treated as a reorganisation of an existing group. The insertion of a holding company between shareholders and an existing group does not result in any change in the economic substance of the reported group. As such, the condensed consolidated financial statements of Old Mutual Limited have been prepared on a predecessor basis. Consequently, the current period results up to listing and the comparatives presented for Old Mutual Limited reflect the values from the financial statements of the previous Old Mutual plc Group with the exception of the equity structure that has been adjusted to reflect that of the new entity, being Old Mutual Limited. Refer to Note A1 in the condensed consolidated financial statements for additional information.

Other accounting impacts of Managed Separation include the recognition of a profit of R4,023 million and R19,152 million in respect of the distribution and sale of Quilter shares and the unbundling of circa 32% of Nedbank Group Limited, respectively. The profit on the distribution of Quilter includes a profit on the recycling of foreign currency translation reserves of R1,352 million. The profit recognised on the unbundling of Nedbank has been calculated as the difference between the market value and the consolidated net asset value of the Group's shareholding in Nedbank on the date of distribution. Directly attributable costs incurred to execute these transactions has been offset against the profits recognised. Refer to Note G5 in the condensed consolidated financial statements for additional information. The share for share exchange and the distribution of Quilter and Nedbank shares led to an after tax accelerated vesting charge of R354 million recognised in the condensed consolidated income statement. This was as a result of the modification of the underlying share awards subject to the existing share-based payment arrangements of the former Old Mutual plc Group.

ACCOUNTING IMPACT OF ZIMBABWE

The continued US dollar shortages experienced in Zimbabwe have led to the increased use of electronic money through the Real Time Gross Settlement (RTGS) system, giving rise to parallel market activities and multiple pricing mechanisms where bond notes and RTGS balances have been trading at a discount to the official US dollar exchange rate. Consensus has developed to apply a change in functional currency for our businesses operating in Zimbabwe from 1 October 2018, being the date that the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Nostro FCAs and RTGS FCAs.

During February 2019, a trading mechanism for RTGS balance and bond notes with international currencies was established, however before this, authorities maintained that the US dollars represented in the RTGS system were at a 1:1 exchange rate. We have estimated a RTGS US dollar exchange rate of 3.3 to 1 (RTGS rate) by assessing various inputs that impact inflation. The inputs considered in this estimate include the relative food and fuel prices and the official inflation rate. A further observable input taken into consideration was the premium at which the Old Mutual and PPC shares trade on the Zimbabwe stock exchange relative to the Johannesburg Stock Exchange.

The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, results in respect of Zimbabwe have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at the estimated RTGS rate for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, results have been translated at the estimated RTGS rate.

The following table highlights the sensitivity of our key financial measures to the estimated RTGS rate.

| Metric (Rm) | RTGS: | Reported | RTGS: |
|---|--------|---------------|--------|
| | USD | FY 2018 | USD |
| | 2.5:1 | 3.3:1 | 5:1 |
| Adjusted Headline Earnings | 11,754 | 11,512 | 11,279 |
| RoNAV (%) | 18.8% | 18.6% | 18.3% |
| Profit after tax attributable to equity holders of the parent | 36,809 | 36,566 | 36,333 |
| Equity attributable to the equity holders of the parent | 78,792 | 78,021 | 77,203 |

Financial review (continued)

SUPPLEMENTARY INCOME STATEMENT

| Rm | Note | FY 2018 | FY 2017 | % change |
|--|------|---------------|---------------|--------------|
| Mass and Foundation Cluster | | 3,129 | 3,052 | 3% |
| Personal Finance | | 2,021 | 3,150 | (36%) |
| Wealth and Investments | | 1,611 | 1,490 | 8% |
| Old Mutual Corporate | | 1,703 | 1,576 | 8% |
| Old Mutual Insure | | 670 | 524 | 28% |
| Rest of Africa | | 1,254 | 1,081 | 16% |
| Central expenses | A | (425) | (506) | 16% |
| Results from Operations | | 9,963 | 10,367 | (4%) |
| Shareholder investment return | B | 2,880 | 4,920 | (41%) |
| Finance costs | C | (601) | (622) | 3% |
| Income from associates | D | 2,593 | 2,305 | 13% |
| Adjusted Headline Earnings before tax and non-controlling interests | | 14,835 | 16,970 | (13%) |
| Shareholder tax | | (2,947) | (3,535) | 17% |
| Non-controlling interests | | (376) | (488) | 23% |
| Adjusted Headline Earnings | | 11,512 | 12,947 | (11%) |

RFO is the primary measure of the business performance of each of the operating segments. Activities related to the Group's management of the capital structure and central costs form part of the Other Group Activities segment, to the extent that they are not managed as part of operating segments.

A Central Expenses

Central expenses were R425 million in 2018, a decrease of 16% or R81 million from R506 million in the prior period. The main driver for the decrease was a change in the central cost allocation methodology implemented by the Group in 2018. As part of an increased effort to more accurately measure the economic contribution of each segment, project costs that were previously accounted for centrally have been allocated to segments. This was offset by an increase in costs to establish and capacitate reporting and management functions for Old Mutual Limited as a standalone listed entity.

B Shareholder investment return

Shareholder investment return was R2,880 million in 2018, a decrease of 41% or R2,040 million from R4,920 million in the prior period. South African equity markets declined by 14% during the year which contributed to lower shareholder investment return. The majority of the shareholder return in Rest of Africa is generated by Zimbabwe, where equity markets have continued to be volatile, with a 40% rise in the second half of the year, resulting in substantial mark to market gains. The positive investment returns generated in Zimbabwe equity markets was impacted by the translation of shareholder investment return at the RTGS rate for the last three months of the year.

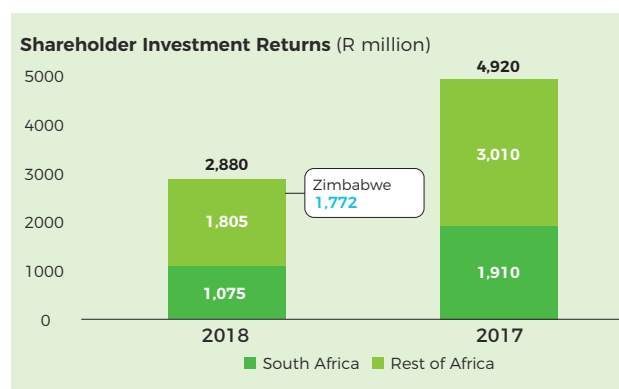
C Finance costs

Finance costs on long term debt, that supports the capital structure of the Group, decreased by 3% to R601 million in 2018

(FY 2017: R622 million). Finance costs related to subordinated debt instruments issued by Old Mutual Insure in November 2017, to the nominal value of R500 million were incurred for the full period contributing to an increase in finance costs. Fair value gains earned on interest rate swaps more than offset the increase in finance costs during the period.

D Income from associates

After the completion of the Nedbank unbundling, effective 15 October 2018, the Group retained a minority shareholding of 19.9% in Nedbank in its shareholder funds. Nedbank is managed as part of Other Group Activities and it has been included on this basis in AHE. An odd-lot offer was executed by Nedbank on 21 December 2018 which increased the Group's shareholding to 20.2%. Income from associates, as reflected in AHE, increased by 13% to R2,593 million (FY 2017: R2,305 million) as Ecobank Transnational Incorporated (ETI) returned to profitability which had a positive impact on Nedbank's headline earnings. Our investment in China, which is also reported in income from associates generated a loss of R88 million (FY 2017: R41 million loss).



RECONCILIATION OF AHE TO IFRS PROFIT AFTER TAX

| Rm | Note | FY 2018 | FY 2017 | % change |
|--|----------|----------------|---------|----------|
| Adjusted Headline Earnings | | 11,512 | 12,947 | (11%) |
| Investment return for Group equity and debt instruments in life funds ¹ | | (219) | (1,355) | 84% |
| Impact of restructuring ² | | (700) | (54) | >(100%) |
| Discontinued operations | A | 8,129 | 8,870 | (8%) |
| Income from associates ³ | | (2,132) | (2,346) | 9% |
| Residual plc | B | (2,349) | (4,918) | 52% |
| Headline earnings | | 14,241 | 13,144 | 8% |
| Impairment of goodwill and other intangibles | | (627) | (1,080) | 42% |
| Impairment of associated undertakings | | (265) | - | (100%) |
| Profit/(loss) on disposal of fixed assets | | 51 | (26) | >100% |
| Profit on disposal of subsidiaries, associated undertakings and strategic investments ⁴ | | 23,166 | 2,081 | >100% |
| Profit after tax for the financial year attributable to ordinary equity holders of the parent | | 36,566 | 14,119 | >100% |
| Dividends on preferred securities | | - | 253 | (100%) |
| Profit after tax for the financial year attributable to equity holders of the parent | | 36,566 | 14,372 | >100% |

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

² Represents the elimination of non-recurring expenses or income related to material acquisitions, disposals or a fundamental restructuring of the Group. These items are removed from AHE as they do not represent operating activities of the Group. Amounts in the current period largely reflect the accelerated vesting of the IFRS 2 charge as a result of the share for share exchange and the distribution of Nedbank and Quilter shares. Current and comparative period includes Managed Separation costs.

³ AHE includes associate income in respect of 19.9% shareholding in Nedbank for the full period as if the unbundling took place on 1 January 2018. Earnings for 9.5 months are removed as part of this reconciliation as the associate earnings for the 2.5 months post unbundling is included in the IFRS results.

⁴ The majority of the profit on disposal of subsidiaries, associated undertakings and strategic investments relates to the profit on distribution of Quilter and Nedbank.

A Discontinued operations

Nedbank

Nedbank delivered a resilient financial performance with Headline Earnings of R13.5 billion, an increase of 14%, assisted by the ongoing turnaround in the share of associate income from ETI. Strong performance was further supported by accelerated revenue growth in the second half of the year partially offset by a gradual increase in impairments.

Nedbank was classified as held for distribution and presented as part of discontinued operations up to the date of unbundling, effective 15 October 2018. We subsequently ceased to consolidate Nedbank in our financial results and have equity accounted our retained stake, in shareholder funds, as an associated undertaking. The retained portion of Nedbank shares was recorded at the market value prevailing on the effective date of unbundling. An IFRS profit of R19,152 million was recognised as a result of the transaction.

Latin America

Profits of our businesses in Latin America increased to R318 million (FY17: R7 million loss). We saw continued good profits as a result of the growth in pension offerings in Colombia and higher asset based fees in Mexico, and

good expense management. AIVA profits also grew following reduction in expenses and growth in Funds under Management.

The sale of our businesses in Latin America is subject to required regulatory approvals in the relevant jurisdictions. All required regulatory approvals have been received. As the date of this announcement, the sale of businesses in Latin America remains on track to be completed in the first half of 2019.

Quilter

As a result of applying predecessor accounting our results for 2018 includes profit generated by Quilter up to its listing on 25 June 2018. Quilter's contribution to the Group's profit from discontinued operations, in addition to the profit on distribution, was R1,275 million (FY 2017: R1,451 million). Refer to Note G5 in the condensed consolidated financial statements for additional information on discontinued operations.

Financial review (continued)

Old Mutual Bermuda

Old Mutual Bermuda was deregistered as an insurer with the Bermuda Monetary Authority in October 2018 subsequent to all of the Guaranteed Minimum Accumulations Benefit (GMAB) reinsurance obligations maturing. Old Mutual Bermuda contributed R34 million to the Group's profit, reflecting favourable developments in the run-off of the book during 2018. The liquidation provision established at the end of December 2017 has been sufficient to cover all operational losses incurred during 2018.

B Residual plc

The loss in Residual plc reduced by 52% to R2,349 million largely due to lower finance costs incurred during 2018. The purchase of remaining debt securities, at a lower premium than that in 2017 when previous tranches of debt securities were repurchased contributed towards lower finance costs in 2018. Higher advisory costs were incurred given the heightened activity leading up to the listing of both Old Mutual Limited and Quilter in the first half of 2018. Other income increased following the release of a deferred tax provision.

IFRS PROFIT AFTER TAX

Profit after tax increased by more than 100% from the prior period largely due the distribution and sale of Quilter shares and the unbundling of Nedbank shares resulting in the recognition of a profit of R23,175 million in the consolidated results. Included within this profit is a loss on the recycling of foreign currency translation reserves of R1,352 million.

| Rm | FY 2018 | FY 2017 | % change |
|---|---------|---------|----------|
| Mass and Foundation Cluster | 2,167 | 2,104 | 3% |
| Personal Finance | 1,461 | 2,270 | (36%) |
| Wealth and Investments | 1,173 | 1,399 | (16%) |
| Old Mutual Corporate | 1,389 | 1,134 | 22% |
| Old Mutual Insure | 528 | 736 | (28%) |
| Rest of Africa | 1,659 | 2,505 | (34%) |
| Other Group Activities ¹ | (2,984) | (6,302) | (53%) |
| Consolidation adjustments ² | (396) | (465) | (15%) |
| IFRS profit from continuing operations after tax | 4,997 | 3,381 | 48% |
| IFRS profit from discontinued operations after tax ³ | 37,711 | 16,983 | >100% |
| IFRS profit after tax for the financial year | 42,708 | 20,364 | >100% |
| Attributable to: | | | |
| Equity holders of the parent | 36,566 | 14,372 | >100% |
| Non-controlling interests | 6,142 | 5,992 | 3% |
| Profit after tax for the financial year | 42,708 | 20,364 | >100% |
| Basic earnings per share (cents) ⁴ | 788.1 | 304.7 | >100% |

¹ Includes central areas, Residual plc and our investment in China.

² These entries relate to the elimination of inter-company transactions between continuing and discontinued operations.

³ Discontinued operations includes the results of Nedbank, Latin America, Quilter, Old Mutual Bermuda and India in the comparative period and the profit on the sale and distribution of Quilter shares as well as the Nedbank unbundling.

⁴ WANS used in the calculation of basic earnings per share is 4,815 million in FY 2018 (FY 2017: 4,776 million)

FREE SURPLUS GENERATION AND UTILISATION

| Rm | FY 2018 | | | FY 2017 | | |
|---|--------------|---------------|------------|--------------|---------------|------------|
| | Free Surplus | AHE | % | Free Surplus | AHE | % |
| Gross operating segments | 8,912 | 8,831 | 101% | 10,904 | 10,601 | >100% |
| Capital requirements | (2,510) | - | - | (2,237) | - | - |
| Net operating segments | 6,402 | 8,831 | 72% | 8,667 | 10,601 | 82% |
| Nedbank (19.9%) | 1,340 | 2,681 | 50% | 1,173 | 2,346 | 50% |
| Before fungibility restriction | 7,742 | 11,512 | 67% | 9,840 | 12,947 | 76% |
| Fungibility restriction ¹ | (1,157) | - | - | (1,998) | - | - |
| Free Surplus generated from Operations | 6,585 | 11,512 | 57% | 7,842 | 12,947 | 61% |

¹ Fungibility restriction represents the free surplus generated in Zimbabwe which cannot be remitted.

Operating segments generated gross free surplus of R8,912 million, representing 101% of AHE, demonstrating the high level of cash earnings generated by our businesses. After allowing for capital requirements the free surplus conversion decreases to 72% of AHE, compared to 82% in the prior period. The increase in capital requirements reflects an increase in capital requirements in our Banking and Lending business in line with the increase in Loans and Advances. We also increased the levels of capital held in our Life and Savings businesses during 2018. This increase in capital held at subsidiary level is to ensure that each of our operating subsidiaries has appropriate levels of capital

where the risks are managed. In the prior year the amount of capital required benefitted from a release of capital related to the Property and Casualty business as a result of the transition to the Prudential Standards. Nedbank generates free surplus of 50% of AHE, which is in line with their dividend policy of 1.75 - 2.25x covered by Headline Earnings. Cash generated by our business in Zimbabwe is not recognised in our free surplus measure as it is not fungible. The lower cash conversion rate of Nedbank earnings and the fungibility restriction in respect of Zimbabwe earnings reduces the overall group free surplus generation to 57% of AHE.

Financial review (continued)

BALANCE SHEET METRICS

| Rbn (unless otherwise indicated) | Note | FY 2018 | FY 2017 | % change |
|---|------|--------------|---------|-----------|
| Operating Segments ¹ | | 46.0 | 43.3 | 6% |
| Non-core operations ² | A | 4.9 | 17.2 | (72%) |
| Investment in Associates ³ | | 24.8 | - | 100% |
| Assets held for sale or distribution ⁴ | | 4.1 | 78.9 | (95%) |
| Consolidation adjustments ⁵ | | (1.8) | (2.7) | 33% |
| Equity attributable to ordinary shareholders of the parent | | 78.0 | 136.7 | (43%) |
| South Africa | | 36.3 | 31.8 | 14% |
| Rest of Africa | | 9.7 | 11.5 | (16%) |
| Equity attributable to operating segments | | 46.0 | 43.3 | 6% |
| Nedbank at 19.9% ⁵ | | 18.6 | 16.4 | 13% |
| Closing Adjusted IFRS Equity | | 64.6 | 59.7 | 8% |
| South Africa | | 51.4 | 45.7 | 12% |
| Rest of Africa ⁶ | | 10.7 | 10.8 | (1%) |
| Average Adjusted IFRS Equity | | 62.1 | 56.5 | 10% |
| South Africa | | 17.8% | 21.0% | (320 bps) |
| Rest of Africa | | 22.0% | 31.1% | (910 bps) |
| RoNAV | B | 18.6% | 22.9% | (430 bps) |
| South Africa | | 23.2 | 22.2 | 5% |
| Rest of Africa | | 11.3 | 14.4 | (22%) |
| Invested Shareholder Assets⁷ | C | 34.5 | 36.6 | (6%) |
| Gearing ratio⁸ | D | 12.5% | 13.0% | 50 bps |
| Interest cover | | 25.7 | 28.3 | (9%) |

1 Comprises of the net asset value of the operating segments of the Group. This net asset value forms the basis for key balance sheet metrics on which the Group is managed from a capital perspective, and is the same perimeter on which AHE is presented.

2 Comprises mostly of the net asset value of Old Mutual plc of R4.9 billion at 31 December 2018 (R15.1 billion at 31 December 2017) and Old Mutual Bermuda of R50 million at 31 December 2018 (R2.1 billion at 31 December 2017).

3 Per IFRS requirements, we recorded our remaining stake in Nedbank at fair value on the date of unbundling. For purposes of calculating RoNAV, our stake in Nedbank is included at net asset value in Closing Adjusted IFRS equity.

4 Comprises of the net asset value of assets classified as held for sale which includes Latin America. 54% of Nedbank and Quilter's net asset value is included in the comparative period.

5 Consolidation adjustments reflect own shares held by consolidated investment funds, which are treated as treasury shares under IFRS.

6 Average Adjusted IFRS Equity for Rest of Africa, before the functional currency change, is R13.4 billion for FY 2018.

7 The prior period has been re-presented to better reflect management's view of invested shareholder assets.

8 Gearing ratios are calculated based on the IFRS equity attributable to operating segments. As such this excludes equity related to non-core entities and assets held for sale

Capital management

We actively manage the supply and demand of the Group's capital to maximise shareholder value, within our risk appetite. In achieving this objective, we balance the requirements of key stakeholders including investors, regulators and our customers.

In terms of the supply of capital, we manage debt and equity levels to minimise the weighted average cost of capital, within our risk appetite, which allows the Group to maintain strong interest coverage and an acceptable leverage ratio post a moderate stress event. Our target gearing ratio is in the range of 15% to 20%.

In term of capital demand, RoNAV serves as the Group's key capital efficiency measure for directing capital investments. We aim to maximize shareholder value by deploying capital

to entities and initiatives that are able to deliver a RoNAV that supports the Group achieving its target of cost of equity +4%.

The Group has an optimal solvency capital coverage ratio target of 155% - 175%. The range has been set to ensure that we maintain a strong balance sheet to protect policyholders whilst returning excess capital to shareholders. As at 31 December 2018, the Group had a capital coverage of 170% which is within the target ratio.

All material entities within the Group have solvency capital coverage targets to ensure that appropriate capital is held where risks are managed. The risk appetite and requirements of relevant regulators, customers and other key stakeholders are considered when determining the level of capital that is required for the relevant entities.

Financial review (continued)

We target a dividend cover, based on AHE, of 1.75x to 2.25x. When determining the appropriateness of a dividend, we consider the underlying cash generated from operations, fungibility of earnings, targeted liquidity and solvency levels as well as the Group's strategy.

On 21 February 2019, Standard & Poor's (S&P) affirmed a South African National Scale Rating of zaAAA for OMLACSA and zaAA- for its subordinated debt. Further to this, S&P upgraded the capital and earnings strength rating of OMLACSA due to continued improvement in OMLACSA's capital adequacy and management.

A Residual plc

Old Mutual Bermuda has completed its run off process, with the last reinsurance obligations maturing in August 2018. Old Mutual Bermuda has been deregistered as an insurer with the Bermuda Monetary Authority in October 2018, and surplus capital of R389 million (\$27 million) was repatriated to Old Mutual plc. This brings the total capital repatriated during 2018 from Old Mutual Bermuda to Old Mutual plc to R2,127 million (\$167 million). The remainder of the surplus capital is expected to be repatriated following the ultimate closure and final dissolution of the business during early 2019.

Following the listing of Old Mutual Limited, Old Mutual plc (which was re-registered as a Private Company Limited in February 2019 under the name of OM Residual UK Limited) is now a wholly owned, non-operating subsidiary of the Group. The decrease in net asset value of 68% to R4.9 billion at 31 December 2018 (R15.1 billion at 31 December 2017) is largely due to the payment of dividends of R4,681 million to Old Mutual Limited in the second half of the year. The settlement of certain intercompany loans between Old Mutual plc and Quilter in anticipation of the listing of Quilter had a negative impact on net asset value. This decrease was offset by the cash proceeds received by Old Mutual plc following the sale offer of 9.6% of Quilter shares to new shareholders.

During 2018, Old Mutual plc settled the final transaction and advisory costs incurred to execute Managed Separation. Certain corporate costs continue to be incurred until the head office wind down is completed. These costs remain in line with previous guidance.

The realisable economic value of Residual plc at December 2018 is estimated at R4,052 million (£221 million), a decrease of R3,634 million (£203 million) from June 2018. This decrease is largely due to the dividends paid to Old Mutual Limited partially offset by a release of R979 million (£54 million) of surplus following the settlement of debt.

Further dividends to Old Mutual Limited will remain subject to inter alia, the undertaking to the UK Court as described in the announcement dated 20 June 2018 in respect of Old Mutual plc. The UK court scheme allows for reviews of the surplus assets on a quarterly basis that commenced on 1 October 2018. Any potential transfer will need to take into account the developments and future assessments by the board of OM Residual UK Limited, at such a point in time,

of liabilities and contingent liabilities and in line with its fiduciary duties. The final development of economic value and surplus assets is subject to changes in estimates and uncertainty.

B RoNAV

RoNAV decreased by 430 bps to 18.6% (FY 2017: 22.9%). The change in functional currency of Zimbabwe negatively impacted RoNAV by 150 bps.

RoNAV in South Africa decreased by 320 bps to 17.8% (FY 2017: 21.0%). AHE attributable to South Africa reduced by 5% due to reduced investment income and lower profit in Personal Finance. The increase in average equity of 12% was a result of the dividend received from Residual plc of R4,681 million (£255 million) and retained profits partially offset by dividends paid to external shareholders and the impact of IFRS 9 – Financial Instruments which results in higher day one provisions for expected credit losses.

RoNAV in Rest of Africa decreased by 910 bps to 22.0% (FY 2017: 31.1%). Before the application of the functional currency change for Zimbabwe, RFO for Rest of Africa increased by R396 million or 37% in 2018 as a result of strong operational performance. AHE for Rest of Africa increased by R603 million or 18% mainly due to an increase in shareholder investment return from strong equity market performance in Zimbabwe albeit lower than in the second half of 2017. The increase in operating profits and the weakening of the Rand against the Kenyan Shilling were the main drivers of an increase in average Adjusted IFRS equity of 24% (before functional currency change).

Reported AHE for Rest of Africa decreased by 29% with a corresponding decline in average Adjusted IFRS equity of 1% mainly due to the change in functional currency change that resulted in the translation of Zimbabwe results at the RTGS rate.

C Invested Shareholder Assets

Invested shareholder assets decreased by 6% to R34.5 billion (FY 2017: R36.6 billion). The asset base in South Africa saw a R1 billion or 5% increase over the period, mostly due to net increase in cash reflecting profits earned less dividends paid out and continued positive shareholder investment returns.

Despite strong shareholder investment return generated in Zimbabwe during the period which increased the asset base, there was a decrease of R3.1 billion or 22% in Rest of Africa. This was largely a result of the change in functional currency in Zimbabwe which resulted in the translation of shareholder asset balances at the RTGS rate.

For the listed equities held in South Africa we aim to limit capital losses through the use of hedges. The impact of weak equity markets in 2018 was reduced due to our hedging strategy. The hedging strategy is executed in the form of a zero-cost collar where the downside is limited to 5% – 15% whilst capping the upside.

Financial review (continued)

D Gearing

Gearing ratios as calculated for the Group exclude the equity and debt relating to non-core and assets held for sale and distribution. The gearing ratio decreased by 50 bps in 2018 mainly due an increase of R2,698 million or 6% in equity attributable to operating segments. The increase is largely a result of a dividend of R4,681 million (£255 million) received from Residual plc in addition to operating profits.

This was partially offset by higher dividends paid to external shareholders, considering the special dividend of 100 cents per share, and the impact of IFRS 9 – Financial Instruments which results in higher day one provisions for expected credit losses. Interest cover decreased to 25.7 times (FY 2017: 28.3 times) mainly as a result of a decrease of 11% in AHE from the prior period.

EMBEDDED VALUE

The table below sets out the components of embedded value.

| Rm/% | FY 2018 | FY 2017 | % change |
|--------------------------|---------------|---------|-----------|
| Adjusted Net Worth (ANW) | 34,542 | 29,966 | 15% |
| Value in Force (VIF) | 31,856 | 33,695 | (5%) |
| Embedded Value | 66,398 | 63,661 | 4% |
| Return on Embedded value | 12.6% | 14.1% | (150 bps) |

The return on embedded value remained strong at 12.6%, despite a decrease of 150 bps from 14.1% for FY 2017. Operating EV earnings decreased by 3% to R7,990 million (FY 2017: R8,244 million) mainly due to a less profitable mix of new business sold in Rest of Africa during the year and lower positive assumption changes when compared to the prior period.

Positive experience variances, which increased by R253 million compared to the prior period, coupled with improved expense variances had a positive impact on Operating EV earnings. This was partially offset by worse claims experience

in Personal Finance. Persistency experience improved during the year, but remained negative reflecting the continued challenges created by the macro environment. Overall claims experience was positive despite the unfavourable experience in Personal Finance. Poor group disability experience in Old Mutual Corporate with some improvement during the period. Recurring expenses remained lower than assumed, reflecting continued progress in achieving our cost efficiency targets across the business. Investment returns on equities were significantly lower than in 2017, resulting in a negative investment variances compared to positive variances in the prior year.

SOLVENCY

| Rbn | Optimal target range | FY 2018 Pro forma | % change | FY 2017 ¹ Pro forma |
|------------------------------------|----------------------|-------------------|-----------|--------------------------------|
| OMLACSA | | | | |
| Eligible Own Funds | | 78.2 | 2% | 76.4 |
| Solvency Capital Requirement (SCR) | | 34.8 | 4% | 33.4 |
| Estimated solvency ratio (%) | >200% | 225% | (400 bps) | 229% |
| Group | | | | |
| Eligible Own Funds | | 100.6 | 4% | 97 |
| Solvency Capital Requirement (SCR) | | 59.1 | (2%) | 60.4 |
| Solvency ratio (%) (Pro forma) | 155% to 175% | 170% | 900 bps | 161% |

¹ FY 2017 amounts have been re-presented to exclude the use of the iterative risk margin approach in calculating solvency capital requirements.

The Insurance Act came into effect on 1 July 2018 and to date we have not yet been designated as an Insurance Group. For OMLACSA we have presented our best estimate of the solvency ratio based on approvals received from the

Prudential Authority to date. The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement, except for the use of the iterative risk margin approach in calculating solvency capital requirements.

Financial review (continued)

The increase of the Group solvency ratio to 170% at December 2018, was largely due the remittance of dividends from Old Mutual plc to Old Mutual Limited and the change in the functional currency in Zimbabwe. The change in the functional currency for Zimbabwe reduces its contribution to the Group, increasing the solvency ratio. Own Funds of

Zimbabwe are deemed non-fungible, and therefore only an amount equal to its Solvency Capital Requirement is taken into account for the Group solvency ratio. As at 31 December 2018, the Group was and is expected to remain financially sound on a regulatory basis for the foreseeable future.

OUTLOOK

| | KPI | FINANCIAL TARGET | PERFORMANCE FY 2018 | OUTLOOK |
|--------------|-------------------------|--|---------------------|-----------------------------|
| RETURNS | RoNAV | Average COE + 4% (weighted average COE of 13.4% ¹) | 18.6% | ▶ Improving |
| | Results from Operations | CAGR of Nominal GDP + 2% over the three years to 2020 (average nominal GDP growth for FY 2018: c. 4.7%) | ▼ 4% | ▶ Improving but challenging |
| EFFICIENCY | Cost efficiencies | R1 billion by the end of 2019 Pre-tax run-rate cost savings, net of costs to achieve it. Based off 2017 IFRS operating and administrative cost base. Expect to maintain cost growth within inflation thereafter. | R750 million | ▶ On track |
| | Underwriting result | OM Insure underwriting margin of 4% – 6% in near term | 5.3% | ▶ Upper end of range |
| CAPITAL | Solvency Ratio | Old Mutual Limited: 155% – 175% | 170% | ▶ Upper end of range |
| | | OMLACSA: Greater than 200% | 225% | ▶ Upper end of range |
| CASH RETURNS | Dividend cover | Full year ordinary dividends covered by AHE between 1.75 to 2.25 times . Interim dividend at 40% of the current year interim AHE. | 117 cents | ▶ Within range |

Financial review (continued)

DIVIDEND DECLARATIONS

The Board of directors has approved and declared a final dividend of 72 cents per ordinary share.

The final dividend of 72 cents per share, results in a full dividend cover of 2.04 for the 2018 year which is in line with Old Mutual Limited's dividend cover target of 1.75x to 2.25x. The final dividend will be paid out of distributable reserves and is payable on 29 April 2019 to all ordinary shareholders recorded on the record date. The dividend of 72 cents per ordinary share will be subject to a local dividend tax rate of 20% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 57.6 cents per ordinary share. International shareholders who are not exempt or are not subject to a reduced rate in terms of a double taxation agreement will be subject to dividend withholding tax at a rate of 20%.

Shareholders on the London, Malawian, Namibian and Zimbabwean registers will be paid in the local currency equivalents of the final dividend. In Malawi, Namibia and Zimbabwe these distributions will be made through dividend access trust or similar arrangements established in each country and will not be subject to South African withholding tax.

Old Mutual Limited's income tax number is 9267358233. The number of ordinary shares in issue in the company's share register at the date of declaration is 4,942,048,355.

| | |
|--|---|
| Declaration date | Monday, 11 March 2019 |
| Finalisation announcement and exchange rates announced | Monday, 18 March 2019 |
| Transfers suspended between registers | Close of business on Monday, 18 March 2019 |
| Last day to trade <i>cum</i> dividend for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers | Tuesday, 26 March 2019 |
| <i>Ex</i> -dividend date for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers | Wednesday, 27 March 2019 |
| Last day to trade <i>cum</i> dividend for shareholders on the UK register | Wednesday, 27 March 2019 |
| <i>Ex</i> -dividend date for shareholders on the UK register | Thursday, 28 March 2019 |
| Record date (all registers) | Close of business on Friday, 29 March 2019 |
| Transfers between registers restart | Opening of business on Monday, 1 April 2019 |
| Final Dividend payment date | Monday, 29 April 2019 |

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday, 27 March and Friday, 29 March 2019, both dates inclusive. Transfers between the registers may not take place between Tuesday, 19 March and Friday, 29 March 2019, both dates inclusive. Trading in shares held on the Namibian section of the principal register through Old Mutual (Namibia) Nominees (Pty) Limited will not be permitted between Tuesday, 19 March and Friday, 29 March 2019, both dates inclusive.

Shareholders that are tax resident in jurisdictions other than South Africa may qualify for a reduced rate under a double taxation agreement with South Africa. To apply for this reduced rate, non-SA taxpayers should complete and submit a declaration form to the respective registrars. The declaration form can be found at: <https://www.oldmutual.com/investor-relations/dividend-information/dividend-tax-considerations>.

SHARE REPURCHASE

Shareholders are advised that Old Mutual Limited ("OML" or "the Company") intends to commence a share repurchase programme of the Company's ordinary shares up to a maximum consideration of R2.0 billion. The repurchase of OML shares will take place on both the Johannesburg and London Stock Exchanges during the period 12 March 2019 until the next annual general meeting ("AGM") of the Company on 24 May 2019. The share repurchase programme will be effected in accordance with the General Authority received by way of a shareholder resolution passed at the AGM, held on 6 March 2018, allowing the Company to repurchase up to 247 102 418 ordinary shares, equivalent to 5% of the issued share capital of the Company. OML has received approval from the Prudential Authority for the share repurchase programme.

The OML Board believes that OML is trading at a discount to its intrinsic value and is of the view that a share repurchase programme will deliver longer term incremental value to shareholders. The management team remains committed to following a disciplined trading approach under the share repurchase programme and will only repurchase shares to the extent that market conditions are favourable. The purpose of the repurchase programme is to reduce the share capital of the Company.



04

SEGMENT REVIEWS



SEGMENT REVIEWS

MASS AND FOUNDATION CLUSTER REVIEW



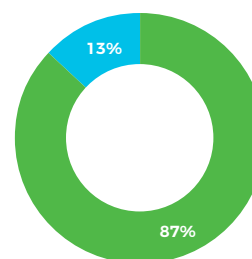
DEFEND AND GROW OUR SHARE OF THE SOUTH AFRICAN MASS MARKET

We maintained our leading position in the mass market despite a challenging macroeconomic environment and increased competitor activity in our market. Consumers remain under pressure with high unemployment rates, VAT and fuel price increases through 2018 contributing to lower disposable income.

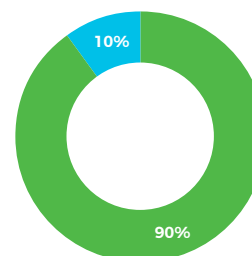
We opened 25 new branches in 2018 increasing our total retail branch network to 348. Improved sales force productivity has translated into strong life and loan sales growth, even though challenging market conditions persisted in H2 2018. Old Mutual Money Account remains one of the most competitive transactional solutions in the South African market. We have opened 1 million Money Accounts since inception of which 0.4 million were during 2018. The number of active accounts increased by 67% in 2018 with nearly a quarter of accounts opened to date being active. We have made continuous process improvements to pay funeral claims faster, which led to an improved customer experience. We have reduced pay out times of qualifying funeral claims from 24 hours to less than 8 hours. Claims initiated via the Money Account app and call centre are typically paid within 4 hours.

| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|---------------|---------|-----------|
| RFO | 3,129 | 3,052 | 3% |
| Gross flows | 13,700 | 12,022 | 14% |
| Life APE sales | 4,579 | 4,091 | 12% |
| NCCF (Rbn) | 6.5 | 6.1 | 7% |
| FUM (Rbn) | 12.7 | 12.4 | 2% |
| VNB | 1,222 | 1,236 | (1%) |
| VNB margin (%) | 10.3% | 10.6% | (30 bps) |
| Loans and Advances | 16,518 | 12,070 | 37% |
| Net lending margin (%) | 13.7% | 16.2% | (250 bps) |

2018 - RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings¹ ■ Banking and Lending

¹ Includes credit life profits.

PERFORMANCE HIGHLIGHTS

Gross flows increased by 14% to R13,700 million due to strong life sales and annual premium increases on in-force book, combined with good growth in savings flows into Money Accounts. Life APE sales of R4,579 million showed strong growth of 12%, despite the expected moderation that took place in H2 2018 due to continued pressure on the consumer. The increase in life sales is largely due to growth in adviser headcount and productivity, premium increases and higher credit life sales off the back of growth in loans disbursed, which contributed to a R0.4 billion or 7% increase in NCCF to R6.5 billion. The retail branch

network contributed 30% of Life APE sales and continues to deliver better persistency and productivity experience than other distribution channels.

Gross loans and advances increased by 37% to R16,518 million. Process enhancements in terms of customer take-on increased consultant productivity and we deployed a more risk sensitive scorecard that aligned the market offering in terms of loan size and term to the risk profile of our customer base. This allowed us to better compete, and achieve significant growth, in lower risk scored customers while

Segment reviews (continued)

keeping overall loan approval rates consistent with prior years. After taking into account growth in disbursements in 2018, we still have less than 10% of the unsecured lending market and we see opportunities for further market share growth.

The net lending margin of 13.7% decreased by 250 bps in line with expectations as good credit experience was offset by higher financing charges resulting from the growth in our book.

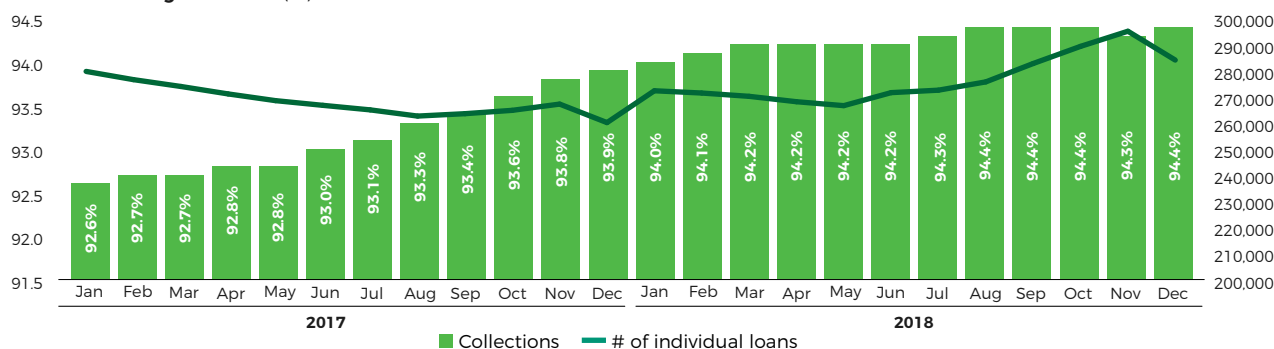
RFO of R3,129 million marginally increased by 3% with flat Life and Savings profits and 29% growth in Banking and Lending profits. Life and Savings profits were affected by a 12% reduction in credit life profits following price cuts for lower risk rated customers giving better customer value for money. The remainder of Life and Savings profits were impacted by positive growth in the book and good cost management which was partially offset by less positive year end assumption changes and lower new business profits. Banking and Lending profits mostly benefited from the decrease in amortisation of acquired intangibles related to Old Mutual Finance compared to 2017. The provision for loans disbursed following the implementation of IFRS 9 –

Financial Instruments was R90 million higher than it would have been under the previous applicable IFRS standard. This was more than offset by the unwind of R214 million of the day one transitional adjustment provision recorded in equity as a result of excellent collections experience and improved behavioural scores during 2018. The current year provision release is in line with a prior year release that related to the alignment of provisioning models to payment behaviour in anticipation of IFRS 9 – *Financial Instruments*.

The credit loss ratio of 5.9% was 90 bps worse than 2017, mainly due to a decrease in the collections experience of previously written off bad debts and is influenced by both the size and the pace of growth of the loan book. The ratio remains well within our expected range. Whilst we plan to grow our market share, the pace of growth could moderate in future periods.

VNB of R1,222 million decreased by 1% but remains healthy at a margin of 10.3% despite the decrease of 30 bps during the year. This is due to the margin mix of risk products sold during the period driven by sales promotions. An increase in the portion of debit order sales versus payroll deduction further negatively impacted VNB.

12 month Rolling Collection (%)



OUTLOOK FOR 2019

The start of the year is seasonally slow from a sales perspective with the added backdrop of a strained consumer environment. High levels of competitor activity in our market means we will need to drive our business to maintain our market position.

We will continue to grow our retail branch network and gradually add to the number of Old Mutual branded ATMs. One Financial Plan, an advice enablement tool, is being rolled out to our tied agent force, further strengthening our advice value proposition to customers. We remain vigilant on collections experience on both insurance and lending, actively supporting customers during the tougher economic times. We will do this by highlighting appropriate features in our product solutions, like premium holidays and premium cashback benefits, and promoting our affordable transactional account with fully accessible savings functionality.

PERSONAL FINANCE REVIEW



DEFEND AND GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET

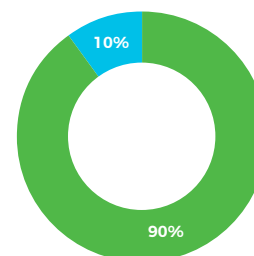
Consumer confidence remained subdued in the second half of the year due to a continued weak economic environment. Lower than inflation average salary increases and VAT and fuel price increases have had an adverse impact on consumer disposable income, customer acquisition and retention especially in the middle income market. Intense competition remains a characteristic of this market.

A number of management actions and initiatives were taken during 2018 to drive flows and sales in the tough economic environment. These included the re-pricing of guaranteed annuity products and tactical improvements to the pricing of disability and severe illness to improve competitiveness. We launched the Old Mutual Rewards loyalty programme in an effort to strengthen our penetration in the middle income market. In the fourth quarter of 2018 we extended our risk product proposition with the launch of Greenlight Sickness Benefits to support recurring risk sales.

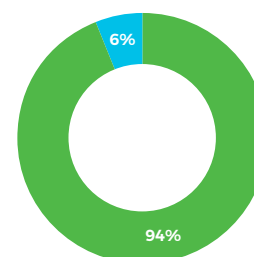
Our distribution channels performed well, generating gross flows of R69.2 billion in 2018 with a contribution of R37.2 billion to Wealth and Investments and R6.5 billion to Corporate. Good growth was seen in new digital channels with saving sales up 29%, and Life APE sales sold through iWYZE was up more than 300% albeit off a low base. Our adviser force in Old Mutual Finance branches grew by 67% to 315 advisers and we now have presence in over 181 branches country wide. In line with our vision to become life time financial partners to our customers through meeting their core needs every day, we have been able to meet 3+ needs of 33.3% of our customer base. In the Black Middle Income group, a key growth market segment for us, nearly half of our customers have 3+ needs met with Old Mutual.

| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|---------------|---------|----------|
| RFO | 2,021 | 3,150 | (36%) |
| Gross flows | 26,165 | 24,947 | 5% |
| Life APE sales | 2,556 | 2,502 | 2% |
| NCCF (Rbn) | (3.6) | (2.8) | (29%) |
| FUM (Rbn) | 181.4 | 193.7 | (6%) |
| VNB | 418 | 366 | 14% |
| VNB margin | 2.6% | 2.4% | 20 bps |

2018 - RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings ■ Asset Management

PERFORMANCE HIGHLIGHTS

Gross flows increased by 5% to R26,165 million mainly due to 9% increase in single premium sales and positive growth in recurring flows across Life and Savings and Asset Management businesses.

Despite improvement in mortality and morbidity claim levels in the second half of the year, NCCF for the year was adversely affected by poor claims experience and higher disinvestments. Negative NCCF of R3.6 billion was recorded

Segment reviews (continued)

for the year, a decrease of R0.8 billion from the prior year. Legacy NCCF was recorded at negative R9.8 billion (R0.4 billion lower than the prior year) while NCCF related to new generation products was R6.2 billion, R0.4 billion lower than the prior year. NCCF outflows and the decline in the South African equity markets contributed to a decrease of 6% in FUM to R181.4 billion at 31 December 2018.

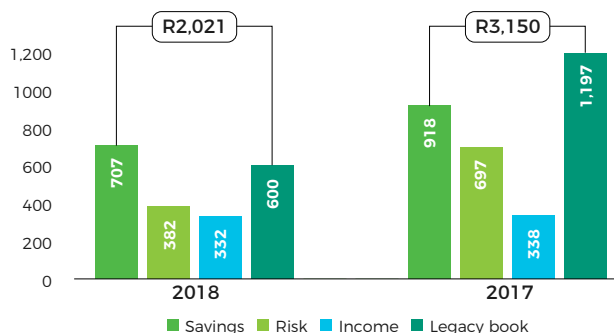
Life APE sales grew modestly by 2% to R2,556 million due to good growth in single premium savings sales and guaranteed annuity sales due to improved pricing. Growth was partially offset by slightly lower recurring premium sales on savings and risk products reflecting pricing competition in the market.

RFO of R2,021 million decreased by 36% when compared to the prior period. Net positive reserve releases that occurred in 2017 were not repeated and had a negative impact on the year on year profit growth rate. Higher than expected death and disability claims, with a number of larger death claims which fell below the reinsurance threshold during the first half of 2018 negatively impacted profit levels. Claims experience was approximately R300 million higher than expected as a result. Claims levels returned to expected levels in the second half of the year. Several management

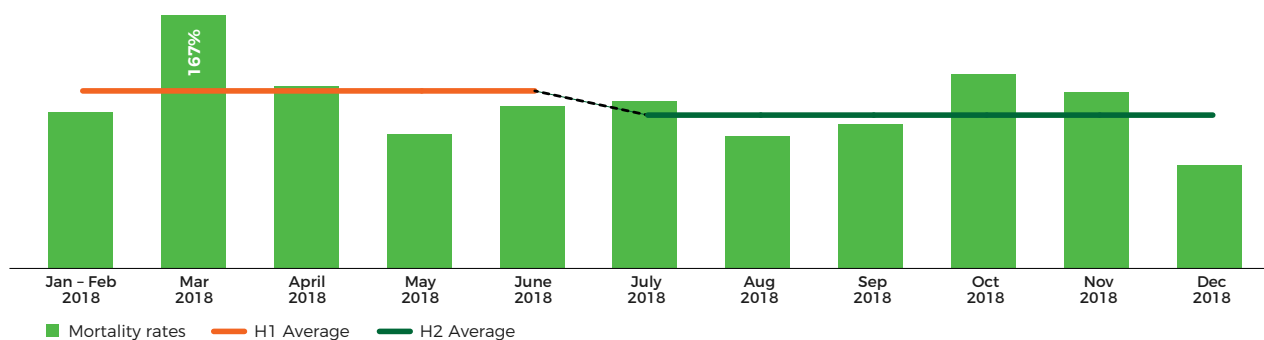
actions have been put in place in response to the negative claims experience including an analysis of causes of death, non-disclosure trends and a review of medical testing practices.

VNB increased by 14% to R418 million mainly due to higher sales in annuity products at improved margin. This was partially offset by lower margin due to mix on other products which negatively impacted VNB. The VNB margin increased by 20 bps to 2.6%.

RFO Split by LOB (R million)



Claims experience¹(%)



1. Calculated as actual claims over expected claims

OUTLOOK FOR 2019

Although we saw some improvement in mortality experience in the second half of 2018 we will continue to monitor our claims experience carefully during 2019. The actions we are taking in response to the mortality experience will only have impacts on our financial results in the second half of 2019.

We expect a constrained environment for our customers if the challenging economic climate and political uncertainty persists in South Africa. This may reduce their ability to make investment decisions and could therefore have an adverse effect on our growth.

We are on track to launch a new protection proposition, a technology enabled advice model, in the first half of 2019. This will provide enhanced product features and will simplify and digitise journeys for the intermediaries and customers to improve overall customer experience.

WEALTH AND INVESTMENTS REVIEW

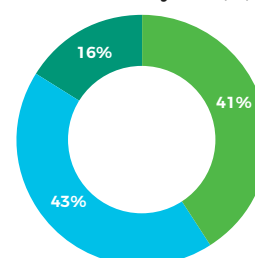


IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

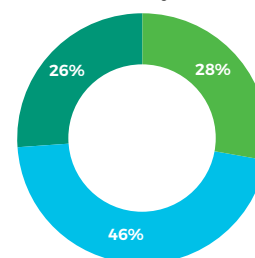
We delivered a good set of results in the context of a challenging macroeconomic environment, declining equity markets and high levels of competition. Strong retail NCCF was supported by an improved Wealth proposition and solid investment performance in our core funds. This outcome demonstrates a strengthened market position in tough industry conditions. The institutional flows in our Asset Management business held steady with marginally positive NCCF, despite absorbing approximately R5 billion of net outflows relating to index funds that were internalised by the relevant fund providers in line with industry trends. Record high transaction activity in Specialised Finance and the benefit from our continued participation in South Africa's renewable energy sector through Alternatives demonstrate the diversification benefits of our segment. Khaya Gobodo was appointed as Managing Director, effective 1 January 2019, succeeding Dave Macready who retired at the end of December 2018.

| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|----------------|---------|----------|
| RFO | 1,611 | 1,490 | 8% |
| Gross flows | 89,214 | 88,250 | 1% |
| NCCF (Rbn) | 10.8 | 14.1 | (23%) |
| AUM (Rbn) ¹ | 724.4 | 736.6 | (2%) |
| FUM | 502.7 | 498.1 | 1% |
| Intergroup assets | 334.3 | 340.4 | (2%) |
| AuMA ² | 837.0 | 838.5 | (0.2%) |
| Assets under administration | (112.6) | (101.9) | (11%) |
| Total revenue | 5,013 | 4,889 | 3% |
| Annuity | 4,498 | 4,358 | 3% |
| Non-annuity | 515 | 531 | (3%) |

2018 - RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings ■ Asset Management ■ Banking and Lending

1. AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM in respect of segments. Assets under administration that are managed externally are not included in AUM.
2. AuMA is AUM including Assets under Administration.

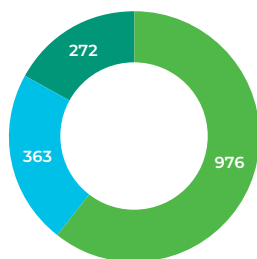
PERFORMANCE HIGHLIGHTS

Gross flows of R89,214 million increased marginally by 1% due to strong sales in Old Mutual International and the retail Wealth platform, partially offset by lower institutional inflows to Asset Management. Positive NCCF of R10.8 billion was supported by strong flows into the retail Wealth platform, up 35% from prior year, and good flows in the institutional Asset Management business resulting from improved investment performance. Outflows were higher due to mandate terminations by certain multi-managers following their decision to internalise indexation capabilities and asset realisations in Alternatives. AUM was slightly down from the prior year, with the positive impact of strong retail and institutional inflows offset by outflows in the form of asset realisations, and weak equity market performance during 2018.

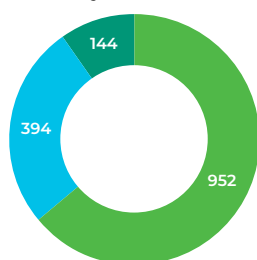
Total revenue increased by 3% to R5,013 million. Annuity revenue increased by 3% compared to the prior period supported by an increase in average AUM compared to the prior period despite closing AuM ending 2% lower than 2017. This growth was pleasing in an environment which exhibited some margin compression, primarily in the retail business. Non-annuity revenue has been at exceptional levels in 2017 and 2018. For 2018, development fees earned on renewable energy investments in Alternatives and strong gains in the credit portfolio of Specialised Finance combined with origination income contributed to non-annuity revenue. Non-annuity revenue is down 3% as result of high non-recurring investment returns in the Alternatives boutique in the prior period.

Segment reviews (continued)

2018 - RFO by Business Unit (R million)



2017 - RFO by Business Unit (R million)



■ Wealth and Asset Management ■ Specialised Finance
■ Alternatives

RFO was R1,611 million, an increase of 8% from the prior year. The increase is largely attributable to acquisition-related intangibles being fully amortised in 2017 and higher asset based fees on the 7% higher average AUM during the period. The diversified asset base of the Wealth and Asset Management businesses, which include bonds, cash and offshore equities, supported growth in RFO.

RFO for the Wealth and Asset Management business increased by 3% compared to 2017. The diversified nature of assets it manages mitigated the impact of poor performance of South African equities. However, the industry margin pressure, primarily in the retail space resulted in some drag on the earnings growth.

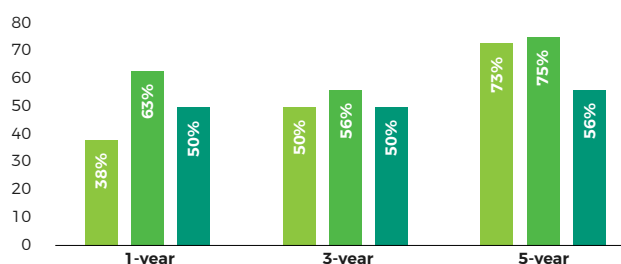
Our Alternatives business had an exceptionally strong year in RFO, up by 89% from 2017 due to high non-annuity revenue, largely contributed by development fees in the unlisted infrastructure space. The goodwill amortisation in 2017 was not repeated in 2018 and contributed to the increase in RFO. Annuity fee income held up well during

the year in line with average AUM, despite closing AUM ending slightly lower at year end as a result of distributing value to investors through asset realisations in one of the infrastructure funds.

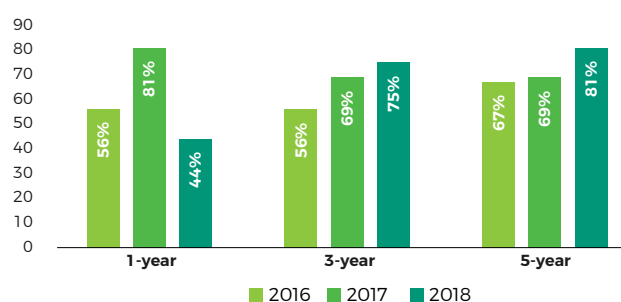
The Specialised Finance business performed well during 2018 benefitting from higher asset origination levels. The quality of the balance sheet portfolio reduced the impact of market wide credit spread contraction. The RFO decreased by 8% largely due to increased funding cost as a result of the implementation of a revised Group funding approach.

Our core funds continue to show strong investment performance. Retail funds performed well with 75% of core funds above median over three years and 88% over five years. Institutional funds also performed well with 75% of core funds above median over three and five years. Our multi-asset funds performed strongly in 2018 with all eight core retail and institutional offerings above median over 3 years. The Flexible Fund remains top quartile over three and five years with our flagship retail Balanced Fund top quartile over three years. All four core retail multi-asset funds are 4* Morning star rated.

Funds Above Benchmark - December 2018 (%)¹



Funds Above Median - December 2018 (%)¹



¹ Represents investment performance of all funds.

OUTLOOK FOR 2019

During 2018, our business generated high levels of annuity revenue that contributed 90% of the total revenues. In particular our Wealth and Asset Management businesses contributed 80% of the annuity revenue. The outlook remains challenging for 2019 given increasing pressure on revenue margins in the industry, despite some recovery in equity market levels during the early part of the year.

Our business is geared to equity market levels which are influenced by the broader economic environment and investor confidence. We anticipate some challenges ahead with limited GDP growth forecast for the near term. The Alternatives business, which is the biggest contributor to the non-annuity flows, is likely to experience limitations around deal flow and fund raising if these conditions persist.

OLD MUTUAL CORPORATE REVIEW



DEFEND AND GROW OUR SHARE OF THE SOUTH AFRICAN CORPORATE MARKET

After more than 50 years of delivering value to our customers, we are pleased that members of retirement funds can continue to invest in our industry leading smoothed bonus investment offering subsequent to the introduction of the new default investment portfolios regulations 37.

We continue to invest in improving the customer experience of the Old Mutual SuperFund umbrella with the launch of a new self-service portal in 2018. The SuperFund umbrella continues to attract good flows from both converting standalone schemes as well as customers moving from competitor umbrella funds. OMCC OnTrack is our new consulting tool that measures the health of retirement outcomes at member level and promotes awareness of retirement goals and planning. This will be a valuable tool to improve retirement outcomes.

Management actions undertaken to improve Group Risk underwriting experience gained good traction. These actions included income protection re-pricing and the launch of the new Well4Work range of four flexible Group Income Protection benefits that allow clients to tailor the desired balance between benefits and price. Management actions continue to be taken to further improve Group Income Protection underwriting margins to expected long-term levels.

We continued to strengthen our industry profile and thought leadership credentials by winning in three categories at the 2018 Imbasa Yegolide Awards. These awards recognise service providers in the employee benefits industry who meet the needs and expectations of retirement fund members by delivering excellent service. In addition, the Institute of Retirement Funds awarded Old Mutual Corporate with two best practice certificates for "Financial Management and Reporting" and "Stakeholder Engagement and Education".

| Rm (except where otherwise indicated) | FY 2018 | FY2017 | % change |
|---------------------------------------|---------------|--------|----------|
| RFO | 1,703 | 1,576 | 8% |
| Gross flows | 42,669 | 35,671 | 20% |
| Life APE sales | 3,133 | 2,719 | 15% |
| NCCF (Rbn) | 2.0 | (7.1) | >100% |
| FUM (Rbn) | 254.6 | 255.6 | (0.4%) |
| VNB | 309 | 254 | 22% |
| VNB margin | 1.1% | 1.0% | 10 bps |

PERFORMANCE HIGHLIGHTS

Gross flows increased by 20% to R42,669 million due to a combination of improved Life APE sales and strong institutional multi-manager flows. Life APE sales achieved growth of 15% to R3,133 million, despite a large recurring premium SuperFund deal in the prior period, with good growth across all major product lines except annuities. Strong inflows from new mandates together with improved termination experience contributed to a significant improvement in NCCF of R9.1 billion to R2.0 billion. FUM of R254.6 billion remained flat with the growth in NCCF being more than offset by the impact of declining equity markets.

At R309 million, VNB grew by 22% largely as a result of sales growth and a change in capital allocation across products and segments to align with the new regulatory solvency system. The VNB margin improved by 10 bps to 1.1%.

RFO of R1,703 million increased by 8% from the prior year due to significantly improved Group Risk underwriting experience, underpinned by lower Group Life Assurance claims volumes and improved Group Income Protection pricing. In addition, active management and a resolution of risk exposures resulted in a net one off release of provisions of approximately R85 million.

Segment reviews (continued)

OUTLOOK FOR 2019

We continue to invest in Old Mutual Superfund to improve customer experience and drive growth of the umbrella offering. We have a good pipeline of deals we are working on. It is important to note there is a time lag between the recognition of the recurring premium flow (in respect of future service contributions) and the single premium flow in respect of the related asset transfer on these types of deals due to the section 14 transfer process. Management actions continue to be taken to further improve Group Disability underwriting margins to expected long-term levels. Earnings will continue to be impacted by market levels during 2019.

OLD MUTUAL INSURE REVIEW



CONTINUED TURNAROUND OF OLD MUTUAL INSURE

Old Mutual Insure reported a solid underwriting result for the year, through a deliberate focus on improved service to brokers and disciplined underwriting. The absence of catastrophe events and improved weather conditions in South Africa supported the result. In addition, claims cost control initiatives and the ongoing remediation of the large risk pool have led to a reduction in attritional claims for intermediated businesses.

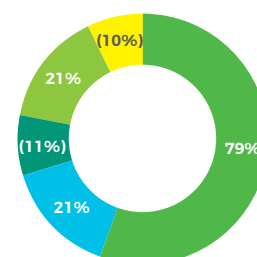
Organic growth continued to be muted by tough market conditions and slower than anticipated new business volumes. Inorganic growth was targeted through a significant focus on building pipeline opportunities and specific initiatives, including strategic partnerships with four underwriting manager agencies during 2018 to support our diversification strategy. These partnerships are expected to contribute to growth in 2019.

We have made significant improvement in our digital service channels to continuously improve customer experience during the claims process. The rollout of MyOMInsure, a digital platform for claims registration and scheduling appointments with approved auto body repairers, is a key initiative in growing our digital business. We appointed Garth Napier as Managing Director of Old Mutual Insure in October 2018. His focus will be on the reconstruction of the portfolio and further improvement of the underwriting and claims processes.

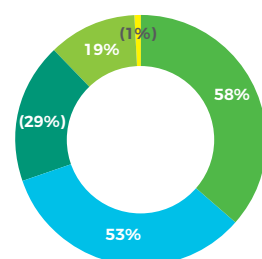
| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|---------------|---------|----------|
| Gross written premiums | 13,218 | 12,481 | 6% |
| Personal | 3,677 | 3,445 | 7% |
| Commercial | 4,261 | 4,216 | 1% |
| Specialty | 4,115 | 3,710 | 11% |
| CGIC | 1,165 | 1,110 | 5% |
| Personal ¹ | 380 | 179 | >100% |
| Commercial | 102 | 166 | (39%) |
| Specialty | (55) | (90) | 39% |
| CGIC | 102 | 60 | 70 |
| Central expenses | (49) | (3) | >(100%) |
| Underwriting result | 480 | 312 | 54% |
| Investment return on insurance funds | 244 | 200 | 22% |
| Other income and expenses | (54) | 12 | >(100%) |
| Results from Operations | 670 | 524 | 28% |
| Underwriting margin | 5.3% | 3.7% | 160 bps |
| Insurance margin | 7.4% | 6.1% | 130 bps |

¹ Includes iWYZE profit.

2018 - Underwriting results (%)



2017 - Underwriting results (%)



■ Personal
 ■ Commercial
 ■ Specialty
 ■ CGIC
 ■ Central expenses

Segment reviews (continued)

PERFORMANCE HIGHLIGHTS

Gross written premiums increased by 6% to R13,218 million in challenging market conditions. The increase from the prior year is a result of pricing increases and strategic partnerships with underwriting manager agencies to generate new business. Strong growth was delivered by iWYZE, pursuing a profitable growth strategy that leverages operational efficiencies, strategic partnerships and focused marketing. CGIC reported good top line growth, despite the low real annual GDP growth rate which is directly linked to CGIC's GWP performance. This was partially offset by lower growth in commercial and agriculture portfolios as a result of specific remediation of the loss-making risk pool, tough market conditions and the impact of weather conditions delaying planting season for farmers.

RFO was R670 million, an increase of 28% compared to 2017, largely due to an improved underwriting margin, as a result of improved claims process efficiencies, and procurement optimisation, especially in the Personal lines portfolio. Profit growth was also supported by the general environment with a relatively benign claims environment and with lower significant catastrophe losses. This was partially offset by the cost of a financial liability relating to strategic partnerships that was recognised for the first time in 2018, and the increased cost of reinsurance following the adverse large loss and catastrophe experience of 2017 in South Africa.

The strong improvement in the net underwriting result in 2018 led to an improved net underwriting margin of 5.3% which is at the upper end of the Group's target range of between 4% and 6%. The insurance margin improved by 130 bps to 7.4% as a result of an increase of 60 bps in the return on insurance funds due to an increase in interest rates compared to the prior period.

We had exceptionally good claims experience in Personal and Commercial lines in the first half of the year following favourable weather conditions and no catastrophe claims.

Attritional losses and the volume of larger losses increased during the second half of the year across all of our core divisions in line with normal seasonality trends.

Personal lines reported an excellent underwriting profit for the year of R320 million, an increase of 101%. This was a result of a favourable claims experience in the market with claims efficiencies across the division which led to lower attritional losses. No significant catastrophe losses have been reported in the period. Solid year to date results were reported by iWYZE with a profit of R60 million, more than 100% increase from the R20 million in 2017, due to improved claims management, a favourable claims environment and benefits arising from a review of technical reserves.

The net underwriting result of the commercial lines portfolio was negatively impacted by large fire claims reported for the year, with a largely adverse experience in the last quarter of the year. The agriculture portfolio was negatively impacted by the adverse hail claims experience in the first half of the year.

Both the Specialty division and CGIC took strain from large claims reported during the period with losses mostly incurred in CGIC's bonds portfolio, constituting only 2% of the total CGIC book. The core trade credit business of CGIC, however, delivered strong underwriting results in poor economic conditions, well above results reported by peers in the market. In the Specialty division, losses reported in 2018 exceeded both the 13-year average as well as the prior year.

Attritional losses across our core divisions reduced in 2018 when compared to 2017 and 2016. This was due to the remediation performed on the large risk pool over a three year period, improved weather conditions in South Africa and claims process efficiencies implemented which has started to have a noticeable positive impact on the overall underwriting performance.

OUTLOOK FOR 2019

Despite 2018 being a year characterised by a relatively benign claims environment, the economic climate remained challenging for the short-term insurance industry. Continued low real annual GDP growth and volatility in the Rand had a negative impact on policy unit growth as well as claims costs. The construction industry in particular has been under pressure, with an increased number of businesses entering into business rescue arrangements.

We will continue to focus on first class service delivery, a modernised distribution strategy, product upgrades and the continuous improvement or enhancement of our claims processes. We expect headwinds in 2019 if a normalised claims environment returns, but remain confident in the delivery of 2019 targets.

REST OF AFRICA REVIEW



TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS THE REST OF AFRICA

During the first half of 2018 we completed a staff reorganisation to optimise staffing levels and eliminate duplication across our East African businesses. This reorganisation was facilitated through the automation of several processes and the merging of disparate IT systems within the business. The reorganisation cost approximately R70 million, which is expected to drive ongoing savings despite the impact to profits in 2018. In our property business we have actively increased occupancy levels across our portfolio of properties. Our Banking and Lending business has focused the majority of its lending on lower risk loan portfolios and this had a positive impact on non-performing loans.

Southern Africa continues to be the key contributor to Rest of Africa results. The strong performance is despite the continued recession in Namibia and the currency challenges faced in Zimbabwe. The continued US dollar shortages in Zimbabwe during 2018 has led to the increased use of electronic and plastic money through the Real Time Gross Settlement (RTGS) system. During February 2019, a trading mechanism for RTGS balance and bond notes with international currencies was established, however before this, authorities maintained that the US dollars represented in the RTGS system were at a 1:1 exchange rate. We have estimated a RTGS: US dollar exchange rate of 3.3 to 1 by assessing various inputs that impact inflation. The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at the estimated RTGS rate for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at the RTGS rate.

In Nigeria, following the delayed Bancassurance license approval in May 2018, we now have a presence in 113 Ecobank branches across the country. Our Property and Casualty business experienced significant oil and gas claims in the first half of the year which adversely impacted underwriting results. Management actions have been taken in the second half of the year to limit further exposure. We appointed a new Managing Director in West Africa in November 2018, who will focus on developing an executable and credible business plan to support the capital that we deploy in the region.

| Rm | FY 2018 Before FC ¹ | Impact ¹ | Reported FY 2018 ² | Before FC % | FY 2018 % | FY 2017 |
|--|-----------------------------------|---------------------|----------------------------------|----------------|--------------|---------|
| Results from Operations³ | 1,477 | (223) | 1,254 | 37% | 16% | 1,081 |
| Gross flows | 22,597 | (1,738) | 20,859 | 6% | (2%) | 21,306 |
| Life APE sales | 1,178 | (50) | 1,128 | (13%) | (16%) | 1,347 |
| NCCF (Rbn) | 4.4 | (0.5) | 3.9 | 100% | 77% | 2.2 |
| FUM (Rbn) | 137.6 | (40.1) | 97.5 | 32% | (6%) | 104.0 |
| VNB | 113 | (12) | 101 | (58%) | (62%) | 267 |
| VNB margin (%) | 1.9% | - | 1.9% | (240 bps) | (240 bps) | 4.3% |
| Banking and Lending⁴ | | | | | | |
| Loans and advances | 15,394 | (8,175) | 7,219 | 37% | (36%) | 11,241 |
| Net lending margin (%) ⁵ | 10.9% | (0.2%) | 10.7% | (50 bps) | (70 bps) | 11.4% |
| Credit loss ratio (%) | 1.2% | n/a | 1.2% | 80 bps | 80 bps | 0.4% |
| Property and Casualty | | | | | | |
| Gross written premiums | 3,629 | (117) | 3,512 | (1%) | (4%) | 3,654 |
| Net earned premiums | 2,719 | n/a | 2,719 | (3%) | (3%) | 2,800 |
| Underwriting margin (%) ⁶ | (4.3%) | n/a | (4.3%) | (320 bps) | (320 bps) | (1.1%) |

¹ Reflects the key financial indicators of the Group before applying the functional currency change.

² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS:US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS:US Dollar exchange rate of 3.3 to 1.

³ Results from Operations for Rest of Africa includes central regional expenses of R91 million (H1 2018: 57 million, H1 2017: R82 million, FY 2017: R188 million).

⁴ Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.

⁵ Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.

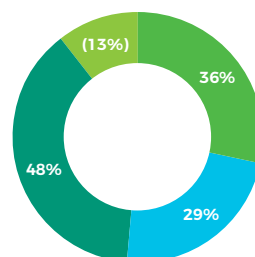
⁶ Underwriting margin is calculated with reference to Results from Operations.

Segment reviews (continued)

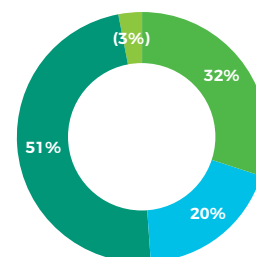
PERFORMANCE HIGHLIGHTS

Life and Savings RFO increased by 28% from the prior year mainly driven by the reversal of a stamp duty provision raised in the prior year and the securing of a large government group life assurance (GLA) contract in Malawi. Zimbabwe and Malawi delivered strong Life APE sales as a result of strategic focus on growing retail sales through increased advisor productivity. This was supported by improved expense performance in East Africa. Asset Management RFO grew by 73% from the prior year driven by higher fees on the back of growth in funds under management in Zimbabwe and good inflows into money market funds in Malawi. Banking and Lending RFO increased by 8% due to good growth in loan books across our regions on a lower risk portfolio driving higher non-interest income and net interest income. Property and Casualty RFO decreased by 360% mainly due to significantly lower top line growth across all regions, higher expenses and negative claims experience in Zimbabwe, East and West Africa.

2018 - RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings ■ Asset Management
■ Banking and Lending ■ Property and Casualty

OUTLOOK FOR 2019

Elections are planned to take place in Namibia, Malawi, Botswana and Nigeria but we expect 2019 to be politically stable. In Zimbabwe, monetary policy reforms are contributing to continued uncertainty whilst the peace deal signed recently in South Sudan is expected to result in an improved economic environment. Despite challenging operating conditions experienced in 2018, we believe the markets we operate in present attractive growth opportunities. Real GDP growth is expected to be muted in our dominant Southern Africa markets as both Namibia and Zimbabwe face economic headwinds. Strong GDP growth is expected in both our East and West African markets.

We have begun to see positive results from the continued turnaround of the East African businesses. We will continue to drive profit growth predominantly through enhancing our customer value propositions in our Property and Casualty business, expanding our Banking and Lending offerings and improving occupancy levels in the property portfolio. In West Africa we will focus on the remediation of our business by right-sizing the cost base and growing our business through strategic partnerships in these markets.

SOUTHERN AFRICA

| Rm | FY 2018 | | Reported FY 2018 ² | Change | | FY 2017 |
|--------------------------------------|------------------------|---------------------|-------------------------------|-----------|-----------|---------|
| | Before FC ¹ | Impact ¹ | | Before FC | FY 2018 | |
| | | | | % | % | |
| Results from Operations | 1,812 | (223) | 1,589 | 19% | 5% | 1,519 |
| Gross flows | 19,021 | (1,738) | 17,283 | 10% | (0%) | 17,291 |
| Life APE sales | 964 | (50) | 914 | (15%) | (19%) | 1,131 |
| NCCF (Rbn) | 3.5 | (0.5) | 3.0 | >100% | >100% | 1.0 |
| FUM (Rbn) | 107.2 | (40.1) | 67.1 | 35% | (15%) | 79.3 |
| VNB | 184 | (12) | 172 | (45%) | (49%) | 337 |
| VNB margin (%) | 3.5% | - | 3.5% | (250 bps) | (250 bps) | 6.0% |
| Banking and Lending | | | | | | |
| Loans and advances | 12,690 | (8,175) | 4,515 | 38% | (51%) | 9,167 |
| Net lending margin (%) ³ | 10.4% | (0.3%) | 10.1% | (60 bps) | (90 bps) | 11.0% |
| Credit loss ratio (%) | 1.4% | 0.1% | 1.5% | 120 bps | 130 bps | 0.2% |
| Property and Casualty | | | | | | |
| Gross written premiums | 1,423 | (117) | 1,306 | 5% | (4%) | 1,361 |
| Net earned premiums | 955 | n/a | 955 | (6%) | (6%) | 1,016 |
| Underwriting margin (%) ⁴ | 4.6% | n/a | 4.6% | (260 bps) | (260 bps) | 7.2% |

¹ Reflects the key financial indicators of the Group before applying the functional currency change.





² The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated RTGS US Dollar exchange rate of 3.3 to 1.

³ Net interest margin plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

⁴ Underwriting margin is calculated with reference to Results from Operations.

Segment reviews (continued)

SOUTHERN AFRICA (CONTINUED)

| Lines of business | | | | |
|-------------------|--|--|---|---|
| |  LIFE AND SAVINGS |  ASSET MANAGEMENT |  BANKING AND LENDING |  PROPERTY AND CASUALTY |
| Southern Africa | | | | |
| Botswana | ✓ | | | ✓ |
| Malawi | ✓ | ✓ | | |
| Namibia | ✓ | ✓ | ✓ | ✓ |
| eSwatini | ✓ | ✓ | | |
| Zimbabwe | ✓ | ✓ | ✓ | ✓ |

PERFORMANCE HIGHLIGHTS

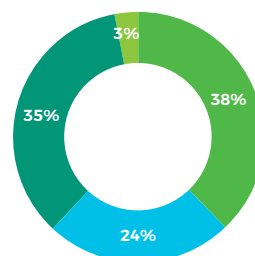
The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. As it relates to sales and profit related KPIs, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at estimated RTGS rate for the remaining three months of the financial year. As it relates to balance sheet KPIs, Zimbabwe results have been translated at the RTGS rate. The commentary below references amounts before the functional currency change.

Gross flows improved by 10% to R19,021 million despite the tough economic conditions in Namibia and the currency crisis in Zimbabwe. There were good inflows into money market funds and one-off flows secured in Malawi. In Zimbabwe the increase in gross flows was due to higher unit trust and asset management inflows from our existing customer base and a one-off flow related to a property mandate secured during the year. NCCF rose by more than 100% to R3.5 billion due to strong inflows into Money Market Funds in Malawi and the non-repeat of large outflows of R3.2 billion that occurred in the prior year due to a portfolio rebalancing by SOEs in Namibia. In Zimbabwe, effective management actions to improve retention of flows combined with good claims experience contributed to the improved NCCF.

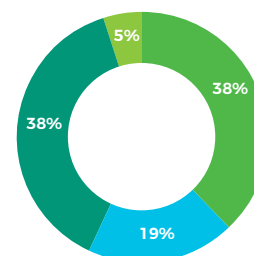
Life APE sales decreased by 15% to R964 million primarily driven by lower retail sales in Namibia where productivity was impacted by the downturn in the economy and lower credit life sales following regulatory changes. The lower APE sales witnessed in Malawi were due to a material sale to the Public Service Fund in 2017 of R227 million that was not repeated in 2018. This adverse performance in Namibia and Malawi was partially offset by higher retail sales driven by good productivity in Zimbabwe.

Gross written premiums increased by 5% to R1,423 million, driven by growth in Zimbabwe as a result of management

2018 - RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings ■ Asset Management
■ Banking and Lending ■ Property and Casualty

actions to acquire new business. Namibia experienced flat growth due to tough economic conditions which led to increased competitive pricing. This together with adverse claims experience in Zimbabwe led to a decrease of 260 bps in underwriting margin.

Loans and advances increased by 38% to R12,690 million driven by strong growth in OMF Namibia as a result of access to the government payroll which introduced a new market segment and continued economic pressure on household liquidity which has led to increased borrowing. The growth in the CABS loan book is attributable to an increase in new business and personal loans as the business seeks to continue growing in lower risk markets. Despite the growth in loans and advances in the tough economic climate, there was an improvement in our non-performing loans.

RFO increased by 19% to R1,812 million largely due to strong performance in Zimbabwe and Malawi. RFO for Zimbabwe increased by 22% from the prior year due to strong performance across all lines of businesses, except for Property and Casualty due to higher claims and increased operating expenses. Profits benefited from the quality of the lending book in CABS and tight expense management. Malawi contributed to RFO growth through improved life profits in group life assurance (GLA) driven by top line growth in the second half of year. Increased rental income due to improved occupancy rates and higher asset management fee income further contributed to profit growth. This was partially offset by lower profits in Namibia as a result of weak revenue conditions in Life and Savings as well as our Property and Casualty businesses.

VNB decreased by 45% to R184 million with a corresponding decrease in VNB margin of 250 bps. This was mainly due to a less profitable mix of new business sold during the year, discount promotions on risk products and assumption changes related to future terminations of the smoothed bonus product in Namibia.

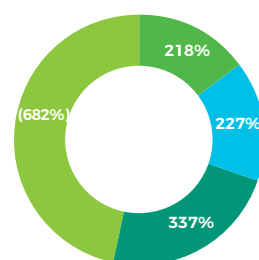
Segment reviews (continued)

EAST AFRICA

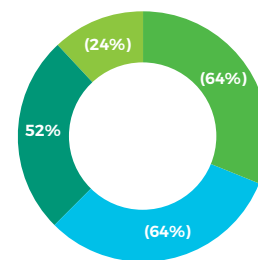
| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|---------|---------|-----------|
| RFO | 11 | (67) | >100% |
| Gross flows | 3,259 | 3,735 | (13%) |
| Life APE sales | 123 | 100 | 23% |
| NCCF (Rbn) | 0.7 | 1.1 | (36%) |
| FUM (Rbn) | 29.3 | 23.8 | 23% |
| VNB | (25) | (38) | 34% |
| VNB margin | (11.8%) | (22.2%) | 1 040 bps |
| Loans and advances | 2,704 | 2,074 | 30% |
| Net lending margin | 13.2% | 12.8% | 40 bps |
| Gross written premiums | 2,101 | 2,145 | (2%) |
| Net earned premiums | 1,726 | 1,741 | (1%) |
| Underwriting margin | (1.8%) | (0.9%) | (90 bps) |

| Lines of business | | | | |
|-------------------|------------------|------------------|---------------------|-----------------------|
| | LIFE AND SAVINGS | ASSET MANAGEMENT | BANKING AND LENDING | PROPERTY AND CASUALTY |
| East Africa | | | | |
| Kenya | ✓ | ✓ | ✓ | ✓ |
| Rwanda | | | | ✓ |
| South Sudan | ✓ | ✓ | | ✓ |
| Tanzania | | | | ✓ |
| Uganda | ✓ | ✓ | | ✓ |

2018 – RFO by LOB (%)



2017 – RFO by LOB (%)



■ Life and Savings ■ Asset Management
■ Banking and Lending ■ Property and Casualty

PERFORMANCE HIGHLIGHTS

Gross flows decreased by 13% driven by a decline in asset management flows and a slowdown in money market inflows as yields became less attractive compared to other cash deposit offerings. Life APE sales increased by 23% to R123 million due to improved productivity in the retail business and higher corporate business in Kenya. This was partly offset by lower sales in Uganda and South Sudan from lower productivity and a shrinking market as a result of the civil conflict, respectively. NCCF decreased by 36% to R0.7 billion due to a significant decline in asset management inflows despite lower withdrawals.

Gross written premiums decreased by 2% to R2,101 million. This was due to increased competitor activity in Kenya and Uganda that led to the loss of key accounts and tough economic conditions. This led to a 90 bps decrease in underwriting margin.

Loans and advances increased by 30% to R2,704 million due to a focused effort in Faulu to grow its lower risk loans through payroll deductions which had a positive contribution to profit.

RFO of R11 million is significantly above prior year reflecting the ongoing efforts of the East Africa turnaround strategy. This improvement was despite the impact the staff reorganisation of c. R70 million had on profit. Higher asset management income earned on average FUM and improved property rental income from higher occupancy rates in Kenya contributed to improved RFO. This was partially offset by losses in our Property and Casualty business due to constrained top line growth and an adverse claims experience.

East Africa's negative VNB of R25 million reflects an improvement of 34% compared to 2017. The increase is mainly due to an increase in volumes of products sold with a better margin mix. This has resulted in an improvement in the VNB margin of 1 040 bps.

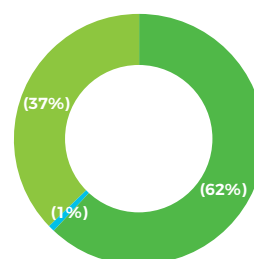
Segment reviews (continued)

WEST AFRICA

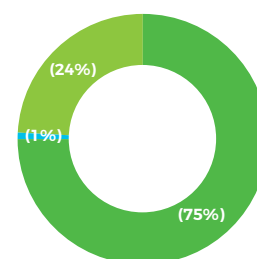
| Rm (except where otherwise indicated) | FY 2018 | FY 2017 | % change |
|---------------------------------------|----------|----------|--------------|
| RFO | (255) | (183) | (39%) |
| Gross flows | 317 | 280 | 13% |
| Life APE sales | 91 | 116 | (22%) |
| NCCF (Rbn) | 0.2 | 0.2 | 0% |
| FUM (Rbn) | 1.2 | 0.9 | 33% |
| VNB | (47) | (32) | (47%) |
| VNB margin | (17.3%) | (8.1%) | (920 bps) |
| Gross written premiums | 104 | 148 | (30%) |
| Net earned premiums | 39 | 43 | (9%) |
| Underwriting margin (%) | (246.4%) | (104.7%) | (14 170 bps) |

| Lines of business | | | |
|-------------------|------------------|------------------|-----------------------|
| | LIFE AND SAVINGS | ASSET MANAGEMENT | PROPERTY AND CASUALTY |
| West Africa | | | |
| Chana | ✓ | ✓ | |
| Nigeria | ✓ | | ✓ |

2018- RFO by LOB (%)



2017 - RFO by LOB (%)



■ Life and Savings ■ Asset Management
■ Property and Casualty

PERFORMANCE HIGHLIGHTS

Gross flows increased by 13% to R317 million as a result of a large one off flow related to the pension administration business in Ghana in the second half of the year. Life APE sales in Nigeria underperformed relative to the prior year as a result of regulatory changes and lower credit life flows as a result of the continued slowdown in the Banking and Lending industry. The Life and Savings business in Ghana faced challenges with the collections and on boarding of Bancassurance customers.

Gross written premiums is 30% down due to a challenging business environment. Lower business volumes in Nigeria followed the caution in writing new business in the oil and gas business as a result of poor industry wide claims experience. This led to a significant decrease of 14 170 bps in underwriting margin.

RFO decreased by 39% to a loss of R255 million from the prior year mostly due to claims experience in the Property and Casualty business as well as an increase in actuarial reserving in the Life and Savings business.

Negative VNB of R47 million, a decrease of 47% from the prior year is largely due to lower sales volumes in Nigeria and Ghana. Lower sales in Nigeria is mainly a result of the regulator's directive for improved pricing of risk products in the corporate business. As a result the mix of new business was weighted towards retail products which are less profitable. This has resulted in a decrease in the VNB margin of 920 bps.



05

REVIEWED
CONDENSED
FINANCIAL
STATEMENTS

Index to the Reviewed Condensed Consolidated Financial Statements

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BACKGROUND INFORMATION

In March 2016, Old Mutual plc announced that its board believed that the long term interests of Old Mutual plc shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc Group from each other so that they could operate as fully independent businesses. These four businesses were Old Mutual Emerging Markets, OM Asset Management plc (OMAM, now Brightsphere Investment Group), Nedbank and Old Mutual Wealth (now Quilter plc). As at 31 December 2017, OMAM had already been separated from the Old Mutual plc Group following a phased sell-down.

To effect the above strategy, referred to as Managed Separation, the following steps were executed during year ended 31 December 2018:

- The listing of Quilter plc on the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE), the distribution of 86.6% of its total share capital to Old Mutual plc shareholders and the sale of up to 9.6% by way of a cash placing to institutional investors on 25 June 2018.
- The formation and listing on the JSE (primary), LSE and the stock exchanges of Malawi, Namibia and Zimbabwe, of a new entity, being Old Mutual Limited on 26 June 2018. Immediately prior to the listing, Old Mutual Limited became the new holding company of Old Mutual plc and its subsidiaries, which mainly comprised the remaining operating businesses namely Old Mutual Emerging Markets and Nedbank. The results and position of this new Group have been presented within this set of condensed consolidated financial statements (financial statements). More details on the basis of preparation and the comparative information presented in these financial statements has been presented in note A1.
- The unbundling (in terms of South African law) of the issued share capital of Nedbank to shareholders of Old Mutual Limited, whilst retaining a minority interest of 19.9% in the shareholder funds on 15 October 2018. An odd lot offer was executed by Nedbank on 21 December 2018, which increased the Group's shareholding to 20.2%. Due to the close proximity to year end, the Group continued to equity account for its stake in Nedbank at 19.9%.

Further details on Managed Separation and the transactions that have occurred during the period are set out in note A2. More information on the businesses classified as held for sale and distribution and as discontinued operations is set out in note G5.

Independent auditors' review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF OLD MUTUAL LIMITED

We have reviewed the condensed consolidated financial statements of Old Mutual Limited, contained in the accompanying preliminary report set out on pages 57 to 112, which comprise the condensed consolidated statement of financial position as at 31 December 2018 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated supplementary income statement, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note A1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Old Mutual Limited for the year ended 31 December 2018 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note A1 to the financial statements, and the requirements of the Companies Act of South Africa.

KPMG Inc.

Per: Gary Pickering
Chartered Accountant (SA)
Registered Auditor
Director

10 March 2019

KPMG Crescent
85 Empire Road
Parktown
2193

Deloitte & Touche

Per: Alex Arterton
Chartered Accountant (SA)
Registered Auditor
Partner

10 March 2019

1st Floor The Square
Cape Quarter
27 Somerset Road
Green Point
8005

Condensed consolidated income statement

For the year ended 31 December 2018

| Rm | Notes | 2018 | 2017 (Re-presented) ¹ |
|--|-------|------------------|-------------------------------------|
| Continuing operations | | | |
| Revenue | | | |
| Gross insurance premium revenue | | 78,729 | 72,323 |
| Outward reinsurance | | (6,683) | (6,693) |
| Net earned premiums | | 72,046 | 65,630 |
| Investment return (non-banking) | | 20,511 | 94,232 |
| Banking interest and similar income | | 4,532 | 4,118 |
| Banking trading, investment and similar income | | 90 | 97 |
| Fee and commission income, and income from service activities | | 11,031 | 9,990 |
| Other income | | 1,667 | 1,860 |
| Total revenue | | 109,877 | 175,927 |
| Expenses | | | |
| Gross claims and benefits (including change in insurance contract provisions) | | (65,488) | (92,787) |
| Reinsurance recoveries | | 5,607 | 5,404 |
| Net claims and benefits incurred | | (59,881) | (87,383) |
| Change in investment contract liabilities | | 5,855 | (30,358) |
| Credit impairment charges | | (1,060) | (715) |
| Finance costs | | (1,338) | (4,024) |
| Banking interest payable and similar expenses | | (1,005) | (1,002) |
| Fee and commission expenses, and other acquisition costs ² | | (9,773) | (8,873) |
| Change in third-party interest in consolidated funds | | (8,928) | (11,405) |
| Other operating and administrative expenses ² | | (25,845) | (25,052) |
| Total expenses | | (101,975) | (168,812) |
| Income from associated undertakings and joint ventures profit/(loss) after tax | | 550 | (23) |
| (Loss)/profit on disposal of subsidiaries and associated undertakings | | (2) | 30 |
| Profit before tax | | 8,450 | 7,122 |
| Income tax expense | | (3,453) | (3,741) |
| Profit after tax from continuing operations | | 4,997 | 3,381 |
| Discontinued operations | | | |
| Profit after tax from discontinued operations | G5 | 37,711 | 16,983 |
| Profit after tax for the financial year | | 42,708 | 20,364 |
| Attributable to | | | |
| Equity holders of the parent | | 36,566 | 14,372 |
| Non-controlling interests | | | |
| Ordinary shares | | 5,641 | 5,402 |
| Preferred securities | | 501 | 590 |
| Profit after tax for the financial year | | 42,708 | 20,364 |
| Earnings per ordinary share | | | |
| Basic earnings per share – continuing operations (cents) | | 105.1 | 70.5 |
| Basic earnings per share – discontinued operations (cents) | | 683.0 | 234.2 |
| Basic earnings per ordinary share (cents) | C1(a) | 788.1 | 304.7 |
| Diluted earnings per share – continuing operations (cents) | | 104.0 | 69.4 |
| Diluted earnings per share – discontinued operations (cents) | | 674.1 | 228.1 |
| Diluted earnings per ordinary share (cents) | C1(b) | 778.1 | 297.5 |

1 The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak Mahindra Old Mutual Life Insurance Limited (Kotak) and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G5 for more information.

2 During the year ended 31 December 2018, the Group reviewed the classification of certain expenses included in the condensed consolidated income statement. As a result of this review certain expenses relating to the disbursement of loans and advances were reclassified from other operating and administrative expenses to fee and commission expenses, and other acquisition costs (R514m) to better reflect the nature of these costs and align the treatment of these expenses with the treatment of similar expenses related to the distribution of life insurance contracts.

Condensed consolidated statement of comprehensive income

For the year ended 31 December 2018

| Rm | Notes | 2018 | 2017 (Re-presented) ¹ |
|--|-------|----------------|-------------------------------------|
| Continuing operations | | | |
| Profit after tax for the financial year | | 42,708 | 20,364 |
| Other comprehensive income for the financial year | | | |
| Items that will not be reclassified to profit or loss | | | |
| Gains on property revaluations | | 176 | 109 |
| Remeasurement gains/(losses) on defined benefit plans | | 46 | (966) |
| Equity accounted investees - Share of other comprehensive income | | (5) | - |
| Shadow accounting ² | | (201) | (154) |
| Income tax on items that will not be reclassified to profit or loss | | 10 | (95) |
| | | 26 | (1,106) |
| Items that may be reclassified to profit or loss | | | |
| Fair value adjustments on net investment hedges | | 44 | 446 |
| Fair value adjustments on available-for-sale investments | | - | 46 |
| Debt investments at FVOCI: Net change in fair value | | (62) | - |
| Fair value movement related to credit risk on borrowed funds | | 250 | - |
| Currency translation differences on translating foreign operations | | (253) | (3,200) |
| Exchange differences recycled to profit or loss on disposal of businesses | | (1,352) | (1,343) |
| Realisation of net investment hedge on disposal of businesses | | - | 2,680 |
| Equity accounted investees - Share of other comprehensive income | | (150) | - |
| Other movements | | 243 | (321) |
| Income tax on items that may be reclassified to profit or loss | | - | 43 |
| | | (1,280) | (1,649) |
| Total other comprehensive income for the financial year from continuing operations | | (1,254) | (2,755) |
| Discontinued operations | | | |
| Total other comprehensive income for the financial year from discontinued operations after tax | G5 | 496 | 149 |
| Total other comprehensive income for the financial year | | (758) | (2,606) |
| Total comprehensive income for the financial year | | 41,950 | 17,758 |
| Attributable to | | | |
| Equity holders of the parent | | 35,707 | 12,036 |
| Non-controlling interests | | | |
| Ordinary shares | | 5,742 | 5,132 |
| Preferred securities | | 501 | 590 |
| Total comprehensive income for the financial year | | 41,950 | 17,758 |

1 The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G5 for more information.

2 Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.

Condensed consolidated supplementary income statement

For the year ended 31 December 2018

| Rm | 2018 | 2017 |
|--|---------------|---------------|
| Mass and Foundation Cluster | 3,129 | 3,052 |
| Personal Finance | 2,021 | 3,150 |
| Wealth and Investments | 1,611 | 1,490 |
| Old Mutual Corporate | 1,703 | 1,576 |
| Old Mutual Insure | 670 | 524 |
| Rest of Africa | 1,254 | 1,081 |
| Central expenses | (425) | (506) |
| Results from Operations | 9,963 | 10,367 |
| Shareholder investment return | 2,880 | 4,920 |
| Finance costs | (601) | (622) |
| Income from associated undertakings and joint ventures | 2,593 | 2,305 |
| Adjusted Headline Earnings before tax and non-controlling interests | 14,835 | 16,970 |
| Shareholder tax | (2,947) | (3,535) |
| Non-controlling interests | (376) | (488) |
| Adjusted Headline Earnings | 11,512 | 12,947 |

Reconciliation of Adjusted Headline Earnings to IFRS profit after tax

| Rm | Notes | 2018 | 2017 |
|---|-------|---------------|---------------|
| Adjusted Headline Earnings | | 11,512 | 12,947 |
| Investment return on Group equity and debt instruments held in policyholder funds | B3(a) | (219) | (1,355) |
| Impact of restructuring | B3(b) | (700) | (54) |
| Discontinued operations | B3(c) | 8,129 | 8,870 |
| Income from associated undertakings | B3(d) | (2,132) | (2,346) |
| Residual plc | B3(e) | (2,349) | (4,918) |
| Headline earnings | | 14,241 | 13,144 |
| Impairment of goodwill and other intangible assets | | (627) | (1,080) |
| Impairment of associated undertakings | | (265) | - |
| Profit/(loss) on disposal of property, plant and equipment | | 51 | (26) |
| Profit on disposal of subsidiaries and associated undertakings after tax | | 23,166 | 2,081 |
| Profit after tax for the year attributable to ordinary equity holders of the parent | | 36,566 | 14,119 |
| Dividends on preferred securities | | - | 253 |
| Profit after tax for the financial year attributable to equity holders of the parent | | 36,566 | 14,372 |

Condensed consolidated statement of financial position

At 31 December 2018

| Rm | Notes | 2018 | 2017 |
|---|-------|----------------|------------------|
| Assets | | | |
| Goodwill and other intangible assets | | 5,831 | 6,653 |
| Mandatory reserve deposits with central banks | | 145 | 94 |
| Property, plant and equipment | | 7,741 | 8,081 |
| Investment property | | 34,512 | 31,903 |
| Deferred tax assets | | 938 | 1,084 |
| Investments in associated undertakings and joint ventures | | 26,679 | 1,789 |
| Deferred acquisition costs | | 1,925 | 3,086 |
| Reinsurers' share of policyholder liabilities | F1 | 7,902 | 4,220 |
| Loans and advances | | 21,243 | 21,483 |
| Investments and securities | | 708,050 | 722,249 |
| Current tax receivable | | 429 | 1,064 |
| Trade, other receivables and other assets | | 18,315 | 21,875 |
| Derivative financial instruments | | 2,779 | 4,101 |
| Cash and cash equivalents | | 32,339 | 30,761 |
| Assets held for sale and distribution | | 12,787 | 2,188,443 |
| Total assets | | 881,615 | 3,046,886 |
| Liabilities | | | |
| Life insurance contract liabilities | F1 | 143,926 | 159,514 |
| Investment contract liabilities with discretionary participating features | F1 | 188,355 | 193,425 |
| Investment contract liabilities | F1 | 287,774 | 288,164 |
| Property and Casualty liabilities | F1 | 9,099 | 8,285 |
| Third-party interests in consolidated funds | | 77,445 | 81,573 |
| Borrowed funds | F2 | 16,888 | 18,866 |
| Provisions and accruals | | 1,799 | 2,385 |
| Deferred revenue | | 472 | 1,378 |
| Deferred tax liabilities | | 4,059 | 5,088 |
| Current tax payable | | 1,385 | 1,711 |
| Trade, other payables and other liabilities | | 47,737 | 42,355 |
| Amounts owed to bank depositors | | 7,213 | 12,440 |
| Derivative financial instruments | | 5,327 | 4,498 |
| Liabilities held for sale and distribution | | 8,716 | 2,043,759 |
| Total liabilities | | 800,195 | 2,863,441 |
| Net assets | | 81,420 | 183,445 |
| Shareholders' equity | | | |
| Equity attributable to equity holders of the parent | | 78,021 | 136,678 |
| Non-controlling interests | | | |
| Ordinary shares | | 3,399 | 40,910 |
| Preferred securities | | - | 5,857 |
| Total non-controlling interests | | 3,399 | 46,767 |
| Total equity | | 81,420 | 183,445 |

Condensed consolidated statement of cash flows

For the year ended 31 December 2018

| Rm | 2018 | 2017 (Re-presented) ¹ |
|--|-----------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 8,450 | 7,122 |
| Non-cash movements in profit before tax | 21,841 | 18,049 |
| Net changes in working capital | (1,375) | (8,646) |
| Taxation paid | (3,979) | (3,869) |
| Net cash inflow from operating activities – continuing operations | 24,937 | 12,656 |
| Cash flows from investing activities | | |
| Net acquisitions of financial investments | (4,608) | (3,929) |
| Acquisition of investment properties | (2,352) | (6,139) |
| Proceeds from disposal of investment properties | 427 | 69 |
| Dividends received from associated undertakings | 29 | 67 |
| Acquisition of property, plant and equipment | (550) | (653) |
| Proceeds from disposal of property, plant and equipment | 209 | 240 |
| Acquisition of intangible assets | (53) | (728) |
| Acquisition of associated undertakings and joint ventures | (1,213) | (1,520) |
| Proceeds from disposal of subsidiaries, associated undertakings and joint ventures | 4,206 | 12,622 |
| Net cash (outflow)/inflow from investing activities – continuing operations | (3,905) | 29 |
| Cash flows from financing activities | | |
| Dividends paid to | | |
| Ordinary equity holders of the Company | (9,965) | (5,667) |
| Non-controlling interests and preferred security interests | (272) | (394) |
| Interest paid (excluding banking interest paid) | (899) | (1,029) |
| Proceeds from issue of ordinary shares | 251 | 294 |
| Net disposal of treasury shares – ordinary shares | 1,137 | 223 |
| Redemption of perpetual preferred callable securities | – | (4,923) |
| Proceeds from issue of subordinated and other debt | 5,736 | 1,715 |
| Subordinated and other debt repaid | (8,625) | (11,164) |
| Net cash outflow from financing activities – continuing operations | (12,637) | (20,945) |
| Net cash inflow/(outflow) – continuing operations | 8,395 | (8,260) |
| Net cash (outflow)/inflow from discontinued operations | (76,420) | 7,244 |
| Effects of exchange rate changes on cash and cash equivalents | 569 | (1,290) |
| Cash and cash equivalents at beginning of the year | 100,334 | 102,640 |
| Cash and cash equivalents at end of the year | 32,878 | 100,334 |
| Comprising: | | |
| Mandatory reserve deposits with central banks | 145 | 94 |
| Cash and cash equivalents | 32,339 | 30,761 |
| Included in assets held for sale and distribution | | |
| Mandatory reserve deposits with central banks | – | 19,222 |
| Cash and cash equivalents | 394 | 50,257 |
| Total | 32,878 | 100,334 |

¹ The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G5 for more information.

In line with market practice in South Africa, cash and cash equivalents in the condensed consolidated statement of cash flows above include mandatory reserve deposits with central banks.

Except for mandatory reserve deposits with central banks of R145 million (2017: R19,316 million) and cash and cash equivalents consolidated as part of the consolidation of funds of R7,058 million (2017: R21,872 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

Condensed consolidated statement of changes in equity

For the year ended 31 December 2018

| Rm | Notes | Millions | | | |
|---|-------|--|----------------------------|----------------------------|-----------------|
| | | Number of shares issued and fully paid | Share capital ¹ | Share premium ¹ | Merger reserve |
| Shareholders' equity at beginning of the year | | 4,933 | 10,150 | 19,324 | 20,639 |
| Impact of adopting IFRS 9 and IFRS 15, net of taxation | H2 | - | - | - | - |
| Restated opening balance | | 4,933 | 10,150 | 19,324 | 20,639 |
| Total comprehensive income for the financial year | | | | | |
| Profit after tax for the financial year | | - | - | - | - |
| Other comprehensive income | | | | | |
| Total comprehensive income for the financial year | | - | - | - | - |
| Transactions with the owners of the Company | | | | | |
| Contributions and distributions | | | | | |
| Dividends for the year | C3 | - | - | - | - |
| Equity share-based payment transactions | | - | - | - | - |
| Transfer between reserves ⁴ | | - | - | - | - |
| Demerger of Quilter from Old Mutual plc | | - | - | - | - |
| Merger reserve released from demerger of Quilter plc ⁵ | | - | - | - | (19,506) |
| Unbundling of Nedbank ⁶ | | - | - | - | - |
| Other movements in share capital | | 9 | 18 | 233 | - |
| Total contributions and distributions | | 9 | 18 | 233 | (19,506) |
| Changes in ownership and capital structure | | | | | |
| Capital reduction of Old Mutual plc ¹ | | - | (10,079) | (19,557) | - |
| Unbundling non-controlling interest in Nedbank | | - | - | - | - |
| Change in participation in subsidiaries | | - | - | - | - |
| Total changes in ownership and capital structure | | - | (10,079) | (19,557) | - |
| Total transactions with the owners of the Company | | 9 | (10,061) | (19,324) | (19,506) |
| Shareholders' equity at end of the year | | 4,942 | 89 | - | 1,133 |

1 On 22 June 2018, Old Mutual plc reduced the nominal value of its ordinary share capital and cancelled its share premium accounts through the creation of distributable reserves. As a result, R10,079 million and R19,557 million respectively was transferred to retained earnings. Refer to note A2 for more information.

2 The available-for-sale reserve is no longer applicable from 1 January 2018 due to the implementation of IFRS 9. Refer to note H for more information.

3 Included in the closing balance for other reserves is R442 million liability credit reserve on borrowed funds. The Group recognises fair value gains and losses on the borrowed funds designated at fair value through profit or loss. The cumulative fair value gains and losses as a result of changes in the credit risk of the issued bonds are recognised in other comprehensive income and not in profit or loss. The balance of the total fair value gains and losses on these instruments is recognised in profit or loss.

| Fair-value reserve ² | Property revaluation reserve | Share-based payments reserve | Other reserves ³ | Foreign currency translation reserve | Retained earnings | Attributable to equity holders of the parent | Total non-controlling interests | Total equity |
|---------------------------------|------------------------------|------------------------------|-----------------------------|--------------------------------------|-------------------|--|---------------------------------|--------------|
| 190 | 2,744 | 3,813 | 969 | (3,932) | 82,781 | 136,678 | 46,767 | 183,445 |
| 620 | - | - | (914) | - | (2,384) | (2,678) | (1,659) | (4,337) |
| 810 | 2,744 | 3,813 | 55 | (3,932) | 80,397 | 134,000 | 45,108 | 179,108 |
| - | - | - | - | - | 36,566 | 36,566 | 6,142 | 42,708 |
| (446) | (107) | - | 340 | (625) | (21) | (859) | 101 | (758) |
| (446) | (107) | - | 340 | (625) | 36,545 | 35,707 | 6,243 | 41,950 |
| - | - | - | - | - | (9,965) | (9,965) | (3,938) | (13,903) |
| - | - | 674 | - | - | - | 674 | - | 674 |
| (350) | (1,879) | (3,325) | (1,085) | 949 | 5,690 | - | - | - |
| - | - | - | - | - | (42,935) | (42,935) | - | (42,935) |
| - | - | - | - | - | 19,506 | - | - | - |
| - | - | - | - | - | (38,867) | (38,867) | - | (38,867) |
| - | - | - | - | - | (466) | (215) | 222 | 7 |
| (350) | (1,879) | (2,651) | (1,085) | 949 | (67,037) | (91,308) | (3,716) | (95,024) |
| - | - | - | - | - | 29,636 | - | - | - |
| - | - | - | - | - | - | - | (44,532) | (44,532) |
| - | - | - | - | - | (378) | (378) | 296 | (82) |
| - | - | - | - | - | 29,258 | (378) | (44,236) | (44,614) |
| (350) | (1,879) | (2,651) | (1,085) | 949 | (37,779) | (91,686) | (47,952) | (139,638) |
| 14 | 758 | 1,162 | (690) | (3,608) | 79,163 | 78,021 | 3,399 | 81,420 |

4 Transfers between reserves include R1,136 million transferred from the share-based payment reserve to retained earnings relating to Quilter as a result of the accelerated vesting of employee share schemes.

5 As a result of the distribution and initial public offering of Old Mutual plc's entire shareholding in Quilter, merger reserves of R19,506 million were transferred to retained earnings.

6 Distribution of the fair value of the investment in Nedbank not retained after unbundling. Refer to note A2 for more information.

Condensed consolidated statement of changes in equity

For the year ended 31 December 2017

| Rm | Notes | Millions | | | | |
|---|-------|--|---------------|---------------|----------------|----------------------------|
| | | Number of shares issued and fully paid | Share capital | Share premium | Merger reserve | Available-for-sale reserve |
| Shareholders' equity at beginning of the year | | 4,930 | 10,145 | 19,036 | 22,422 | 163 |
| Total comprehensive income for the financial year | | | | | | |
| Profit after tax for the financial year | | - | - | - | - | - |
| Other comprehensive income | | | | | | 27 |
| Total comprehensive income for the financial year | | - | - | - | - | 27 |
| Transactions with the owners of the Company | | | | | | |
| Contributions and distributions | | | | | | |
| Dividends for the year | C3 | - | - | - | - | - |
| Tax relief on dividends paid | | - | - | - | - | - |
| Equity share-based payment transactions | | - | - | - | - | - |
| Transfer between reserves | | - | - | - | - | - |
| Proceeds from BEE transactions | | - | - | 218 | - | - |
| Merger reserve released | | - | - | - | (1,783) | - |
| Additional Tier 1 capital instruments issued | | - | - | - | - | - |
| Preferred securities repurchased | | - | - | - | - | - |
| Other movements in share capital | | 3 | 5 | 70 | - | - |
| Total contributions and distributions | | 3 | 5 | 288 | (1,783) | - |
| Changes in ownership | | | | | | |
| Disposal of a non-controlling interest in OM Asset Management plc | | - | - | - | - | - |
| Change in participation in subsidiaries | | - | - | - | - | - |
| Total changes in ownership | | - | - | - | - | - |
| Total transactions with the owners of the Company | | 3 | 5 | 288 | (1,783) | - |
| Shareholders' equity at end of the year | | 4,933 | 10,150 | 19,324 | 20,639 | 190 |

| Property revaluation reserve | Share-based payments reserve | Other reserves | Foreign currency translation reserve | Retained earnings | Perpetual preferred callable securities | Attributable to equity holders of the parent | Total non-controlling interests | Total equity |
|------------------------------|------------------------------|----------------|--------------------------------------|-------------------|---|--|---------------------------------|--------------|
| 2,624 | 6,492 | 266 | (2,043) | 71,041 | 4,532 | 134,678 | 52,234 | 186,912 |
| - | - | - | - | 14,119 | 253 | 14,372 | 5,992 | 20,364 |
| 54 | - | 1,088 | (1,889) | (1,616) | - | (2,336) | (270) | (2,606) |
| 54 | - | 1,088 | (1,889) | 12,503 | 253 | 12,036 | 5,722 | 17,758 |
| - | - | - | - | (5,667) | (259) | (5,926) | (3,617) | (9,543) |
| - | - | - | - | - | 6 | 6 | - | 6 |
| - | (639) | - | - | 532 | - | (107) | - | (107) |
| - | (2,040) | - | - | 2,040 | - | - | - | - |
| - | - | - | - | - | - | 218 | - | 218 |
| - | - | - | - | 1,783 | - | - | - | - |
| - | - | - | - | - | - | - | 600 | 600 |
| - | - | - | - | (240) | (4,532) | (4,772) | - | (4,772) |
| 66 | - | (385) | - | 86 | - | (158) | - | (158) |
| 66 | (2,679) | (385) | - | (1,466) | (4,785) | (10,739) | (3,017) | (13,756) |
| - | - | - | - | - | - | - | (9,432) | (9,432) |
| - | - | - | - | 703 | - | 703 | 1,260 | 1,963 |
| - | - | - | - | 703 | - | 703 | (8,172) | (7,469) |
| 66 | (2,679) | (385) | - | (763) | (4,785) | (10,036) | (11,189) | (21,225) |
| 2,744 | 3,813 | 969 | (3,932) | 82,781 | - | 136,678 | 46,767 | 183,445 |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

A: SIGNIFICANT ACCOUNTING POLICIES

A1: Basis of preparation

Old Mutual Limited (the Company) is a company incorporated in South Africa. On 25 June 2018, the Company became the parent of Old Mutual plc through a share for share exchange, with the Company receiving the entire net asset value of Old Mutual plc, the original parent company of the Old Mutual Group and its subsidiaries (mainly Old Mutual Emerging Markets and Nedbank), in exchange for the issue of ordinary shares of the Company to the original shareholders of Old Mutual plc. This was a reorganisation of the existing Group and, although there was a change in legal ownership, there was no change in the economic substance of the reporting entity. Therefore the transaction was not a business combination as defined by IFRS 3 'Business Combinations' and the condensed consolidated financial statements (financial statements) have consequently been prepared as a continuation of the existing Group.

The financial statements for the year ended 31 December 2018 consolidate the results of the Company and its subsidiaries (together 'the Group') and equity account the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds which are accounted for as investments at fair value through profit or loss).

The financial statements comprise the condensed consolidated statement of financial position at 31 December 2018, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated supplementary income statement, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the year ended 31 December 2018 and explanatory notes. The financial statements have been prepared under the supervision of C.G. Troskie CA(SA) (Chief Financial Officer) on the going concern basis, which the directors believe is appropriate. The Directors of the Group take full responsibility for the preparation of this report. The Group's independent auditors KPMG Inc. and Deloitte & Touche reviewed these financial statements and their unmodified review conclusion is presented on page 56. The auditors' review report does not necessarily report on all of the information contained in these reviewed preliminary annual results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should refer to the auditors' review report on page 56. Any reference to future financial performance has not been reviewed by or reported on by the Group's auditors.

The financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act No 71 of 2008 of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those applied in the preparation of the Group's 2017 consolidated financial statements, except for standards, amendments to standards and interpretation adopted in the 2018 condensed consolidated financial statements. Refer to note H for more information.

Details for businesses classified as held for sale and distribution and as discontinued operations are set out in note G5.

Comparative information

Comparative information presented at and for the year ended 31 December 2017 within these financial statements has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2017 (prior year financial statements), re-presented for businesses classified as discontinued operations during the year ended 31 December 2018, if appropriate, as described in note G5.

The prior year financial statements were prepared for the purposes of Group reporting in accordance with IFRS and consolidate the financial information of Old Mutual plc and its subsidiaries and equity accounts the interest in associated undertakings and joint ventures (other than those held by investment-linked insurance funds and venture capital divisions which are accounted for as investments at fair value through profit or loss), after converting it to rand. This is consistent with the preparation of the Historical Financial Information of Old Mutual plc (HFI) as at and for the three years ended 31 December 2017 that was prepared solely for the inclusion in the Old Mutual Limited Prospectus and Pre Listing Statement published on 20 April 2018.

The accounting policies adopted in the preparation of both the prior year financial statements and the HFI have been applied consistently to all periods presented.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

The information presented in the financial statements is equivalent to that presented in the HFI with the exception of the condensed consolidated statement of changes in equity. In preparation of the Old Mutual Limited financial statements, in accordance with IFRS, certain components of equity have been re-presented as at 1 January 2015. The Group believes that it is more appropriate to reflect rand only components of equity at the historical rand rate as opposed to the exchange rate used at 1 January 2015, when converting Old Mutual plc balances from sterling to rand for the purposes of the HFI. The reserves and related amounts impacted are reductions to the available for sale reserve (R503 million), property revaluation reserve (R660 million) and share-based payment reserve (R1,001 million), with a corresponding increase of R2,164 million to retained earnings. Overall, this re-presentation is a transfer between reserves and has no impact on the shareholders equity or non-controlling interests of the Group.

Accounting policy elections

The following significant accounting policy elections have been made by the Group:

| Area | Details |
|--|--|
| Financial instruments | The Group has elected to designate certain financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch that would arise otherwise. This measurement election is typically utilised in respect of financial assets held to support liabilities in respect of contracts with policyholders. Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. |
| Investment properties | The Group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit or loss. |
| Owner-occupied property | Owner-occupied property is stated at revalued amounts. Revaluation surpluses are recognised through other comprehensive income. |
| Investment in venture capital divisions and investment-linked insurance funds | In venture capital divisions and investment-linked insurance funds, the Group has elected to carry associate and joint-venture entities at fair value through profit or loss. |
| Investments in subsidiaries, associated undertakings and joint ventures | The Group has elected to recognise these investments at cost in the Company financial statements. |

Foreign currency translation

Foreign currency transactions

The presentation currency of the Company and the Group is South African rand (ZAR). Transactions in foreign currencies are converted into the relevant functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates ruling at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated. Exchange gains and losses on the translation and settlement during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the condensed consolidated statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the condensed consolidated statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Changes in functional currency

The functional currency reflects the underlying transactions, events and conditions. As a result, a change in functional currency is considered a rare event. Changes in functional currency are accounted for prospectively from the date of the change. Assets and liabilities accounted for in the previous functional currency is translated into the new functional currency at the spot exchange rate at the date of change. The impact of translating foreign currency balances is recognised in profit or loss as a foreign exchange gain or loss. The translated amounts of non-monetary assets and liabilities are considered as the historical cost of these items.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A1: Basis of preparation (continued)

Translation of foreign operations into the Group's presentation currency

The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency, using the year-end exchange rates, and their income and expenses using the average exchange rates for the year. Cumulative translation gains and losses up to 1 January 2015, being the effective date of the Group's conversion to IFRS, were reset to zero. Other than in respect of cumulative translation gains and losses up to 1 January 2015, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries, the cumulative amount of exchange differences post 1 January 2015, deferred in shareholders' equity, net of attributable amounts in relation to hedged net investments, is recognised in profit or loss.

The exchange rates used to translate the operating results, assets and liabilities of key foreign businesses to rand are:

| | 2018 | | 2017 | |
|-----------------|---------------------------------|--|---------------------------------|--|
| | Income statement (average rate) | Statement of financial position (closing rate) | Income statement (average rate) | Statement of financial position (closing rate) |
| Pound sterling | 17.6892 | 18.2978 | 17.1493 | 16.7565 |
| US dollar | 13.2500 | 14.3467 | 13.3107 | 12.3902 |
| Kenyan shilling | 0.1308 | 0.1410 | 0.1287 | 0.1201 |

Change in functional currency of Group entities in Zimbabwe

Entities in Zimbabwe have been operating in a multi-currency regime since the adoption of multiple currencies by the Zimbabwean Government in 2009. The US dollar and South African rand were initially used the most, however, over time the US dollar was designated as the functional and presentation currency for our businesses in Zimbabwe entities. The continued dollar shortages experienced in Zimbabwe has led to the increased use of electronic and plastic money through the Real Time Gross Settlement (RTGS) system, giving rise to parallel market activities and multiple pricing mechanisms where bond notes and RTGS balances have been trading at a discount to the official US dollar exchange rate. The increased reliance on RTGS bank balances, which was introduced as a settlement mechanism, effectively resulted in RTGS becoming a de facto currency.

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Nostro FCAs and RTGS FCAs. Authorities maintained that the US Dollar represented in the RTGS system was at a 1:1 exchange ratio, however, there was growing consensus amongst market participants that the economic reality was different. In line with industry consensus on the matter, this event and industry discussion that followed led to a change in functional currency to RTGS for our businesses operating in Zimbabwe, with effect from 1 October 2018. The vast majority of premiums and fees from our customers are received and settled in Bond Notes and RTGS.

On 20 February 2019 the reserve bank of Zimbabwe announced that the RTGS would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. For the purposes of 2018 reporting an RTGS US dollar exchange rate of 3.3 to 1 (RTGS rate) has been estimated. The inputs considered in this estimate include the recent announcement to increase the fuel price for those settling in RTGS, global relative fuel prices and the official inflation rate. Another observable input taken into consideration was the premium at which the Old Mutual and PPC shares trade on the Zimbabwe stock exchange versus The Johannesburg Stock Exchange.

The application of the change in functional currency has been applied prospectively in our financial results for the period. For inclusion in the condensed consolidated income statement and condensed consolidated cash flow statement of the Group. Results for our businesses have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at the estimated RTGS rate for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at the RTGS rate.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

The table below summarises the exchange rates at which our businesses in Zimbabwe have been translated into South African rand:

| Period | Functional currency | Average rate | Closing rate |
|-------------------------------------|---------------------|--------------------|--------------------|
| 1 January 2018 to 30 September 2018 | US dollar | 12.89 | n/a |
| 1 October 2018 to 31 December 2018 | RTGS | 4.321 ¹ | 4.352 ² |

1 Calculated using the average US dollar to rand exchange rate of R14.24 for the period 1 October 2018 to 31 December 2018 divided by the RTGS rate of 3.3 to 1 US dollar.

2 Calculated using the closing US dollar to rand exchange rate of R14.35 at 31 December 2018 divided by the RTGS rate of 3.3 to 1 US dollar.

The RTGS ratio is sensitive to a number of variables. The sensitivity table below outlines the impact to Adjusted Headline Earnings, IFRS profit and loss and net asset value for changes in the RTGS rate:

| Rm | RTGS: USD 2.5:1 | As reported 3.3:1 | RTGS: USD 5:1 |
|---|-----------------------|----------------------|---------------------|
| Adjusted Headline Earnings | 11,754 | 11,512 | 11,279 |
| Profit after tax attributable to equity holders of the parent | 36,809 | 36,566 | 36,333 |
| Equity attributable to the equity holders of the parent | 78,792 | 78,021 | 77,203 |

Basis of preparation of Adjusted Headline Earnings and Adjusted Headline Earnings per share

Purpose of Adjusted Headline Earnings

Adjusted Headline Earnings (AHE) is an alternative non-IFRS profit measure used alongside IFRS profit to assess performance of the Group. It is calculated as headline earnings adjusted for items not reflective of the long-term economic performance of the Group (note B4).

AHE is one of the key performance indicators by which operational performance is monitored and managed, and it is one of a range of measures by which management performance and remuneration is assessed. In addition it is used in setting the dividend to be paid to shareholders.

Due to the complexity introduced into IFRS profit by the transactions required to execute Managed Separation and the long-term nature of the Group's operating businesses, management considers that AHE is an appropriate alternative basis by which to assess the operating results of the Group and that it enhances the comparability and understanding of the financial performance of the Group. AHE utilises headline earnings as defined by SAICA Circular 4/2018 as its base. Adjustments applied to headline earnings in order to calculate AHE remove the impact of certain IFRS accounting treatments where the asset treatment under IFRS is inconsistent with the measurement of the related policyholder liability, significant non-recurring expenses or income specifically related to material acquisitions, disposals or fundamental restructuring (such as Managed Separation), the results of businesses classified as discontinued operations and the results of Residual plc.

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A1: Basis of preparation (continued)

Scope of businesses included in AHE

AHE includes the operating results of the Mass and Foundation Cluster, Personal Finance, Wealth and Investments, Old Mutual Corporate, Old Mutual Insure, Rest of Africa and Other Group Activities segments. These are considered to be the core continuing operations of the Group. Residual plc is considered to be non-core as it is not part of the Group's principal operations due to the fact that it is in the process of winding down. Consequently it is removed from AHE. Refer to note B3 for more information.

The results of Nedbank, Quilter, the Latin American businesses, Old Mutual Bermuda and Kotak Mahindra Old Mutual Life Insurance Limited are currently classified as discontinued operations in the condensed consolidated income statement, and have therefore been excluded in the determination of AHE to aid comparability between financial years. Refer to notes A2 and G5.

A2: Significant corporate activity and business changes during the year

Transactions during the year required to implement Managed Separation

Reorganisation of the Group structure

The following transactions were effected during the year as part of the execution of Managed Separation:

- On 6 March 2018, Old Mutual Limited was converted to a public company.
- On 22 June 2018, Old Mutual plc reduced the nominal value of its ordinary share capital and cancelled its share premium account through the creation of distributable reserves in terms of a UK court sanctioned scheme. As a result, R10,079 million and R19,557 million respectively were transferred to retained earnings. On 25 June 2018, Old Mutual plc reclassified certain of its existing ordinary shares into 'A-ordinary shares'. These A-ordinary shares were then cancelled and an equivalent number of new ordinary shares were issued to Old Mutual Limited, the new parent company of Old Mutual plc. On 25 June 2018, the ordinary shares that were not classified as A-ordinary shares were transferred to Old Mutual Limited. Following these transactions, Old Mutual plc became a wholly owned subsidiary of Old Mutual Limited. Consequently, Old Mutual plc is no longer listed on the London Stock Exchange (LSE), Johannesburg Stock Exchange (JSE), Zimbabwe Stock Exchange (ZSE), Namibian Stock Exchange (NSX) or Malawi Stock Exchange (MSE).
- On 25 June 2018, Old Mutual plc announced the closing of the initial public offering of 182.5 million shares, representing 9.6% of the total issued share capital of Quilter at a price of 2,588 cents (145 pence) per share by way of primary listing of Quilter shares on the LSE and secondary listing on the JSE. Total net proceeds arising from this transaction, after underwriting and other transaction costs, were R4,206 million. Further, on 25 June 2018, Old Mutual plc distributed R42,935 million, representing 86.6% of the total issued share capital of Quilter to the Old Mutual plc shareholders. The remaining 3.8% of the total issued share capital of Quilter is held by the Joint Share Ownership Plan (JSOP) Trustee on behalf of certain management and staff of Quilter.
- A profit on the demerger of Quilter of R4,023 million has been recognised in profit or loss. This includes foreign currency translation gain recycled to profit or loss of R1,352 million. In addition, merger reserves of R19,506 million have been transferred to retained earnings.
- Included in the initial public offering of 182.5 million shares, were 16.5 million shares that were subject to an over-allotment option. On 26 July 2018, 2.7 million of these shares were partially exercised by underwriters, raising cash proceeds of R66 million (£3.8 million). On 21 August 2018, the remaining 13.8 million shares were sold, raising cash proceeds of R379 million (£20.5 million).
- On 26 June 2018, Old Mutual Limited listed on the Main Board of the JSE with a standard listing on the LSE and

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

secondary listings on the stock exchanges of Malawi, Namibia and Zimbabwe.

- On 15 October 2018, the Group announced the completion of the unbundling of the majority of its shareholding in Nedbank Group Limited to its shareholders. Pursuant to the unbundling, each eligible shareholder received 3.21176 Nedbank shares for every 100 Old Mutual Limited shares held on Friday 12 October 2018. As a consequence of the unbundling, the Group's stake in Nedbank's equity decreased from 54% (on an IFRS basis) to an equity accounted interest of 19.9% and a policyholder interest of 1.46% at fair value through profit or loss at 15 October 2018. In accordance with the criteria set out in IFRS 10 'Consolidated Financial Statements', the Group no longer considered that it exercised control over the business from 15 October 2018. This resulted in Nedbank being deconsolidated from the Group financial statements and instead being equity accounted for as an associated undertaking. At the point of deconsolidation, the residual holding in Nedbank was revalued based on the market value prevailing at that time.

On 21 December 2018, an odd lot offer was executed by Nedbank, increasing the Group's shareholding to 20.2%. Due to the close proximity to year end, the equity accounted earnings attributable to the Group's investment in Nedbank has been included in the condensed consolidated income statement at an effective rate of 19.9%.

The total fair value of the deemed distribution of all Nedbank shares owned by the Group, net of transaction and underwriting costs was R66,225 million. A profit of R19,152 million was realised as a result of the deemed distribution of Nedbank shares, comprising the difference between the market value of all shares held by the Group, net of transaction costs (R66,225 million) and the Group's share of the consolidated net asset value of Nedbank (R47,072 million) on 15 October 2018.

The fair value of the deemed distribution at 15 October 2018 comprised:

- The fair value of the portion distributed to Old Mutual Limited shareholders of R38,867 million plus,
- The fair value of the 19.90% retained interest of R24,376 million plus,
- The fair value of the 1.46% policyholder interest of R1,762 million plus,
- Transaction costs and the fair value of shares held by share trusts and investment funds of R1,220 million.

Following the Group reorganisation, Old Mutual Limited consists of the Group's operating segments (Mass and Foundation Cluster, Personal Finance, Old Mutual Corporate, Wealth and Investments, Old Mutual Insure, Rest of Africa and Other Group Activities), the Group's 20.2% holding in Nedbank and Residual plc.

Existing share-based payment arrangements

Following Managed Separation and the respective listings of Quilter and Old Mutual Limited, the ordinary shares held by various employee share schemes of the Old Mutual plc Group have been replaced by the ordinary shares of Quilter, Nedbank and Old Mutual Limited. The end result of the execution of the schemes was that for every three Old Mutual plc shares held, employee shareholders received one ordinary share in Quilter and three ordinary shares in Old Mutual Limited. Following the unbundling of Nedbank, each employee shareholder received 3.21176 Nedbank shares for every 100 Old Mutual Limited shares held. This resulted in a modification of the underlying share awards as Quilter and Nedbank shares became unrestricted in the hands of employees, subject to existing share-based payment arrangements of the Old Mutual plc Group.

The distribution of Quilter and Nedbank shares to employee shareholders was a return of capital to shareholders and therefore employees were no longer subject to any vesting conditions of the existing share-based payment arrangements. As such it is viewed to be a partial settlement of the award which leads to an accelerated vesting of the IFRS 2 charge as it relates to the Quilter and Nedbank portions of the original award.

The share for share exchange and the distribution of Quilter and Nedbank shares has led to an after tax accelerated vesting charge of R354 million recognised in the condensed consolidated income statement. This charge has been removed in the determination of AHE.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A2: Significant corporate activity and business changes during the year (continued)

Disposals announced during the period but not yet completed

Disposal of the Latin American businesses

On 16 March 2018, the Group announced its agreement to sell the Latin American businesses, comprising OM Latin America Holdco UK Limited and AIVA Holding Group S.A, to Lily Bermuda Capital Limited (SPV domiciled in Bermuda), owned by CMIG International Holding Private Limited. The transaction is currently subject to usual regulatory approvals and customary closing conditions. As at 31 December 2018, the sale of the Latin American businesses remains on track to be completed in the first half of 2019. The use of proceeds from the sale, expected to be R4,412 million (\$307.5 million), will be assessed as part of the Group's Capital framework, taking into account our solvency capital position and projections at the time.

As a consequence of the agreed sale, the Latin American businesses have been classified as held for sale and consequently as discontinued operations at 31 December 2018. Refer to note G5 for more information.

Other activities during the year

Lions Head Investments

On 23 May 2018, OMP Investment Company Proprietary Limited (OMP Investco), a subsidiary of Old Mutual Real Estate Holding Company Proprietary Limited (OMREHC) purchased a controlling 60.81% stake in Lions Head Investments (LHI), a property management company based in Bulgaria. The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid for LHI amounted to R226 million (€15.5 million). The net asset value for the stake purchased was R229 million (€15.7 million). Consequently a gain on bargain purchase of R3 million (€0.2 million) has been recognised.

On 14 June 2018, OMP Investco, through LHI, also purchased 100% of the equity of Portland Trust Developments s.r.l (Portland A&B/Oregon). The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid was R673 million (€45.8 million). The net asset value at the date of purchase was R657 million (€44.7 million), resulting in goodwill of R16 million (€1.1 million) being recognised.

On 20 July 2018, OMP Investco, through LHI, also purchased 100% of the equity of Megapark OOD (Megapark). The transaction has been accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The purchase price paid was R238 million (€15.1 million). The net asset value at the date of purchase was R176 million (€11.2 million), resulting in goodwill of R62 million (€3.9 million) being recognised.

Total investment properties acquired as a result of these transactions amounted to R3,788 million (€252.4 million). These investment properties form part of the Group's long term insurance policyholder investment portfolio, backing linked and with-profit insurance and investment contracts.

A3: Critical accounting estimates and judgements

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

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty for the year ended 31 December 2018 were the same as those that applied to the condensed consolidated financial statements of Old Mutual Limited for the year ended 31 December 2017, with the exception of new critical accounting estimates detailed in note L arising from the changes in accounting policies.

In the current and prior years, the Group applied significant judgement in the classification of Nedbank, Quilter, the Latin American businesses and Old Mutual Bermuda as discontinued operations and the Latin American businesses as assets and liabilities held for sale and distribution.

These classifications did not have any valuation impact on the underlying assets and liabilities. Refer to note G5 for more information.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

B: SEGMENT INFORMATION

BI: Basis of segmentation

The execution of Managed Separation, as described in note A1 and note A2, constituted a reorganisation of the previous Old Mutual plc Group, resulting in the formation of two new groups, Old Mutual Limited and Quilter. The executive management team of Old Mutual Limited, with the support of the Board, was responsible for the assessment of performance and the allocation of resources of the continuing business operations during the period under review. The reorganisation resulted in a change in the composition of the Group's operating segments that is reported to the Chief Operating Decision Maker (CODM), viewed to be the executive management team of Old Mutual Limited. As such, the new segment structure has been reflected in the required disclosures in both the current year and comparative information.

The Group manages its business through the following operational segments, which are supported by central shareholder activities and enabling functions.

- **Mass and Foundation Cluster:** A retail segment that operates in Life and Savings, Banking and Lending. It provides simple financial services products to customers in the low-income and lower-middle income markets. These products are divided into four categories being (i) risk, including funeral cover, (ii) savings, (iii) lending and (iv) transactional products.
- **Personal Finance:** A retail segment that operates primarily in Life and Savings. It provides holistic financial advice and long-term savings, investment, income and risk products and targets the middle-income market.
- **Wealth and Investments:** Operates across Life and Savings and Asset Management through four distinct businesses: (i) Wealth, a retail segment targeting high income and high net worth individuals, that provides vertically integrated advice, investment solutions and funds, and other financial solutions, (ii) Asset Management comprising eight investment boutiques that provide asset management services to retirement and benefit funds and to the retail market in partnership with Wealth, (iii) Alternatives, an unlisted alternatives investment business, and (iv) Specialised Finance, a proprietary risk and investment capability which manages and supports the origination of assets.
- **Old Mutual Corporate:** Operates in Life and Savings and primarily provides Group risk, investments, annuities and consulting services to employee-sponsored retirement and benefit funds.
- **Old Mutual Insure:** Provides Property and Casualty insurance products through three operational businesses: (i) personal, (ii) commercial, and (iii) corporate.
- **Rest of Africa:** Operates in Life and Savings, Property and Casualty (including health insurance), Banking and Lending (including micro-lending) and Asset Management. The segment operates in 12 countries across three regions: Southern Africa, East Africa and West Africa.
- **Other Group Activities:** Comprises the activities related to the management of the Group's capital structure. This includes the management of shareholder investment assets including the associated shareholder investment return and third-party borrowings including the associated finance costs. Also included are net assets and operations of Residual plc and investments in associated undertakings. Subsequent to the Nedbank unbundling, the Group retained a minority shareholding of 19.9%, managed as part of Other Group Activities.

Presentation and disclosure

Results from Operations measures the operational performance of the Group and together with items such as investment return, finance costs and income from associated undertakings, the Group's profit measure, AHE is derived. AHE by definition excludes discontinued operations and Residual plc, which do not form part of core continuing businesses of Group, and certain of the discontinued operations are a function of the reorganisation and the application of predecessor accounting.

Nedbank, Quilter, the Latin American businesses, Kotak and Old Mutual Bermuda have been classified as discontinued operations. In line with IFRS 8 par 28 (b), discontinued operations have been disclosed as a reconciling item between the segment profit measure and total IFRS profit after tax of the Group.

The Group is in the process of a fundamental multi-year transformation of its finance function, transitioning from a legal entity view to a segment approach to better reflect the balance sheet economics and levers to drive value.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

B: SEGMENT INFORMATION (continued)

B2: Reconciliation of Results from operations to Profit after tax

Year ended 31 December 2018

| Rm | Mass and Foundation Cluster | Personal Finance | Wealth and Investments |
|---|-----------------------------|------------------|------------------------|
| Results from operations | 3,129 | 2,021 | 1,611 |
| Shareholder investment return | - | - | - |
| Finance costs | - | - | - |
| Income from associated undertakings | - | - | - |
| Adjusted Headline Earnings before tax and non-controlling interests | 3,129 | 2,021 | 1,611 |
| Shareholder tax | (945) | (547) | (358) |
| Non-controlling interests | (150) | 1 | (1) |
| Adjusted Headline Earnings | 2,034 | 1,475 | 1,252 |
| Investment return adjustment for Group equity and debt instruments held in policyholder funds | 18 | 43 | 18 |
| Impact of restructuring | (36) | (58) | (54) |
| Profit from discontinued operations after tax | - | - | - |
| Income from associated undertakings - 19.9% of Nedbank | - | - | - |
| Residual plc | - | - | - |
| Headline earnings | 2,016 | 1,460 | 1,216 |
| Headline earnings adjustments | 1 | 2 | (44) |
| Profit for the financial year attributable to equity holders | 2,017 | 1,462 | 1,172 |
| Non-controlling interests | | | |
| Ordinary shares | 150 | (1) | 1 |
| Preferred securities | - | - | - |
| Profit after tax for the financial year | 2,167 | 1,461 | 1,173 |

Year ended 31 December 2017

| Rm | Mass and Foundation Cluster | Personal Finance | Wealth and Investments |
|--|-----------------------------|------------------|------------------------|
| Results from operations | 3,052 | 3,150 | 1,490 |
| Shareholder investment return | - | - | - |
| Finance costs | - | - | - |
| Income from associated undertakings | - | - | - |
| Adjusted Headline Earnings before tax and non-controlling interests | 3,052 | 3,150 | 1,490 |
| Shareholder tax | (948) | (880) | (304) |
| Non-controlling interests | (135) | 2 | (2) |
| Adjusted Headline Earnings | 1,969 | 2,272 | 1,184 |
| Investment return adjustment for Group equity and debt instruments held in policy holder funds | - | - | - |
| Impact of restructuring | - | - | 213 |
| Profit from discontinued operations after tax | - | - | - |
| Income from associated undertakings - 19.9% of Nedbank | - | - | - |
| Residual plc | - | - | - |
| Headline earnings | 1,969 | 2,272 | 1,397 |
| Headline earnings adjustments | - | - | - |
| Dividends from preferred securities | - | - | - |
| Profit for the financial year attributable to equity holders | 1,969 | 2,272 | 1,397 |
| Non-controlling interests | | | |
| Ordinary shares | 135 | (2) | 2 |
| Preferred securities | - | - | - |
| Profit after tax for the financial year | 2,104 | 2,270 | 1,399 |

| Old Mutual Corporate | Old Mutual Insure | Rest of Africa | Other Group Activities | Elimination of intra-segment transactions | Total continuing operations | Discontinued operations | Total IFRS |
|----------------------|-------------------|----------------|------------------------|---|-----------------------------|-------------------------|------------|
| 1,703 | 670 | 1,254 | (425) | – | 9,963 | – | 9,963 |
| – | 185 | 1,805 | 890 | – | 2,880 | – | 2,880 |
| – | (46) | – | (555) | – | (601) | – | (601) |
| – | – | – | 2,593 | – | 2,593 | – | 2,593 |
| 1,703 | 809 | 3,059 | 2,503 | – | 14,835 | – | 14,835 |
| (470) | (208) | (515) | 96 | – | (2,947) | – | (2,947) |
| – | (34) | (192) | – | – | (376) | – | (376) |
| 1,233 | 567 | 2,352 | 2,599 | – | 11,512 | – | 11,512 |
| 173 | – | – | (471) | – | (219) | – | (219) |
| (26) | (70) | (66) | (390) | – | (700) | – | (700) |
| – | – | – | – | (387) | (387) | 8 516 | 8,129 |
| – | – | – | (2,132) | – | (2,132) | – | (2,132) |
| – | – | – | (2,349) | – | (2,349) | – | (2,349) |
| 1,380 | 497 | 2,286 | (2,743) | (387) | 5,725 | 8,516 | 14,241 |
| 9 | (3) | (552) | (254) | (9) | (850) | 23,175 | 22,325 |
| 1,389 | 494 | 1,734 | (2,997) | (396) | 4,875 | 31,691 | 36,566 |
| – | 34 | (75) | 13 | – | 122 | 5,519 | 5,641 |
| – | – | – | – | – | – | 501 | 501 |
| 1,389 | 528 | 1,659 | (2,984) | (396) | 4,997 | 37,711 | 42,708 |

| Old Mutual Corporate | Old Mutual Insure | Rest of Africa | Other Group Activities | Elimination of intra-segment transactions | Total continuing operations | Discontinued operations | Total IFRS |
|----------------------|-------------------|----------------|------------------------|---|-----------------------------|-------------------------|------------|
| 1,576 | 524 | 1,081 | (506) | – | 10,367 | – | 10,367 |
| – | 436 | 3,071 | 1,413 | – | 4,920 | – | 4,920 |
| – | – | – | (622) | – | (622) | – | (622) |
| – | – | – | 2,305 | – | 2,305 | – | 2,305 |
| 1,576 | 960 | 4,152 | 2,590 | – | 16,970 | – | 16,970 |
| (442) | (213) | (453) | (295) | – | (3,535) | – | (3,535) |
| – | (17) | (344) | 8 | – | (488) | – | (488) |
| 1,134 | 730 | 3,355 | 2,303 | – | 12,947 | – | 12,947 |
| – | – | – | (1,355) | – | (1,355) | – | (1,355) |
| – | – | – | (267) | – | (54) | – | (54) |
| – | – | – | – | (465) | (465) | 9,335 | 8,870 |
| – | – | – | (2,346) | – | (2,346) | – | (2,346) |
| – | – | – | (4,918) | – | (4,918) | – | (4,918) |
| 1,134 | 730 | 3,355 | (6,583) | (465) | 3,809 | 9,335 | 13,144 |
| – | (11) | (728) | 197 | – | (542) | 1,517 | 975 |
| – | – | – | 253 | – | 253 | – | 253 |
| 1,134 | 719 | 2,627 | (6,133) | (465) | 3,520 | 10,852 | 14,372 |
| – | 17 | (122) | (169) | – | (139) | 5 541 | 5 402 |
| – | – | – | – | – | – | 590 | 590 |
| 1,134 | 736 | 2,505 | (6,302) | (465) | 3,381 | 16,983 | 20,364 |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

B: SEGMENT INFORMATION (continued)

B3: Headline earnings adjusting items

Adjusted Headline Earnings (AHE) is the Group's alternative profit measure used by management to assess the performance of the Group. It is calculated as headline earnings in accordance with JSE Listing Requirements and SAICA circular 04/2018 adjusted for items not reflective of the long term economic performance of the Group. The adjustments from headline earnings to AHE are explained below.

(a) Investment return adjustment for Group equity and debt instruments held in policyholder funds

Represents the investment returns on policyholder investments in Group equity and debt instruments held by the Group's policyholder funds. This include investments in the Company's ordinary shares and the subordinated debt and ordinary shares issued by subsidiaries of the Group. These investment returns are eliminated within the condensed consolidated income statement in arriving at profit before tax, but are added back in the calculation of AHE. This ensures consistency with the measurement of the related policyholder liability.

(b) Impact of restructuring

Represents the elimination of non-recurring expenses or income related to material acquisitions, disposals or a fundamental restructuring of the Group (such as Managed Separation). This adjustment would therefore include items such as the costs or income associated with completed acquisitions or disposals and the release of any acquisition date provisions. These items are removed from AHE as they are not representative of the operating activity of the Group and by their nature they are not expected to persist in the long term.

(c) Discontinued operations

Represents the removal of the profit after tax associated with discontinued operations. These businesses are not considered part of the Group's principal operations due to the fact they have been or are in the process of being sold or distributed and therefore will not form part of the Group going forward. The profit attributable to these businesses is therefore removed from AHE. For the year ended 31 December 2018 this adjustment includes the profit attributable to Quilter, Nedbank, the Latin American businesses and Old Mutual Bermuda. For the year ended 31 December 2017, discontinued operations also includes the profit related to Kotak.

(d) Income from associated undertakings

Represents the reversal of any differences between the IFRS accounting treatment in respect of our shareholding in Nedbank and the treatment applied in AHE. In AHE we account for the headline earnings related to 19.9% of Nedbank. This represents our effective ownership held in the shareholder funds of Old Mutual Life Assurance Company (South Africa) Limited post the unbundling transaction which occurred on 15 October 2018. During December 2018 Nedbank completed an odd lot offer which had the effect of increasing our effective ownership to 20.2%. This will have a marginal positive impact on earnings reported in the 2019 financial year. In accordance with IFRS, the Nedbank shareholding of approximately 54% held until the point of the unbundling transaction was classified as held for distribution and our related share of Nedbank's profits presented as part of the discontinued operations in the condensed consolidated income statement until the point of unbundling. These earnings are therefore included in the adjustment labelled as discontinued operations. This adjustment ensures that these earnings are not double counted in the reconciliation. Any difference between our share of Nedbank's headline earnings reported as part of AHE and the share of associated undertakings profit after tax relating to Nedbank reported in our IFRS income statement are also adjusted for in this line item.

(e) Residual plc

Represents the elimination of the results of businesses or operations classified as non core. In the current and comparative period this represents the net losses associated with the operations of Residual plc. Residual plc is not considered part of the Group's principal operations due to the fact that it is in the process of winding down and therefore the associated costs are removed from AHE. During the year ended 31 December 2018, the loss attributable to the Residual plc of R2,349 million (2017: R4,918 million) mainly related to transaction costs associated with the finalisation of Managed Separation and costs incurred in winding down the former Old Mutual plc head office operations.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

C: OTHER KEY PERFORMANCE INFORMATION

C1: Earnings and earnings per share

| Cents | Source of guidance | Notes | 2018 | 2017 |
|-------------------------------------|---|-------|-------|-------|
| Basic earnings per share | IFRS | C1(a) | 788.1 | 304.7 |
| Diluted earnings per share | IFRS | C1(b) | 778.1 | 297.5 |
| Headline earnings per share | JSE Listings Requirements SAICA circular 04/2018 | C1(c) | 306.9 | 283.7 |
| Diluted headline earnings per share | JSE Listings Requirements SAICA circular 04/2018 | C1(c) | 301.7 | 276.8 |

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder funds, Employee Share Ownership Plan Trusts (ESOP) and Black Economic Empowerment trusts. These shares are regarded as treasury shares.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

| Rm | Notes | 2018 | 2017 (Re-presented) ¹ |
|---|-------|---------------|-------------------------------------|
| Profit for the financial year attributable to equity holders of the parent from continuing operations | | 4,875 | 3,520 |
| Profit for the financial year attributable to equity holders of the parent from discontinued operations | | 31,691 | 10,852 |
| Profit for the financial year attributable to equity holders of the parent | | 36,566 | 14,372 |
| Dividends paid to holders of perpetual preferred callable securities, net of tax credits | | – | (253) |
| Profit attributable to ordinary equity holders | | 36,566 | 14,119 |

¹ The year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G5 for more information.

Dividends paid to holders of perpetual preferred callable securities of R253 million for the year ended 31 December 2017 are stated net of tax credits of R6 million. All of the outstanding perpetual preferred callable securities were redeemed on 3 February 2017.

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C: OTHER KEY PERFORMANCE INFORMATION (continued)

C1: Earnings and earnings per share (continued)

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

| Millions | 2018 | 2017 |
|--|--------------|-------|
| Weighted average number of ordinary shares in issue | 4,938 | 4,931 |
| Shares held in charitable foundations and trusts | (19) | (21) |
| Shares held in ESOP and similar trusts | (104) | (134) |
| Shares held in policyholder and consolidated investment funds | (173) | (141) |
| Shares held in Black Economic Empowerment trusts | (2) | (2) |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 4,640 | 4,633 |
| Basic earnings per ordinary share (cents) | 788.1 | 304.7 |

(b) Diluted earnings per share

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

The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

| | Notes | 2018 | 2017 |
|---|-------|---------------|--------|
| Profit attributable to ordinary equity holders (Rm) | | 36,566 | 14,119 |
| Dilution effect on profit relating to share options issued by subsidiaries (Rm) | | (98) | (120) |
| Diluted profit attributable to ordinary equity holders (Rm) | | 36,468 | 13,999 |
| Weighted average number of ordinary shares (millions) | C1(a) | 4,640 | 4,633 |
| Adjustments for share options held by ESOP and similar trusts (millions) | | 45 | 70 |
| Adjustments for shares held in Black Economic Empowerment trusts (millions) | | 2 | 2 |
| Weighted average number of ordinary shares used to calculate diluted earnings per share (millions) | | 4,687 | 4,705 |
| Diluted earnings per ordinary share (cents) | | 778.1 | 297.5 |

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(c) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the Johannesburg Stock Exchange (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

| Rm | 2018 | | 2017 | |
|--|-----------------|--|---------|--|
| | Gross | Net of tax and non-controlling interests | Gross | Net of tax and non-controlling interests |
| Profit for the financial period attributable to equity holders of the parent | | 36,566 | | 14,372 |
| Dividends paid to holders of perpetual preferred callable securities | | – | | (253) |
| Profit attributable to ordinary equity holders | | 36,566 | | 14,119 |
| Adjustments: | | – | | – |
| Impairments of goodwill and other intangible assets, property, plant and equipment and associated undertakings (IAS36) | 1,196 | 892 | 1,667 | 1,080 |
| (Profit)/loss on disposal of property and equipment (IAS16) | (103) | (51) | 42 | 26 |
| Profit on disposal of subsidiaries, associated undertakings and joint ventures (IFRS3) ¹ | (23,173) | (23,166) | (2,151) | (2,081) |
| Total adjustments | (22,080) | (22,325) | (442) | (975) |
| Headline earnings | | 14,241 | | 13,144 |
| Dilution effect on earnings relating to share options issued by subsidiaries | | (98) | | (120) |
| Diluted headline earnings (Rm) | | 14,143 | | 13,024 |
| Weighted average number of ordinary shares (millions) | C1(a) | 4,640 | | 4,633 |
| Diluted weighted average number of ordinary shares (millions) | C1(b) | 4,687 | | 4,705 |
| Headline earnings per share (cents) | | 306.9 | | 283.7 |
| Diluted headline earnings per share (cents) | | 301.7 | | 276.8 |

¹ Profit on disposal of subsidiaries, associated undertakings and joint ventures of R23,173 million comprises profit on disposal of discontinued operations of R23,175 million (note G1) and a loss on disposal of immaterial investments and associated undertakings of R2 million.

Notes to the Condensed Consolidated Financial Statements

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C: OTHER KEY PERFORMANCE INFORMATION (continued)

C2: Net asset value per share and tangible net asset value per share

Net asset value per share is calculated as total assets minus total liabilities divided by the total number of ordinary shares in issue at year end.

Net tangible asset value per share is calculated as total assets minus goodwill and other intangible assets minus total liabilities divided by the total number of shares in issue at year end.

| Rand | 2018 | 2017 |
|------------------------------------|------|------|
| Net asset value per share | 16.5 | 37.2 |
| Net tangible asset value per share | 15.3 | 35.8 |

C3: Dividends

| Rm | Ordinary dividend payment date | 2018 | 2017 |
|---|--------------------------------|--------------|-------|
| 2016 Second interim dividend paid – 3.39p (53.55c) per 11 3/7p share | 28 April 2017 | – | 2,549 |
| 2017 Interim dividend paid – 3.53p (65.35c) per 11 3/7p share | 31 October 2017 | – | 3,118 |
| 2017 Second interim dividend paid – 3.57p (66.50c) per 11 3/7p share | 30 April 2018 | 3,113 | – |
| 2018 Interim dividend and special dividend paid – 45.00c and 100c per share respectively | 16 October 2018 | 6,852 | – |
| Dividends to ordinary equity holders | | 9,965 | 5,667 |
| Dividends paid to holders of perpetual preferred callable securities | | – | 259 |
| Dividend payments for the period | | 9,965 | 5,926 |

The total dividend paid to ordinary equity holders is calculated using the number of shares in issue at the record date less own shares held in ESOP trusts, life funds of Group entities, Black Economic Empowerment trusts and related undertakings.

As a consequence of the exchange control arrangements in place in certain African territories, dividends to ordinary equity holders on the branch registers of those countries (or, in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

The Directors have declared a final dividend of 72 cents per ordinary share. These dividends will be paid on 29 April 2019 to shareholders on the South African register and Malawi, Namibia and Zimbabwe branch registers at the close of business on 29 April 2019 and to shareholders on the UK register at the close of business on 29 March 2019.

On 3 February 2017, all of the Group's outstanding perpetual preferred callable securities were redeemed. At this date a final dividend payment of R259 million was made to the holders of the securities.

Notes to the Condensed Consolidated Financial Statements

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D: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

D1: Analysis of managed other operating and administrative expense base

The table below provides an analysis of the underlying operating and administrative expense base:

| Rm | 2018 | 2017 (Re-presented) ¹ |
|---|---------------|-------------------------------------|
| Total other operating and administrative expenses | 25,845 | 25,052 |
| Perimeter adjustments | | |
| Residual plc and Old Mutual Bermuda | (2,459) | (2,551) |
| Consolidation of funds | (1,119) | (515) |
| Elimination of transactions with discontinued operations | 176 | 350 |
| Expenses excluded from cost base | | |
| Amortisation of acquired intangible assets | (41) | (252) |
| Impairment of goodwill and other intangible assets | (1,154) | (1,202) |
| Restructuring costs including one-off business standalone costs | (663) | (237) |
| Operational finance costs | (1,269) | (1,096) |
| Investment management expenses | (1,949) | (2,173) |
| Managed operating and administrative expense base | 17,367 | 17,376 |

¹ The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to notes A2 and G5 for more information.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E: FINANCIAL ASSETS AND LIABILITIES

Accounting policy

Classification and measurement of financial assets and financial liabilities

IFRS 9: 'Financial Instruments' replaces the provisions of IAS 39: 'Financial instruments': Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies effective from 1 January 2018 are set out below.

Initial recognition of financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI) which may include debt or equity instruments; or
- Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics.

The business model refers to how the Group is managing its financial instruments to generate cash flows. Business model assessments are performed on shareholder and policyholder portfolios and consider investment mandates, how the portfolios are being managed to generate cash flows and performance indicators. The Group first assesses the business model before considering whether an instrument meets the definition of the contractual cash flow test. Only if the financial instruments are held in a business model to collect contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the cash flow characteristics test is performed.

Equity instruments and derivative assets are mandatorily categorised as financial assets at FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in a 'hold to collect contractual cash flows business model' are managed to realise cash flows by collecting contractual payments over the life of the instrument.

A debt instrument is measured at FVOCI if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVOCI. In such an instance changes in the equity instrument's fair value are recorded in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net fair value gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Fair value gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

Under IAS 39 the classification and measurement of financial assets were based on definitions set out in the standard. By comparison the classification and measurement principles in IFRS 9 aim to result in accounting treatment that mirrors how the financial assets are applied within the Group. Held to Maturity Financial Assets and Available for Sale Financial Assets were not included in IFRS 9.

Initial recognition of financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. On initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not classified at FVTPL, transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

Subsequent measurement of financial liabilities

Fair value movements attributable to changes in the credit risk of a financial liability designated at FVTPL is recorded in other comprehensive income and not recycled to profit or loss. The balance of the fair value movement is recorded in profit or loss. Allocating fair value changes on these financial liabilities between profit or loss and other comprehensive income was not required by IAS 39.

| | |
|---|---|
| Financial liabilities at amortised cost | These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign currency exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Financial liabilities at fair value through profit or loss | These liabilities are subsequently measured at fair value. Net fair value gains and losses, including any interest expense are recognised in profit or loss. |
| Financial guarantee contracts | Financial guarantee contracts are subsequently measured at the higher of the expected credit loss allowance and the amount initially recognised, less cumulative income recognised to date. |

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, loans and advances, trade and other receivables, cash and cash equivalents and debt securities held by the Group) and debt investments measured at FVOCI.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions.

The Group has elected to apply the IFRS 9 simplified approach in measuring expected credit losses for all trade receivables, contract assets and lease receivables. In terms of the simplified approach the ECL provision is calculated using lifetime expected credit losses. The Group made use of the provision matrix to calculate the lifetime expected loss allowance.

The Group elected to make use of the low credit risk exemption and consequently financial assets that are deemed of low credit risk are automatically allocated to stage 1 of the expected credit loss model. The consequence of this simplification is that entities are not required to assess whether a significant increase in credit risk since origination took place on these assets. At every reporting date the Group assesses whether the low credit risk exemption can still be applied to the relevant financial instruments. A financial instrument is considered to qualify for the low credit risk exemption if it has a credit rating equivalent to 'investment grade' quality assets.

ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For presentation the ECL allowances are deducted from the gross carrying amount of the assets. ECLs are presented separately in the condensed consolidated income statement.

In terms of IAS 39 impairment losses were calculated based on the incurred loss model. The incurred loss model considered current and historical information to determine whether a loss has been incurred and to measure the impairment loss. In comparison IFRS 9 places emphasis on the use of forward-looking information. The expected credit loss model should result in impairment losses being recognised earlier when compared to the incurred loss model.

The analysis of financial assets and liabilities of the Group's continuing businesses into their categories as defined in IFRS 9 'Financial Instruments' is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E1: Categories of financial instruments

The analysis of financial assets and liabilities of the Group's continuing businesses into their categories as defined in IFRS 9 'Financial Instruments' is set out in the tables below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

Information about the methods and assumptions used in determining fair value is included in note E2.

The following tables analyse financial assets and liabilities in accordance with the categories of financial instruments as defined by IFRS 9 at 31 December 2018 and as defined by IAS 39 at 31 December 2017. Assets and liabilities outside the scope of these standards are shown within non-financial assets liabilities.

At 31 December 2018

| Rm | Fair value | | Non-financial assets and liabilities | |
|---|----------------|------------------------|--------------------------------------|----------------|
| | Total | through profit or loss | | Amortised cost |
| Assets | | | | |
| Mandatory reserve deposits with central banks | 145 | – | 145 | – |
| Investments in associated undertakings and joint ventures ¹ | 26,679 | – | – | 26,679 |
| Reinsurers' share of policyholder liabilities | 7,902 | 3,007 | 27 | 4,868 |
| Loans and advances | 21,243 | – | 21,243 | – |
| Investments and securities | 708,050 | 703,399 | 4,651 | – |
| Trade, other receivables and other assets | 18,315 | – | 13,541 | 4,774 |
| Derivative financial instruments | 2,779 | 2,779 | – | – |
| Cash and cash equivalents | 32,339 | – | 32,339 | – |
| Total assets that include financial instruments | 817,452 | 709,185 | 71,946 | 36,321 |
| Assets held for sale and distribution | 12,787 | – | – | 12,787 |
| Total other non-financial assets | 51,376 | – | – | 51,376 |
| Total assets | 881,615 | 709,185 | 71,946 | 100,484 |
| Liabilities | | | | |
| Life insurance contract liabilities | 143,926 | – | – | 143,926 |
| Investment contract liabilities with discretionary participating features | 188,355 | – | – | 188,355 |
| Investment contract liabilities | 287,774 | 286,710 | 1,064 | – |
| Third-party interest in consolidated funds | 77,445 | 77,445 | – | – |
| Borrowed funds | 16,888 | 6,581 | 10,307 | – |
| Trade, other payables and other liabilities | 47,737 | – | 41,712 | 6,025 |
| Amounts owed to bank depositors | 7,213 | – | 7,213 | – |
| Derivative financial instruments | 5,327 | 5,327 | – | – |
| Total liabilities that include financial instruments | 774,665 | 376,063 | 60,296 | 338,306 |
| Liabilities held for sale and distribution | 8,716 | – | – | 8,716 |
| Total other non-financial liabilities | 16,814 | – | – | 16,814 |
| Total liabilities | 800,195 | 376,063 | 60,296 | 363,836 |

¹ Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E1: Categories of financial instruments (continued)

At 31 December 2017

| Rm | Total | Fair value (note E3) | | | Amortised cost | | |
|---|------------------|----------------------|----------------|-------------------------------------|-----------------------|--------------------------------------|--------------------------------------|
| | | Held-for-trading | Designated | Available-for-sale financial assets | Loans and receivables | Financial liabilities amortised cost | Non-financial assets and liabilities |
| Assets | | | | | | | |
| Mandatory reserve deposits with central banks | 94 | - | - | - | 94 | - | - |
| Investments in associated undertakings and joint ventures ¹ | 1,789 | - | - | - | - | - | 1,789 |
| Reinsurers' share of policyholder liabilities | 4,220 | - | - | - | 25 | - | 4,195 |
| Loans and advances | 21,483 | - | - | - | 21,483 | - | - |
| Investments and securities | 722,249 | - | 721,328 | 921 | - | - | - |
| Trade, other receivables and other assets | 21,875 | - | - | - | 20,675 | - | 1,200 |
| Derivative financial instruments | 4,101 | 4,101 | - | - | - | - | - |
| Cash and cash equivalents | 30,761 | - | - | - | 30,761 | - | - |
| Total assets that include financial instruments | 806,572 | 4,101 | 721,328 | 921 | 73,038 | - | 7,184 |
| Assets held for sale and distribution | 2,188,443 | - | - | - | - | - | 2,188,443 |
| Total other non-financial assets | 51,871 | - | - | - | - | - | 51,871 |
| Total assets | 3,046,886 | 4,101 | 721,328 | 921 | 73,038 | - | 2,247,498 |
| Liabilities | | | | | | | |
| Life insurance contract liabilities | 159,514 | - | - | - | - | - | 159,514 |
| Investment contract liabilities with discretionary participating features | 193,425 | - | - | - | - | - | 193,425 |
| Investment contract liabilities | 288,164 | - | 288,164 | - | - | - | - |
| Borrowed funds | 18,866 | - | 13,191 | - | - | 5,675 | - |
| Third-party interest in consolidated funds | 81,573 | - | 81,573 | - | - | - | - |
| Trade, other payables and other liabilities | 42,355 | - | 2,039 | - | - | 30,437 | 9,879 |
| Amounts owed to bank depositors | 12,440 | - | - | - | - | 12,440 | - |
| Derivative financial instruments | 4,498 | 4,498 | - | - | - | - | - |
| Total liabilities that include financial instruments | 800,835 | 4,498 | 384,967 | - | - | 48,552 | 362,818 |
| Liabilities held for sale and distribution | 2,043,759 | - | - | - | - | - | 2,043,759 |
| Total other non-financial liabilities | 18,847 | - | - | - | - | - | 18,847 |
| Total liabilities | 2,863,441 | 4,498 | 384,967 | - | - | 48,552 | 2,425,424 |

¹ Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

Notes to the Condensed Consolidated Financial Statements

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E2: Fair values of financial assets and liabilities

The description of the determination of fair value and the fair value hierarchies of financial assets and liabilities described in this section applies to financial assets and liabilities for all the Group's businesses.

(a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads.
- The inclusion of credit valuation adjustment and debit valuation adjustment in the fair-value measurement of derivative instruments.
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at fair value of the underlying assets.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments, and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investments and securities that are recognised at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

Investments in associated undertakings and joint ventures held by investment-linked insurance funds and venture capital divisions

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

Derivative financial instruments

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

Notes to the Condensed Consolidated Financial Statements

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E: FINANCIAL ASSETS AND LIABILITIES (continued)

E2: Fair values of financial assets and liabilities (continued)

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the fair value of the underlying funds that are held by the Group.

Third-party interests in consolidation of funds

Third-party interests in consolidation of funds are measured at the attributable net asset value of each fund.

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the condensed consolidated statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (comprising cash and cash equivalents; cash with central banks; trade, other receivables and other assets; and trade, other payables and other liabilities) reasonably approximate their carrying amounts as included in the condensed consolidated statement of financial position as they are short-term in nature or re-priced to current market rates frequently.

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

| Description of hierarchy | Types of instruments classified in the respective levels |
|--|---|
| Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets. | Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurers' share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets. |
| Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. | Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors. |
| Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. | Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs. |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E3: Disclosure of financial assets and liabilities measured at fair value

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The table below presents a summary of the financial assets and liabilities of the Group's continuing businesses that are measured at fair value in the condensed consolidated statement of financial position according to their IFRS 9 classification, as set out in note E1.

At 31 December 2018

| Rm | Total | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|---------------|
| Financial assets measured at fair value | | | | |
| Reinsurers' share of policyholder liabilities | 3,007 | 3,007 | - | - |
| Investments and securities | 703,399 | 386,316 | 286,664 | 30,419 |
| Derivative financial instruments – assets | 2,779 | - | 2,779 | - |
| Total financial assets measured at fair value | 709,185 | 389,323 | 289,443 | 30,419 |
| Financial liabilities measured at fair value | | | | |
| Investment contract liabilities ¹ | 286,710 | - | 286,710 | - |
| Third-party interests in consolidated funds | 77,445 | - | 77,445 | - |
| Borrowed funds | 6 581 | - | 6 581 | - |
| Derivative financial instruments – liabilities | 5,327 | - | 5,327 | - |
| Total financial liabilities measured at fair value | 376,063 | - | 376,063 | - |

¹ Investment contract liabilities amount excludes R188 355 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

At 31 December 2017

| Rm | Total | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|---------------|
| Financial assets measured at fair value | | | | |
| Held-for-trading (fair value through profit or loss) | 4,101 | - | 4,072 | 29 |
| Derivative financial instruments – assets | 4,101 | - | 4,072 | 29 |
| Designated (fair value through profit or loss) | 721,328 | 439,007 | 261,924 | 20,397 |
| Investments and securities | 721,328 | 439,007 | 261,924 | 20,397 |
| Available-for-sale financial assets (fair value through other comprehensive income) | 921 | 921 | - | - |
| Investments and securities | 921 | 921 | - | - |
| Total financial assets measured at fair value | 726,350 | 439,928 | 265,996 | 20,426 |
| Financial liabilities measured at fair value | | | | |
| Held-for-trading (fair value through profit or loss) | 4,498 | - | 4,498 | - |
| Derivative financial instruments – liabilities | 4,498 | - | 4,498 | - |
| Designated (fair value through profit or loss) | 384,967 | 7,488 | 377,479 | - |
| Investment contract liabilities ¹ | 288,164 | - | 288,164 | - |
| Third-party interests in consolidated funds | 81,573 | - | 81,573 | - |
| Borrowed funds | 13,191 | 6,696 | 6,495 | - |
| Other liabilities | 2,039 | 792 | 1,247 | - |
| Total financial liabilities measured at fair value | 389,465 | 7,488 | 381,977 | - |

¹ Investment contract liabilities amount excludes R193,425 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the period. Movements during the period include both continuing operations and assets and movements of assets and liabilities classified as held for sale and distribution during the period.

Year ended 31 December 2018

| Rm | Total Level 3 movements |
|--|----------------------------|
| Level 3 financial assets | |
| At beginning of the year | 20,426 |
| Total net fair value (losses)/gains recognised in profit or loss | (662) |
| Purchases and issues | 3,664 |
| Sales and settlements | (1,311) |
| Transfers in | 9,458 |
| Transfers out | (184) |
| Foreign exchange and other | (972) |
| Total Level 3 financial assets | 30,419 |
| Unrealised fair value gains relating to assets held at 31 December 2018 recognised in profit or loss | 8,557 |

During the year there were financial instruments for which the significant inputs into the valuation model became unobservable or where the valuation basis has changed. This resulted in transfers from Level 2 to Level 3.

At 31 December 2018, Level 3 financial assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the bulk of the investment risk is borne by policyholders. At 31 December 2017, all level 3 assets held by the Quilter and Nedbank businesses were transferred into assets held for sale and distribution and are therefore not included within any of the amounts disclosed in the table above.

The Group did not have any Level 3 financial liabilities at 31 December 2018 and 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E3: Disclosure of financial assets and liabilities measured at fair value (continued)

Year ended 31 December 2017

| Rm | Held for trading | Designated at fair value through profit or loss | | | Available for sale | Total |
|---|------------------|---|--------------------|----------------------------|----------------------------|----------|
| | Derivatives | Investments in associated undertakings and joint ventures | Loans and advances | Investments and securities | Investments and securities | |
| Level 3 financial assets | | | | | | |
| At beginning of the year | 490 | 2,357 | 77 | 24,141 | 410 | 27,475 |
| Total net fair value (losses)/gains recognised in: | | | | | | |
| - profit or loss | (444) | 10 | 45 | 915 | - | 526 |
| - other comprehensive income | 18 | (8) | - | 6 | - | 16 |
| Purchases and issues | 70 | 1,513 | - | 13,814 | - | 15,397 |
| Sales and settlements | (58) | (668) | (89) | (1,436) | - | (2,251) |
| Transfers in | - | - | - | 7,632 | - | 7,632 |
| Transfers out | - | - | - | (4,198) | - | (4,198) |
| Foreign exchange and other | (46) | (1) | - | 77 | - | 30 |
| Transferred to assets held for sale and distribution | (1) | (3,203) | (33) | (20,554) | (410) | (24,201) |
| Total Level 3 financial assets | 29 | - | - | 20,397 | - | 20,426 |
| Unrealised fair value (losses)/gains relating to assets held at 31 December 2017 recognised in profit or loss | (444) | - | - | 1,230 | - | 786 |

| Rm | Held-for-trading | | Designated fair value through profit or loss | Total | |
|--|-------------------|-------------|--|----------|----------|
| | Other liabilities | Derivatives | Investment contract liabilities | | |
| Level 3 financial liabilities | | | | | |
| At beginning of the year | | 330 | 120 | 10,004 | 10,454 |
| Total net fair value losses/(gains) recognised in profit or loss | | 105 | (122) | (388) | (405) |
| Purchases and issues | | - | - | 10,557 | 10,557 |
| Sales and settlements | | - | - | (403) | (403) |
| Transfers in | | - | - | 2,869 | 2,869 |
| Transfers out | | - | - | (2,613) | (2,613) |
| Foreign exchange and other | | - | 2 | (476) | (474) |
| Transferred to liabilities held for sale and distribution | | (435) | - | (19,550) | (19,985) |
| Total Level 3 financial liabilities | | - | - | - | - |
| Unrealised fair value losses/(gains) relating to liabilities held at 31 December 2017 recognised in profit or loss | | - | - | - | - |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note E2.

The following table summarises the significant inputs to value instruments categorised as Level 3 hierarchy in the Group's continuing businesses and their sensitivity to changes in the inputs used.

| Types of financial instruments | At 31 December 2018 Rm | At 31 December 2017 Rm | Valuation techniques used | Significant unobservable input | At 31 December 2018 Rm | At 31 December 2017 Rm |
|--------------------------------|---------------------------------|---------------------------------|---|--|---|--|
| | Fair values | | | | Fair value measurement sensitivity to unobservable inputs | |
| Assets | | | | | | |
| Investments and securities | 30,419 | 20,397 | Discounted cash flows (DCF) EBITDA multiples Price earnings ratios Adjusted net asset values | Valuation multiples Credit spreads Volatilities Dividend growth rates Internal rates of return Cost of capital Risk premiums | Favourable: 1,378 Unfavourable: 1,365 | Favourable: 1,838 Unfavourable: 1,503 |
| Derivatives – assets | – | 29 | Option pricing model | Interest rates Volatilities | Favourable: Rnil Unfavourable: Rnil | Favourable: 16 Unfavourable: 14 |

Key inputs and assumptions used in the valuation models include discount rates (with the reasonably possible alternative assumptions calculated by increasing/decreasing the discount rate by 10%) and price earnings ratio (with the reasonably possible alternative assumptions calculated by increasing/decreasing the price earnings ratio by 10%).

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

F: ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

F1: Insurance and investment contracts

(a) Policyholder liabilities

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

| Rm | 2018 | | | 2017 | | |
|--|----------------|----------------|----------------|---------|-------------|---------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Life assurance policyholder liabilities | | | | | | |
| Total life insurance contracts liabilities | 143,926 | (810) | 143,116 | 159,514 | (563) | 158,951 |
| Life insurance contracts liabilities | 141,756 | (810) | 140,946 | 157,151 | (563) | 156,588 |
| Outstanding claims | 2,170 | - | 2,170 | 2,363 | - | 2,363 |
| Investment contract liabilities | 476,129 | (3,007) | 473,122 | 481,589 | - | 481,589 |
| Unit-linked investment contracts and similar contracts | 286,521 | (3,007) | 283,514 | 286,957 | - | 286,957 |
| Other investment contracts | 1 253 | - | 1,253 | 1,207 | - | 1,207 |
| Investment contracts with discretionary participating features | 188,355 | - | 188,355 | 193,425 | - | 193,425 |
| Total life assurance policyholder liabilities | 620,055 | (3,817) | 616,238 | 641,103 | (563) | 640,540 |
| Property and Casualty liabilities | | | | | | |
| Claims incurred but not reported | 1,255 | (369) | 886 | 1,317 | (320) | 997 |
| Unearned premiums | 2,870 | (1,408) | 1,462 | 2,599 | (1,185) | 1,414 |
| Outstanding claims | 4,974 | (2,308) | 2,666 | 4,369 | (2,152) | 2,217 |
| Total Property and Casualty liabilities | 9,099 | (4,085) | 5,014 | 8,285 | (3,657) | 4,628 |
| Total policyholder liabilities | 629,154 | (7,902) | 621,252 | 649,388 | (4,220) | 645,168 |

Of the R7,902 million (2017: R4,220 million) included in reinsurer's share of life assurance policyholder and Property and Casualty liabilities is an amount of R681 million (2017: R3,223 million) which is recoverable within 12 months from the reporting date. The remainder is recoverable more than 12 months from the reporting date.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

F: ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

F2: Borrowed funds

| Rm | 2018 | | | | Total |
|---|-------------------------|-------------------|----------------|-------------------------------------|---------------|
| | Mass Foundation Cluster | Old Mutual Insure | Rest of Africa | Other Group Activities ¹ | |
| Term loans | 5,700 | – | 2,390 | – | 8,090 |
| Revolving credit facilities | 1,250 | – | 400 | 600 | 2,250 |
| Subordinated debt securities ¹ | – | 500 | – | 6,048 | 6,548 |
| Total borrowed funds | 6,950 | 500 | 2,790 | 6,648 | 16,888 |

| Rm | 2017 | | | | Total |
|------------------------------|-------------------------|-------------------|----------------|------------------------|---------------|
| | Mass Foundation Cluster | Old Mutual Insure | Rest of Africa | Other Group Activities | |
| Term loans | 2,300 | – | 1,237 | – | 3,537 |
| Revolving credit facilities | 975 | – | 140 | – | 1,115 |
| Subordinated debt securities | – | 500 | – | 13,714 | 14,214 |
| Total borrowed funds | 3,275 | 500 | 1,377 | 13,714 | 18,866 |

¹ On 19 July 2018, Old Mutual plc repurchased and cancelled R281 million (£16 million) of the outstanding Tier 2 subordinated 2025 securities and R4,728 million (£269 million) of the outstanding Tier 2 subordinated 2021 securities through tender offers. Premiums of R246 million (£14 million) were incurred on these repurchases.

On 15 November 2018, Old Mutual plc repurchased the entire outstanding R817 million (£45 million) nominal of the Tier 2 subordinated 2025 securities and the entire outstanding R1,306 million (£72 million) nominal of the Tier 2 subordinated 2021 securities, together with an early redemption payment, accrued interest and consent fees. These repurchases were following the approval, by the holders of the securities, of variations to the terms of the securities at a meeting of the holders on 12 November 2018. Total premiums of R218 million (£12 million) were incurred on these repurchases.

Breaches of covenant

During the 12 months ended 31 December 2018, the financial covenants on eight loans were breached. The funding was raised to support operations in the Rest of Africa segment.

As at 31 December 2018, six of the eight loans were no longer in breach.

The Group is still in negotiation with the lenders of the remaining two loans totalling R96 million (US\$ 7 million) to similarly amend the breached covenants.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES

G1: Commitments

Future potential commitments

Old Mutual Emerging Markets Limited (OMEM) guarantee

A sales agreement was signed between Old Mutual (South Africa) Holdings (Pty) Ltd (OMSAH) and Lily Bermuda Capital Limited (SPV domiciled in Bermuda), owned by CMIG International Holding Pte. Limited (CMI) on 15 March 2018, for the purchase of OM Latin America Holdco UK Limited and AIVA Holding Group S.A. (collectively known as 'the Latin American businesses'). OMEM has provided a guarantee for creditworthiness of OMSAH to the buyer and has also received a reciprocal guarantee from CMI. At 31 December 2018, the timing and amount of any payments (if any) cannot be reasonably estimated.

Enterprise development commitments

In accordance with the Framework Agreement entered into in relation to Managed Separation concluded with the Department of Economic Development (the Framework Agreement), the Group has undertaken that, in addition to its existing enterprise development programs, it shall, over a period of 3 years following the Managed Separation Implementation Date, allocate an incremental amount of R500 million to a ring-fenced perpetual Enterprise Supplier Development Fund (the Fund). Funding extended by the Fund is intended and anticipated to generate additional jobs in the Company Ecosystem. The Group's participation in the Fund shall be managed and administered by a specially created function with oversight from the office of the CEO, which function shall also be responsible for the measurement of compliance by the Group with the Amended FSC and the Group's broader commitment to transformation in South Africa.

Although the Fund is developmental in nature, it is management's intention and belief that, in aggregate, the Group will return a profit on the instruments used to meet the requirements of the Framework Agreement. Nevertheless, as with any commitment to advance funding, the Group will be subject to credit and counterparty risk in relation to this arrangement. This risk will be assessed as funds are advanced, expected credit losses will be calculated, and appropriate provisions for impairment will be raised.

Old Mutual Finance (Pty) Ltd put option

The Old Mutual plc Group and the Business Doctor Consortium Limited and its associates ('Business Doctor') established Old Mutual Finance (Pty) Ltd (Old Mutual Finance) as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual from 50% to 75% in 2014 by acquiring an additional 25% shareholding from Business Doctor for R1.1 billion. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance held by Business Doctor at market value under certain circumstances, inter alia in the event of a change of control within Business Doctor and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively). Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Old Mutual plc Group and on the eighth and tenth anniversary of the effective date of the Old Mutual Finance shareholders' agreement (i.e. in 2022 and 2024 respectively).

Following the listing of Old Mutual Limited on 26 June 2018, Business Doctor became entitled to exercise the option to put the remaining shares to Old Mutual Limited. The Group received written confirmation on 22 July 2018 from Business Doctor that the put option would not be exercised.

Commitments under derivative instruments

The Group enters into option contracts, financial features contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business.

The Group has options to acquire further stakes in businesses dependant on various circumstances which are regarded by the Group as collectively and individually immaterial.

Other commitments

Old Mutual Life Assurance Company (South Africa) Limited has entered into agreements where it has committed to provide capital to funds and partnerships that it has invested in. The total undrawn commitment is R8,788 million at 31 December 2018 (2017: R7,792 million).

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G2: Contingent liabilities

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

Contingent liabilities – legal proceedings

The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings that arise in the ordinary course of business. Claims, if any, cannot be reasonably estimated at this time but the Group does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on the financial position of the Group.

Contingent liabilities – tax

The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa and historically the United Kingdom) routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised.

Consumer protection

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

Implications of Managed Separation

The Group routinely monitors and reassesses contingent liabilities arising from matters such as litigation, and warranties and indemnities relating to past acquisitions and disposals. The announcement of Managed Separation on 11 March 2016 does not affect the nature of such items, however, it is possible that the Group may seek to resolve certain matters as part of the implementation of Managed Separation.

Outcome of Zimbabwean Commission Enquiry

On 31 December 2016, the Zimbabwean government concluded its inquiry into the loss in value for certain policyholders and beneficiaries upon the conversion of pension and insurance benefits after the dollarisation of the economy in 2009. On 9 March 2018, the results of the Zimbabwean government's inquiry were made public.

The Group is committed to treating its customers fairly and is currently reviewing the report and preparing a preliminary evaluation of the potential impact on Group operations. We are not currently able to establish what impact the commission's findings will have on Old Mutual Zimbabwe.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G2: Contingent liabilities (continued)

Old Mutual Limited's intragroup guarantee of Travelers indemnification

In September 2001, Old Mutual plc (now a wholly-owned subsidiary of Old Mutual Limited) entered into an indemnity agreement with Fidelity and Guaranty Life Insurance Company (F&G), United States Fidelity and Guaranty Company, St. Paul Fire and Marine Insurance Company and Travelers Companies Inc. (the Indemnity Agreement). In terms of this Indemnity Agreement, Old Mutual plc agreed to indemnify Travelers Companies Inc. and certain of its group companies (the Travelers Guarantors) against any and all claims that may be brought against the Travelers Guarantors under the historic guarantees given by the Travelers Guarantors for various obligations under certain life insurance policies and annuities issued by F&G, which obligations include a guarantee issued by the Travelers Guarantors, since released by F&G, the liability under which is limited to \$480 million.

In March 2018, Old Mutual Limited agreed to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy its obligations in respect of the Indemnity Agreement. The likelihood of any material obligations arising under the Indemnity Agreement is considered to be remote given the release agreement entered into between Old Mutual plc and F&G, as well as the current financial strength and regulatory capital holding of F&G, a licensed US life insurer.

G3: Related party transactions

Having previously been a subsidiary of the Group, Nedbank became an associated undertaking on 15 October 2018 (Note A2). Consequently transactions and balances with Nedbank continue to be regarded as related party transactions and balances. As a result of Managed Separation, there have been significant changes to key management personnel as defined by IAS 24 Related Party Transactions. There were no transactions with related parties during the year that had a material effect on the results or financial position of the Group. Other than as set out above, the nature of the related party transactions has not changed from the prior year.

G4: Events after the reporting date

Promulgation of the Tax Laws Amendment Act in South Africa

During January 2019, the Tax Laws Amendment Act (the act) was promulgated in South Africa. The act allows for an income tax deduction at 25% and 40% of the IFRS provision for expected credit losses. Entities have the option to apply to South African Revenue Services (SARS) for a directive to increase the 40% allowance to a maximum of 85%.

The mentioned changes in tax law will substantially limit the doubtful debt income tax deduction for all taxpayers that are not banks, resulting in higher income tax payments to SARS. The change in the tax law impacts our unsecured lending business in Old Mutual Finance (Pty) Ltd. These changes are effective for the financial years ending on and after 31 December 2019.

If these changes were applied to the 2018 financial year and applying the default of 25% and 40% income tax deductions, the Group estimates an increase in the deferred tax asset of approximately R1.0 billion with an equal cash outflow in tax payable. Management is preparing an application to SARS for a more favourable directive.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G5: Discontinued operations and disposal groups held for sale

Nedbank and Quilter

Nedbank and Quilter have continued to be presented as discontinued operations in the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the year ended 31 December 2018. This is consistent with the presentation for the year ended 31 December 2017. Following the distribution of the majority of the Group's stake Nedbank on 15 October 2018 and the listing and distribution of Quilter on 25 June 2018 (note A2), these entities ceased to be subsidiaries of the Group. Consequently, the results of Nedbank are consolidated from 1 January 2018 to 15 October 2018 and the results of Quilter are consolidated from 1 January 2018 to 25 June 2018.

The assets and liabilities of Nedbank and Quilter are no longer included in the condensed consolidated statement of financial position at 31 December 2018.

In the condensed consolidated statement of financial position at December 2017, the assets and liabilities of both Nedbank and Quilter were classified and presented as assets and liabilities held for sale and distribution.

Latin American businesses

As a consequence of the agreed sale of the Latin American businesses as set out in note A2, its size relative to the new Group structure and its separate geographical location, the Latin American businesses have been presented as discontinued operations in the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the year ended 31 December 2018. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the year ended 31 December 2017 have been re-presented.

The Group's interest in the assets and liabilities of the Latin American businesses has been classified as held for sale in the condensed consolidated statement of financial position at 31 December 2018. This judgement was done based on the facts and circumstances which existed at that date when the Directors made a formal assessment of whether the businesses should be classified as held for sale. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', comparative information in the condensed consolidated statement of financial position at 31 December 2017 have not been re-presented.

Old Mutual Bermuda

Old Mutual Bermuda is expected to wind down its operations during the course of 2019. During 2018, the operations of Old Mutual Bermuda have actively commenced the wind down process in line with the Wind Down plan that was presented to the Old Mutual Bermuda and Old Mutual plc Boards as well as to the Bermuda Monetary Authority (BMA) in December 2017. Given its separate geographical location, Old Mutual Bermuda has been classified and presented as a discontinued operation in the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for all reporting periods. Consistent with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', comparative information in the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the year ended 31 December 2017 have been re-presented. In accordance with IFRS, Old Mutual Bermuda has not been classified as held for sale.

Re-presentation of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)

On 13 October 2017, the Old Mutual plc Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The investment was presented as an asset held for sale in the Old Mutual plc Group interim accounts to 30 June 2017. However, given its size relative to the Old Mutual plc Group, it was assessed that the business did not meet the definition of a component and therefore was not presented as a discontinued operation. Following the change in Group structure in 2018, the treatment of Kotak has been re-assessed. Consequently, the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the year ended 31 December 2017 have been re-presented to reflect Kotak as a discontinued operation.

Further information on discontinued operations is provided in note G5.1. Further information on assets and liabilities classified as held for sale and distribution is provided in note G5.2.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G5: Discontinued operations and disposal groups held for sale (continued)

G5.1 Discontinued operations

The tables below present the income statement from discontinued operations note G5.1(a), the statement of comprehensive income from discontinued operations note G5.1(b) and net cash flows from discontinued operations note G5.1(c) for the year ended 31 December 2018 and the year ended 31 December 2017.

(a) Income statement from discontinued operations

| Rm | Dec 2018 | Dec 2017 (Re-presented) ¹ |
|--|---------------|---|
| Revenue | 97,849 | 215,555 |
| Expenses | (79,292) | (193,896) |
| Share of associated undertakings' and joint ventures' profits/(losses) after tax | 380 | (596) |
| Discontinued operations' profit before tax | 18,937 | 21,063 |
| Profit on disposal of businesses classified as held for sale and distribution | 21,823 | 3,620 |
| Realisation of net investment hedge on disposal of businesses held for sale and distribution | – | (3,121) |
| Exchange differences recycled to profit or loss on disposal of businesses classified as held for sale and distribution | 1,352 | 1,622 |
| Profit before tax from discontinued operations | 42,112 | 23,184 |
| Income tax expense | (4,401) | (6,201) |
| Profit after tax from discontinued operations | 37,711 | 16,983 |
| Attributable to: | | |
| Equity holders of the parent | 31,691 | 10,852 |
| Non-controlling interests | – | – |
| Ordinary shares | 5,519 | 5,541 |
| Preferred securities | 501 | 590 |
| Profit after tax from discontinued operations | 37,711 | 16,983 |

¹ The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to note A2 more information.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G5: Discontinued operations and disposal groups held for sale (continued)

G5.1 Discontinued operations (continued)

(b) Statement of comprehensive income from discontinued operations

| Rm | 2018 | 2017 (Re-presented) ¹ |
|---|---------------|-------------------------------------|
| Profit after tax from discontinued operations | 37,711 | 16,983 |
| Items that will not be reclassified subsequently to profit or loss | | |
| Fair value movements – property revaluation | (143) | 215 |
| Equity accounted investees – share of other comprehensive income | (16) | – |
| Net measurement (losses)/gains on defined benefit plans | (231) | 538 |
| Income tax on items that will not be reclassified to profit or loss | 105 | (151) |
| | (285) | 602 |
| Items that may be reclassified subsequently to profit or loss | | |
| Instruments at fair value through other comprehensive income – net change in fair value | (178) | 22 |
| Currency translation differences differences on translating foreign operations | 1,038 | (1,248) |
| Equity accounted investees – share of other comprehensive income | (62) | 728 |
| Other movements | (17) | 45 |
| | 781 | (453) |
| Total other comprehensive income for the financial year from discontinued operations after tax | 496 | 149 |
| Total comprehensive income for the financial year from discontinued operations | 38,207 | 17,132 |
| Attributable to: | | |
| Equity holders of the parent | 31,927 | 10,985 |
| Non-controlling interests | | |
| Ordinary shares | 5,779 | 5,557 |
| Preferred securities | 501 | 590 |
| | 38,207 | 17,132 |

¹ The year ended 31 December 2017 has been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to note A2 for more information.

(c) Net cash flows from discontinued operations

| Rm | 2018 | 2017 (Re-presented) ¹ |
|--|-----------------|-------------------------------------|
| Operating activities | 15,953 | 104,758 |
| Investing activities | (2,580) | (91,813) |
| Financing activities | (1,989) | (3,351) |
| Cash and cash equivalents divested on disposal of subsidiaries | (87,804) | (2,350) |
| Net cash (outflow)/inflow from discontinued operations | (76,420) | 7,244 |

¹ The year ended 31 December 2017 have been re-presented to reflect the Latin American businesses, Kotak and Old Mutual Bermuda as discontinued operations. Refer to note A2 for more information.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G5.2 Assets and liabilities held for sale and distribution

At 31 December 2018

| Rm | 2018 | 2017 |
|---|---------------|------------------|
| Assets | | |
| Goodwill and other intangible assets | 969 | 34,569 |
| Mandatory reserve deposits with central banks | – | 19,222 |
| Property, plant and equipment | 558 | 9,600 |
| Investment property | 61 | 718 |
| Deferred tax assets | 125 | 708 |
| Investments in associated undertakings and joint ventures | 24 | 6,767 |
| Deferred acquisition costs | 484 | 9,378 |
| Reinsurers' share of policyholder liabilities | – | 48,817 |
| Loans and advances | 269 | 713,287 |
| Investments and securities | 9,609 | 1,236,927 |
| Current tax receivable | 27 | 215 |
| Trade, other receivables and other assets | 267 | 27,115 |
| Derivative financial instruments | – | 30,863 |
| Cash and cash equivalents | 394 | 50,257 |
| Total assets | 12,787 | 2,188,443 |
| Liabilities | | |
| Life insurance contract liabilities | 1,965 | 10,467 |
| Investment contract liabilities | 5,968 | 1,009,095 |
| Third-party interests in consolidated funds | – | 127,427 |
| Borrowed funds | – | 50,792 |
| Provisions and accruals | 78 | 1,741 |
| Deferred revenue | – | 3,596 |
| Deferred tax liabilities | 80 | 3,992 |
| Current tax payable | 52 | 1,455 |
| Trade, other payables and other liabilities | 560 | 38,256 |
| Amounts owed to bank depositors | – | 766,877 |
| Derivative financial instruments | 13 | 30,061 |
| Total liabilities | 8,716 | 2,043,759 |
| Net assets | 4,071 | 144,684 |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

H1.1 Introduction

Except as described below, the accounting policies applied in these condensed consolidated annual financial statements are the same as those applied in the Group' consolidated financial statements at and for the year ended 31 December 2017. The Group adopted the following standards, amendments and interpretations in the current financial year:

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Group applied the interpretation prospectively from 1 January 2018. When the Group receives or makes payment in advance, a revenue received in advance liability or prepayment asset is recognised. In terms of the interpretation the exchange rate at the recognition date of the revenue received in advance liability or prepayment asset is used to recognise and measure the eventual asset, liability income or expense. The interpretation is not expected to have significant impact on the financial results, financial position or cash flows of the Group for the current year.

Amendment to IFRS 2 Share-Based payment Transactions – Classification and Measurement

The Group applied the amendment prospectively from 1 January 2018. In certain instances the Group sells vested Old Mutual Ltd shares to settle income tax obligations of the Group on behalf of employees. In terms of the amendment these share awards are continued to be accounted for as equity-settled share-based payment transactions. As a result the amendment is not expected to have any impact on the financial results, financial position or cash flows of the Group for the current year.

Amendment to IAS 40 Investment Properties – Transfers of Investment Properties

The Group applied the amendment prospectively from 1 January 2018. The amendment states that a transfer of property into or from investment properties takes place when the change in use of the property occurs, compared to a mere change in intention. The amendment is not expected to have significant impact on the financial results, financial position or cash flows of the Group for the current year.

H1.2 Implementation of IFRS 9 Financial Instruments (IFRS 9)

The Group has adopted IFRS 9 from 1 January 2018 and has taken an exemption not to restate comparative information with respect to classification and measurement (including impairment) requirements. As a result the comparative information disclosed for financial instruments is based on the accounting policies applied in preparing the financial statements for the financial year ended 31 December 2017.

The accounting policies applied in 2018 can be found in note E.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held and whether or not the cash flows meet the characteristics of cash flows that are simply payments of principal and interest in the principal.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

H1.3 Implementation of IFRS 15 – Revenue from Contracts with Customers (IFRS 15)

The Group has adopted IFRS 15 from 1 January 2018 applying the modified retrospective approach. In terms of this approach the cumulative effect of initially applying the standard to contracts that was recognised in retained earnings at 1 January 2018. The comparative information is presented based on the accounting policies applied in preparing the financial statements for the financial year ended 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

H1.4 Impact of implementing IFRS 9 and IFRS 15 for the year ended 31 December 2018

The following table below sets out the key line items in the annual financial statements impacted by the implementation of IFRS 9. The comparative numbers were prepared in terms of IAS 39.

| Rm | 2018 | 2017 |
|--|-------|-------|
| Provision for expected credit losses | 3,753 | - |
| Provision for incurred credit losses | - | 2,918 |
| Expected credit losses | 1,060 | - |
| Incurred credit losses | - | 715 |
| Deferred tax assets relating to expected credit losses | 286 | - |
| Deferred tax asset relating to incurred credit losses | - | 125 |
| Fair value gain on borrowed funds recognised in Other Comprehensive Income | 250 | - |

The table below sets out the key line items in the annual financial statements impacted by the application of IFRS 15 for continuing operations. Comparative information is presented in accordance with the accounting policies applicable to the 2017 financial year.

| Rm | 2018 | 2017 |
|------------------------------|-------|-------|
| Deferred acquisition costs | 1,925 | 3,086 |
| Deferred revenue liabilities | 472 | 1,378 |

If the Group continued to capitalise and then amortise acquisition costs and initial financial planning fees on these investment contracts, the Group would have recognised additional amortisation of deferred acquisition cost of R34 million and fee income of R35 million during the year ended 31 December 2018.

Since the discontinued operations were distributed during the current year, the impact of implementation of IFRS 9 and IFRS 15 for the year ended 31 December 2018 were only presented for continuing operations.

H1.5 Transitional impact of implementing IFRS 9 and IFRS 15 at 1 January 2018

The impact of transitioning to IFRS 9 and IFRS 15 at 1 January 2018 has been presented separately for continuing and discontinued operations for the year ended 31 December 2018. Refer to note A2 and note G5 for more information.

The following table presents the adjustments recognised for each individual line item on the condensed consolidated statement of financial position at 1 January 2018. As prior year amounts have not been restated, an opening condensed consolidated statement of financial position at 1 January 2017 or a condensed consolidated income statement and condensed consolidated statement of comprehensive income for the year ended 31 December 2017 have not been presented.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

| Rm | Notes | At 31 December 2017 | | At 1 January 2018 | |
|--|--------------|---------------------|----------------|-------------------|------------------|
| | | (As reported) | IFRS 9 | IFRS 15 | (As adjusted) |
| Assets | | | | | |
| Goodwill and other intangible assets | | 6,653 | - | - | 6,653 |
| Mandatory reserve deposits with central banks | | 94 | - | - | 94 |
| Investment property | | 31,903 | - | - | 31,903 |
| Property, plant and equipment | | 8,081 | - | - | 8,081 |
| Investments in associated undertakings and joint ventures | | 1,789 | - | - | 1,789 |
| Deferred tax assets | H1.6.1/1.7.1 | 1,084 | 114 | (245) | 953 |
| Deferred acquisition costs | H1.7.1 | 3,086 | - | (848) | 2,238 |
| Reinsurers' share of policyholder liabilities | | 4,220 | - | - | 4,220 |
| Loans and advances | H1.6.2 | 21,483 | (943) | - | 20,540 |
| Investments and securities | H1.6.2 | 722,249 | (12) | - | 722,237 |
| Current tax receivables | | 1,064 | - | - | 1,064 |
| Trade, other receivables and other assets | H1.6.2 | 21,875 | (18) | - | 21,857 |
| Derivative financial instruments | | 4,101 | - | - | 4,101 |
| Cash and cash equivalents | | 30,761 | - | - | 30,761 |
| Assets held for sale and distribution | | 2,188,443 | (2,854) | - | 2,185,589 |
| Total assets | | 3,046,886 | (3,713) | (1,093) | 3,042,080 |
| Liabilities | | | | | |
| Life insurance contract liabilities | | 159,514 | - | - | 159,514 |
| Investment contract liabilities with discretionary participating features | | 193,425 | - | - | 193,425 |
| Investment contract liabilities without discretionary participating features | | 288,164 | - | - | 288,164 |
| Borrowed funds | H1.6.2 | 18,866 | 266 | - | 19,132 |
| Deferred tax liabilities | H1.6.1/1.7.1 | 5,088 | - | (237) | 4,851 |
| Deferred revenue | H1.7.1 | 1,378 | - | (876) | 502 |
| Property and Casualty liabilities | | 8,285 | - | - | 8,285 |
| Provisions and accruals | | 2,385 | - | - | 2,385 |
| Third-party interests in consolidated funds | | 81,573 | - | - | 81,573 |
| Current tax payable | | 1,711 | - | - | 1,711 |
| Trade, other payables and other liabilities | | 42,355 | - | - | 42,355 |
| Amounts owed to bank depositors | | 12,440 | - | - | 12,440 |
| Derivative financial instruments | | 4,498 | - | - | 4,498 |
| Liabilities held for sale and distribution | | 2,043,759 | 124 | 254 | 2,044,137 |
| Total liabilities | | 2,863,441 | 390 | (859) | 2,862,972 |
| Net assets | | 183,445 | (4,103) | (234) | 179,108 |
| Shareholders' equity | | | | | |
| Equity attributable to equity holders of the parent | | 136,678 | (2,560) | (118) | 134,000 |
| Continuing operations | H1.6.1/1.7.1 | 58,775 | (935) | 20 | 57,860 |
| Businesses classified as held for sale and distribution | | 77,903 | (1,625) | (138) | 76,140 |
| Non-controlling interests | | | | | |
| Ordinary shares | | 40,910 | (1,543) | (116) | 39,251 |
| Continuing operations | H1.6.1 | 3,720 | (190) | - | 3,530 |
| Businesses classified as held for sale and distribution | | 37,190 | (1,353) | (116) | 35,721 |
| Preferred securities | | 5,857 | - | - | 5,857 |
| Total non-controlling interests | | 46,767 | (1,543) | (116) | 45,108 |
| Total equity | | 183,445 | (4,103) | (234) | 179,108 |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The adjustments for each standard are explained in more detail below.

H1.6 IFRS 9 Financial Instruments

H1.6.1 Overview including impact on the Group's total equity

The following table summarises the impact of implementing IFRS 9 on the Group's opening balance of total equity (comprising retained earnings, other reserves and non-controlling interest) for continuing operations at 1 January 2018.

| Rm | Notes | Impact of adopting IFRS 9 on opening balance at 1 January 2018 |
|--|--------|--|
| Retained earnings | | |
| Recognition of expected credit loss allowance | H1.6.2 | (751) |
| Designation of borrowed funds at fair value through profit or loss | H1.6.2 | (266) |
| Transfer of cumulative fair value changes linked to changes in credit risk of liabilities to other reserves | H1.6.2 | 683 |
| Related deferred tax impact | H1.5 | 114 |
| Total impact – Retained earnings | | (220) |
| Other reserves | | |
| Recognition of expected credit loss allowance | H1.6.2 | (222) |
| Transfer of cumulative fair value changes linked to changes in credit risk of liabilities from retained earnings | H1.6.2 | (683) |
| Related deferred tax impact | H1.5 | – |
| Total impact – Other reserves | | (905) |
| Total impact on shareholders' equity | | (1,125) |
| Total impact on equity attributable to shareholders of the parent | | (935) |
| Total impact on non-controlling interests | | (190) |
| Total impact on shareholders' equity | | (1,125) |

The income tax consequences of recognising expected credit losses on financial assets at amortised cost and other instruments and writing off balances are different between the jurisdictions where the Group conducts its business. In some jurisdictions the income tax consequences are also different between different types of financial assets. The total transition movement in the allowance for expected credit losses (R973 million) was recorded in retained earnings (R751 million), other reserves (R222 million) and non-controlling interest (R190 million). The transition movement was recognised in other reserves to utilise regulatory reserves previously created in the Rest of Africa business. At 1 January 2018 the balance of the incurred loss model provision under IAS 39 was R2,918 million.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H1.6.2 Classification and measurement of financial assets and financial liabilities

On 1 January 2018 Group assessed the business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The Group also considered the impact of implementation of the expected credit loss model. The following tables and accompanying notes explain the original measurement categories and carrying values under IAS 39 and the new measurement categories and carrying values under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

| Rm | Notes | | | | | Total IFRS 9 transition adjustment allocation | | |
|---|-------|-----------------------|------------------------------|-----------------------|------------------------------------|---|---|-------------------|
| | | IAS 39 Classification | IFRS 9 Classification | Carrying value IAS 39 | Total IFRS 9 transition adjustment | Adjusted carrying value IFRS 9 | IFRS 9 reclassification into new category | IFRS 9 ECL impact |
| Financial assets | | | | | | | | |
| Mandatory reserve deposits with central banks | | Loans and receivables | Amortised cost | 94 | - | 94 | - | - |
| Reinsurers' share of policyholder liabilities | | Loans and receivables | Amortised cost | 25 | - | 25 | - | - |
| Loans and advances | | Loans and receivables | Amortised cost | 21,483 | (943) | 20,540 | - | (943) |
| Investments and securities | (a) | Designated FVTPL | Accounting mismatch at FVTPL | 721,328 | (434,276) | 287,052 | - | - |
| | | Designated FVTPL | Mandatorily at FVTPL | - | 430,767 | 430,767 | 430,767 | - |
| | (b) | Designated FVTPL | Amortised cost | - | 3,497 | 3,497 | 3,509 | (12) |
| | | (c) | Available for sale | Mandatorily at FVTPL | 921 | 921 | 921 | 921 |
| Trade and other receivables | | Loans and receivables | Amortised cost | 21,875 | (18) | 21,857 | - | (18) |
| Derivative instruments | | Held for trading | Mandatorily at FVTPL | 4,101 | - | 4,101 | - | - |
| Cash and cash equivalents | | Loans and receivables | Amortised cost | 30,761 | - | 30,761 | - | - |
| Total | | | | 800,588 | none | 799,615 | 435,197 | (973) |

The classification and measurement of the remaining balance of R287,052 million is unchanged.

| Rm | Notes | | | | | Total IFRS 9 transition adjustment allocation | | |
|--|-------|-----------------------------|------------------------------|-----------------------|------------------------------------|---|---|-------------------|
| | | IAS 39 Classification | IFRS 9 Classification | Carrying value IAS 39 | Total IFRS 9 transition adjustment | Adjusted carrying value IFRS 9 | IFRS 9 reclassification into new category | IFRS 9 ECL impact |
| Financial Liabilities | | | | | | | | |
| Investment contract liabilities | | Designated FVTPL | Designated FVTPL | 288,164 | - | 288,164 | - | - |
| Third-party interest in consolidation of funds | | Designated FVTPL | Designated FVTPL | 81,573 | - | 81,573 | - | - |
| Borrowed funds | (d) | Designated FVTPL | Accounting mismatch at FVTPL | 13,191 | 1,284 | 14,475 | 1,284 | - |
| | | Amortised cost | Amortised Cost | 5,675 | (1,018) | 4,657 | - | - |
| Trade, other payables and other liabilities | | Accounting mismatch (FVTPL) | Accounting mismatch at FVTPL | 2,039 | - | 2,039 | - | - |
| | | Amortised cost | Amortised Cost | 30,437 | - | 30,437 | - | - |
| Amounts owed by depositors | | Amortised cost | Amortised Cost | 12,440 | - | 12,440 | - | - |
| Derivative financial instruments | | Held for trading | Mandatorily at FVTPL | 4,498 | - | 4,498 | - | - |
| Total | | | | 438,017 | 266 | 438,283 | 1,284 | - |

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

H1.6.2 Classification and measurement of financial assets and financial liabilities (continued)

Apart from the implementation of the expected credit loss model, other significant changes in the classification and measurement of financial assets and liabilities as illustrated above have been described below.

- (a) Reclassification of equity instruments with a fair value of R430,569 million (at 31 December 2017) and debt instruments with a fair value of R198 million (at 31 December 2017) from financial assets designated at fair value through profit or loss in terms of IAS 39, to financial assets mandatorily at fair value through profit or loss in terms of IFRS 9.

In accordance with the Group's accounting policies equity instruments are classified as financial assets at fair value through profit or loss. In terms of IAS 39 the debt instruments were designated as financial instruments at fair value through profit or loss. In terms of IFRS 9, the Group considers that these debt instruments are held within a business model where the financial performance of these instruments are measured and the instruments are managed on a fair value basis. As a result the debt instruments are classified as financial instruments at fair value through profit or loss. Since the instruments were measured at fair value in terms of IAS 39, no measurement adjustment was recognised when the instruments were reclassified.

- (b) Reclassification of government securities with a fair value of R3,509 million (at 31 December 2017) from financial assets designated at FVTPL under IAS 39, to financial assets at amortised cost under IFRS 9.

The government securities were designated at fair value through profit or loss in terms of IAS 39. A review of the business model regarding these instruments indicated that the instruments are held with the objective to collect contractual cash flows over the term of the instrument. A review of the cash flows characteristics of the instruments indicated that the cash flows are solely payments of capital and interest on the capital outstanding. Consequently the Group classified these instruments as financial assets at amortised cost. At 1 January 2018, the Group recognised an allowance for expected credit losses of R12 million with regard to these instruments. The expected credit loss was recognised in equity at 1 January 2018.

The fair value of these financial assets as at 31 December 2018 was R5,553 million. The various original effective interest rates of these instruments range from 5% to 26% per annum and R263 million of interest income has been recognised during the period.

- (c) Reclassification of investments and securities with a fair value of R921 million (at 31 December 2017) from available-for-sale to financial assets at fair value through profit or loss.

The investment and securities comprise of government, government guaranteed securities and equity instruments. In terms of IAS 39 these instruments were designated as available for sale financial instruments. In terms of IFRS 9, the Group considers that the debt securities are held within a business model where the financial performance of these instruments are measured and the instruments are managed on a fair value basis. As a result the government and government guaranteed securities are classified as financial instruments at fair value through profit or loss. Since the instruments were measured at fair value in terms of IAS 39, no measurement adjustment was recognised when the instruments were reclassified in terms of IFRS 9.

- (d) Reclassification of borrowed funds (R1,018 million) at 31 December 2017) from financial liabilities at amortised under IAS 39, to financial liabilities designated at fair value through profit or loss under IFRS 9.

At 31 December 2017, the Group carried total borrowed funds with a carrying value of R18,866 million. Included in this balance were borrowed funds classified as financial liabilities at amortised cost of R5,675 million. On 1 January 2018 the Group reclassified R1,018 million of this balance to financial liabilities at fair value to avoid or significantly reduce an accounting mismatch with derivative instruments (held to mitigate interest rate risk) classified as financial instruments at fair value through profit or loss. To adjust the carrying value of the borrowed funds to fair value (R1,284 million at 31 December 2017) a fair value loss of R266 million was recognised in retained earnings.

The portion of cumulative fair value losses related to changes in the credit risk of the total borrowed funds designated at fair value through profit or loss was transferred from retained earnings to other reserves at 1 January 2018. The amount of the transfer was R683 million.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

H1.6.3 Impact of the new impairment model

The 'incurred loss model' under IAS 39 was replaced with the 'expected credit loss' (ECL) model under IFRS 9. Application of the ECL model results in credit losses being recognised earlier than under the incurred loss model. The ECL model applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, loans and advances, trade and other receivables, cash and cash equivalents, and debt securities held by the Group) and debt investments measured at FVOCI. As a consequence of the new standard the Group has revised its impairment methodology for each of these classes of assets.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted in an additional impairment allowance for the continuing business as set out in 1.6.2. The following table sets out the implementation adjustment between the IAS 39 incurred loss model provision recognised at 31 December 2017 and the IFRS 9 expected credit loss provision at 1 January 2018:

| Instruments | IAS 39 impairment provisions | IFRS 9 impairment provision – allowance for ECL | | | | ECL coverage % at 1 January 2018 | | | | IFRS 9 – transition adjustment | | |
|--------------------|------------------------------|---|---------|---------|-------|----------------------------------|---------|---------|-------|--------------------------------|-------|-----|
| | | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Gross | Tax | Net |
| Loans and advances | 2,918 | 588 | 307 | 2,966 | 3,861 | 4% | 17% | 59% | 17% | 943 | (114) | 829 |

H1.6.4 Hedge accounting

On the adoption of IFRS 9 the Group elected to not apply hedge accounting to any financial instruments in the continuing businesses. The Group elected to continue with hedge accounting principles as set out in IAS 39 and will adopt the hedge accounting principles set out in IFRS 9 when the IASB project on macro hedge accounting has been completed.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

H: STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

H1.7 IFRS 15 Revenue from contracts with customers – Continuing operations

H1.7.1 Overview including impact on the Group's total equity

The following table summarises the impact of implementing IFRS 15 on the Group's opening balance of total equity (comprising retained earnings, other reserves and non-controlling interest) for continuing operations at 1 January 2018.

| Rm | Notes | Reported under IAS 18 | Transition adjustment | Reported Under IFRS 15 |
|--|-------|-----------------------|-----------------------|------------------------|
| Statement of financial position | | | | |
| Deferred acquisition costs | (a) | 848 | (848) | – |
| Deferred tax assets | | 245 | (245) | – |
| Total assets | | 1,093 | (1,093) | – |
| Deferred revenue | (a) | (876) | 876 | – |
| Deferred tax liabilities | | (237) | 237 | – |
| Total liabilities | | (1,113) | 1,113 | – |
| Impact to retained earnings (before tax) | | | | 28 |
| Deferred tax | | | | (8) |
| Impact to retained earnings on 1 January 2018 (after tax) | | | | 20 |

(a) Initial financial planning fees

An initial financial planning fee is paid to brokers for providing initial financial planning to clients. Fees charged to clients consist of initial fees and ongoing fees. In the past the initial fee received was recognised as a deferred revenue liability and the initial financial planning fee paid as a deferred acquisition cost asset. These balances were amortised into the condensed consolidated statement of comprehensive income as separate items of income and expense over the expected contractual periods.

In terms of IFRS 15 revenue is recognised when the related performance obligation has been satisfied. The initial fee received should be recognised as revenue when the services have been provided. The initial financial planning fee paid should be expensed when incurred.

Deferred acquisition costs and deferred revenue liabilities at 31 December 2017 have been adjusted with a corresponding impact to retained earnings. This led to a reduction of deferred acquisition costs of R848 million and a reduction in deferred revenue liability of R876 million at 1 January 2018. The related impact to deferred tax has been a reduction in the deferred tax asset of R245 million and a reduction in the deferred tax liability of R237 million.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

I: FUTURE STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS NOT EARLY-ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Certain new accounting standards and interpretations, have been published that are not mandatory for 2018 reporting periods and have not been early adopted by the Group.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 'Leases' and its interpretations for reporting periods beginning on or after 1 January 2019. The Group will implement the new standard from the effective date by applying the modified retrospective approach. The cumulative effect of initial application will be recognised in retained earnings at 1 January 2019 and comparative information will not be restated.

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease accounting is only applied to lease components within a contract.

IFRS 16 introduces a 'right-of-use' model whereby the lessee recognises a right-of-use asset and a lease obligation to make lease payments for leases in the scope of the standard. In the past the Group, as lessee, accounted for leases as either operating lease or finance leases and such distinction is not continued under IFRS 16 for lessees. The right-of-use asset is initially recognised at the present value of the lease liability. Subsequent measurement of the right-of-use asset will depend on the measurement basis applied for similar owned assets. When carried at cost or revalued amounts, the carrying value will be amortised into profit or loss over the lease term. The financial liability is recognised at the present value of future lease payments and is subsequently measured at amortised cost. Interest expense accrued on the lease liability is recognised in profit or loss.

Accounting for leases in the financial statements for lessors remained largely unchanged from the accounting applied under IAS 17. The Group, as a lessor, continues to classify and account for leases as either operating leases or finance leases. Additional disclosures will be provided the annual financial statements for the financial period ending 31 December 2019.

All of the Group's businesses will be impacted by the adoption of IFRS 16. Based on the work done to date the Group expects an increase in assets and corresponding increase in liabilities of approximately R1.0 billion as result of the implementation of IFRS 16.

IFRS 17 Insurance Contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021 (however the IASB has made a tentative decision to defer the effective date by one year, subject to due process). The IASB issued IFRS 17 'Insurance Contracts' in May 2017 as a replacement for IFRS 4 'Insurance Contracts'. The Group will apply the new standard from the effective date. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts (such as term and life insurance, life annuities, disability insurance, and property and casualty insurance) or investment contracts with discretionary participation features (such as with-profit annuities and investments). The most significant impacted subsidiary will be the Old Mutual Life Assurance Company (South Africa) Limited, however all other Group entities with life and short-term insurance licences will also be impacted.

The Group has instituted an implementation programme under the sponsorship of the Chief Financial Officer, who chairs a steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. Each major IFRS 17 focus area (i.e. Group, Rest of Africa and OM Insure) is also governed by a delivery committee, which consists of senior finance and actuarial managers who make decisions on scope, design and enablement for their relevant focus areas. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) are made by a Technical Review Committee (TRC), which consists of actuarial and finance SME's across Group, the Segments and Rest of Africa. Ratification of major decisions are done by the steering committee. Programme resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

During 2017 and 2018, the Group completed the initial impact assessments, including several pilot projects on selected products aimed at assessing the financial impacts of the standard. Significant progress has been made on the development of accounting and actuarial policies and methodologies, with formal sign off from the TRC on each version of a paper, as well as outcomes of investigations. This also includes a comprehensive product classification model, which includes the Group product scope and IFRS 17 classification and measurement approach per product. The Transition approach and process was finalised in H1 2018 and transition calculations on 2018 balances are well on track to be completed in Q4 2019, after which calculations on the 2019 balances will commence. Actuarial modelling development, which is the most significant enablement requirement on the Programme in addition to Transition and Technology, commenced in H2 2018 and is currently largely on track against the plan.

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

I: FUTURE STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS NOT EARLY-ADOPTED IN THE 2018 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

IFRS 17 Insurance Contracts (continued)

The Programme is now in the process of defining detailed requirements for the finance and actuarial system and process build. In parallel, a robust financial data model and Actuarial Results Repository prototype is being developed to demonstrate the capability that is required within OML. No technology decisions have been made at this time, as the focus remains on finalisation of detailed compliance, data and business requirements until Q4 2019. The majority of focus to date has been on progressing work for Group, OMLACSA and OMLACNAM. The Rest of Africa and OM Insure projects are in the process of being mobilised and scoping for these projects will be agreed during Q2 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group will apply the interpretation retrospectively for financial periods commencing on or after 1 January 2019. The interpretation provides guidance on the accounting treatment of uncertain income tax positions. In terms of the interpretation each tax entity should determine whether the uncertainties will be considered in isolation or cumulatively. In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. In determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity must consider the probability that a taxation authority will accept an uncertain tax treatment. The Group is assessing the impact of the interpretation.

Amendments to IFRS 3 Business Combinations – Definition of a Business

The amendments must be applied to transactions with effective dates that are on or after 1 January 2020. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The amendment states that a business can exist without including all of the inputs and processes needed to create outputs. The inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The Group is not required to review transactions completed in prior periods.

Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement

The amendments apply to plan amendments, curtailments, or settlements occurring on or after 1 January 2019. When the plan amendment, curtailment or settlement takes place the entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. In addition, the entity is required to determine interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests

The amendments will be applied retrospectively from 1 January 2019 and will be implemented in the 2019 financial period. The amendments clarify that IFRS 9 is applied to long-term interests in an associate or joint venture that is not accounted for in terms of the equity method and form part of the net investment in the associate or joint venture. As a result the expected credit loss model in IFRS 9 is applied to financial assets at amortised cost included in the long-term interests. The Group is assessing the impact of the amendment.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments will be applied retrospectively from 1 January 2019 and will be implemented in the 2019 financial period. A debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The Group is assessing the impact of the amendment.

Directors basis of preparation on non-IFRS financial information

Non IFRS pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information is the responsibility of the directors of Old Mutual Limited and should be read in conjunction with the unmodified independent reporting accountants report included on page 150 and 151.

7. Independent reporting accountants' assurance report

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE NON-IFRS FINANCIAL INFORMATION OF OLD MUTUAL LIMITED

The Directors
c/o Audit Committee
Old Mutual Limited
PO Box 66
Cape Town
8000

To the Directors of Old Mutual Limited

Introduction

We have completed our assurance engagement to report on the compilation of the non-IFRS financial information of Old Mutual Limited ("**the Company**") and its subsidiaries (collectively "**the Group**") by the directors of the Company ("**Directors**").

The pro forma non-IFRS financial information comprises the following:

- adjusted financial statement caption, for the year ended 31 December 2018:
 - Adjusted weighted average number of ordinary shares (millions) (AWANOS);
 - Adjusted Headline Earnings per share (cents) (AHPS); and
 - Adjusted IFRS Equity.
- adjusted ratios for the year ended 31 December 2018:
 - Return on Net Asset Value (RoNAV); and

(collectively the "**Non-IFRS Financial Information**").

The applicable criteria on the basis of which the Directors have compiled the Non-IFRS Financial Information, comprising of each of the adjusted financial statement captions and the adjusted ratio, is specified in the JSE Limited ("**JSE**") Listings Requirements ("**JSE Listings Requirements**"), and as described in the Reviewed Preliminary Annual Results for the year ended 31 December 2018 and the related SENS announcement ("**Preliminary Results Announcements**").

The Non-IFRS Financial Information has been compiled by the Directors to illustrate the performance of the Group and adjust for any IFRS accounting treatments that are not reflective at the long term economic performance of the Group.

As part of this process the reviewed financial statement captions for the year ended 31 December 2018 ("**Reviewed Financial Information**") have been extracted by the Directors from the Reviewed Condensed Consolidated Financial Statements for the year ended 31 December 2018, on which an unmodified independent auditors' review report was issued on 10 March 2019.

Directors' responsibility for the Non-IFRS Financial Information

The Directors are responsible for compiling the Non-IFRS Financial Information on the basis of the Applicable Criteria specified in the JSE Listings Requirements, and as described in the Preliminary Results Announcements ("**the Applicable Criteria**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Deloitte & Touche and KPMG Inc. apply the International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

7. Independent reporting accountant's assurance report

(continued)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE NON-IFRS FINANCIAL INFORMATION OF OLD MUTUAL LIMITED (continued)

Independent Reporting Accountants' responsibility

Our responsibility is to express an opinion about whether the Non-IFRS Financial Information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements as described in the Preliminary Results Announcement.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants' plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Non-IFRS Financial Information on the basis specified in the JSE Listings Requirements and as described in the Preliminary Results Announcements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Non-IFRS Financial Information.

The purpose of the Non-IFRS Financial Information included in the Preliminary Results Announcements is to illustrate the performance of the Group and adjust for any IFRS accounting treatments that are not reflective of the long term economic performance of the Group.

A reasonable assurance engagement to report on whether the Non-IFRS Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Non-IFRS Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the events and to obtain sufficient appropriate evidence about whether:

- The pro forma adjustments give appropriate effect to the Applicable Criteria; and
- The Non-IFRS Financial Information reflects the proper application of the pro forma adjustments to the unadjusted Reviewed Financial Information of the Group.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group or the event of which the pro forma adjustments in respect of the Non-IFRS Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Non-IFRS Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Non-IFRS Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria specified in the JSE Listings Requirements and as described in the Preliminary Results Announcement.

Purpose of this report

This report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

KPMG Inc.

Registered Auditor
Per Gary Pickering
Chartered Accountant (SA)
Director

10 March 2019

KPMG Crescent
85 Empire Road,
Parktown
2193

Deloitte & Touche

Registered Auditor
Per Alex Arterton
Chartered Accountant (SA)
Partner

10 March 2019

1st floor, The Square, Cape Quarter
27 Somerset Road, Greenpoint
Cape Town
8005

Administration

| | |
|-------------------------------------|--------------------|
| Registered name: | Old Mutual Limited |
| Country of incorporation: | South Africa |
| Registration number: | 2017/235138/06 |
| Income tax reference number: | 9267358233 |
| Share code (JSE): | OMU |
| Share code (NSX): | OMM |

Registered Office

Mutualpark
Jan Smuts Drive
Pinelands
Cape Town
7405

Internet address

www.oldmutual.com

Company Secretary

Kirsten, Elsabé Margaretha

Transfer secretaries

Link Market Services South Africa (Pty) Limited

Directors

Independent non-executive Directors

Manuel, Trevor Andrew (Chairperson)
Baloyi, Paul Cambo
De Beyer, Peter Gerard
Du Toit, Matthys Michielse
Essien, Albert Kobina
Kgaboesele, Itumeleng
Lister, John Robert
Magwentshu-Rensburg, Sizeka Monica
Moholi, Nombulelo Thokozile
Mokgosi-Mwantembe, Thoko Martha
Molope, Carol Winifred Nosipho
Mwangi, James Irungu
Van Graan, Stewart William

Non-executive Directors

Rapiya, Bahleli Marshall

Executive Directors

Moyo, Mthandazo Peter (Chief Executive Officer)
Troskie, Casparus Gerhardus (Chief Financial Officer)

Public Officer

Gary Eaves

www.oldmutual.com