



OLDMUTUAL

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 31 December 2021



DO GREAT THINGS EVERY DAY

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The action you need to take is set out in this notice. If you are in any doubt as to what action to take, please consult your broker, custodian, attorney, or other professional advisor immediately.



OLD MUTUAL LIMITED

(Registration number: 2017/235138/06)

Notice of Annual General Meeting 2022

Notice is hereby given to the shareholders of Old Mutual Limited ("Company") recorded in the Company's securities register on **Thursday, 14 April 2022**, that the 4th Annual General Meeting ("AGM") of the Company will be held at **09:00 SA time on Friday, 27 May 2022**, subject to any cancellation, postponement or adjournment by way of electronic communication in terms of section 63(2)(b) of the Companies Act, 71 of 2008 as amended ("Companies Act") to (i) consider and, if deemed fit, adopt with or without modification, the ordinary and special resolutions as set out in this notice of AGM ("Notice") in the manner required by the Companies Act, as read with the Listings Requirements ("Listings Requirements") of the JSE Limited ("JSE"), and (ii) deal with such other business as may lawfully be dealt with at the AGM.

The board of directors of the Company ("Board") has, in accordance with section 62(3)(a) as read with section 59(1)(b) of the Companies Act, determined that shareholders recorded in the Company's securities register as at the voting record date of **Friday, 20 May 2022** are entitled to participate in and vote at the AGM. Accordingly, the last day to trade in the Company's shares in order to be recorded in the securities register to be entitled to participate in and vote at the AGM will be **Tuesday, 17 May 2022**.

In light of the ongoing nature of the COVID-19 pandemic in South Africa, the Board has determined that it is necessary, prudent and preferable that the AGM be held by electronic participation only, and not by way of a physical meeting. The AGM will only be accessible through electronic communication, as permitted by the JSE and in accordance with the provisions of the Companies Act and the Company's memorandum of incorporation ("MOI"). The Company has retained the services of The Meeting Specialist Proprietary Limited ("TMS") to remotely host the AGM on an interactive electronic platform, in order to facilitate remote participation and voting by shareholders. TMS will also act as scrutineer for purposes of the AGM.

In order to participate electronically in and/or vote at the AGM, shareholders are required to contact TMS on proxy@tmsmeetings.co.za or alternatively contact them on +27 11 520 7950/1/2 as soon as possible, but in any event no later than **09:00 SA time on Wednesday, 25 May 2022**. TMS will assist shareholders with the requirements for electronic participation in, and/or voting at, the AGM.

If shareholders wish to participate in the AGM, they should instruct their CSDP or Broker to issue them with the necessary letter of representation in the manner stipulated in your Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker, to accommodate such requests.

Shareholders are further advised that in terms of section 63(1) of the Companies Act, any person (including proxies) attending or participating at the AGM must present reasonably satisfactory identification before being entitled to attend or participate in and vote at the AGM. TMS is obliged to validate (in consultation with the Company and, in particular the Company's transfer secretaries, JSE Investor Services Proprietary Limited and your CSDP) each shareholder's entitlement to participate in and/or vote at the AGM, before providing you with the necessary means to access the AGM and the associated voting platform.

Whether or not you propose to attend the AGM, please complete, and submit a proxy form or voting instruction form in accordance with the instructions printed on it. For administration purposes, the proxy or voting instruction forms must be received at the applicable return address (see page 10 of this document) no later than **09:00 SA time on Wednesday, 25 May 2022**. Any shareholder who timeously completes and lodges a proxy form will nevertheless be entitled to attend, participate in and vote electronically at the AGM as set out in this Notice. Proxy forms may also be submitted to the Chairperson before the start of the AGM, or electronically, as set out in this Notice.

Included in this document are the following:

The Notice setting out the resolutions proposed to be adopted at the AGM, together with explanatory notes. There are also procedural guidance notes if you wish to attend the AGM or to vote by proxy; and a proxy form for use by shareholders holding ordinary shares of the Company in certificated form or in dematerialised form with "own-name" registration.

Notice of Annual General Meeting (continued)

Presentation to Shareholders

Presentation of annual financial statements

The consolidated audited annual financial statements ("AFS") of the Company and its subsidiaries, together with the reports of the Board, the independent auditors and the Audit committee for the year ended 31 December 2021, required in terms of section 30(3)(d) of the Companies Act, have been published to shareholders as required, and are hereby presented to shareholders as required in terms of section 61(8)(a) of the Companies Act. The AFS can be found on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

Presentation of responsible business (including social and ethics) committee report

The report has been published to shareholders as part of the integrated reporting suite 2021. Kindly refer to page 28 of the Corporate Governance Report and the Sustainability Report which can be found on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

Ordinary Resolutions

To consider and, if deemed fit, to pass, with or without modification, the following Ordinary Resolutions.

With the exception of Ordinary Resolution No 5, for each Ordinary Resolution to be adopted, the support of more than 50% (fifty percent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required. For Ordinary Resolution No 5 to be adopted, in terms of the Listings Requirements, the support of at least 75% (seventy-five percent) of the total number of votes is required.

Ordinary Resolution No 1: Re-election of directors of the Company

To individually re-elect the following non-executive and independent non-executive directors (Ordinary Resolutions 1.1 to 1.4 below) of the Company, comprising of: (i) one third of the non-executive directors of the Company, who retire from office at this AGM in accordance with the requirements of the Company's MOI and are eligible and have offered themselves for re-election as directors of the Company.

Ordinary Resolution No 1.1: Re-election of John Lister as a director

To re-elect John Lister who retires by rotation in terms of the Company's MOI, being eligible and offering himself for re-election.

Name: John Lister (63)

Appointed: 2017

Qualifications: BSc (Statistics); FIA

Committee membership: Actuarial, Audit, Corporate Governance & Nominations, Risk (Chairperson)

Major external positions, directorships or associations: Phoenix Group

Key skills and experience: Actuarial; finance and audit; information technology; listed corporates; risk management; strategy; sustainability

Ordinary Resolution No 1.2: Re-election of Sizeka Magwentshu-Rensburg as a director

To re-elect Sizeka Magwentshu-Rensburg who retires by rotation in terms of the Company's MOI, being eligible and offering herself for re-election.

Name: Sizeka Magwentshu-Rensburg (62)

Appointed: 2017

Qualifications: BA; MBA; DPhil

Committee membership: Corporate Governance & Nominations; Remuneration; Responsible Business (Chairperson)

Major external positions, directorships or associations: Non-executive director and Chairman of the Investments committee of the Industrial Development Corporation

Key skills and experience: Finance and audit; information technology; risk management; strategy; sustainability

Ordinary Resolution No 1.3: Re-election of Thoko Mokgosi-Mwantembe as a director of the Company

To re-elect Thoko Mokgosi-Mwantembe who retires by rotation in terms of the Company's MOI, being eligible and offering herself for re-election.

Name: Thoko Mokgosi-Mwantembe (60)

Appointed: 2017

Qualifications: BSc; MSc; SEP; MCRP

Committee membership: Remuneration; Technology & Platforms

Major external positions, directorships or associations: Non-executive director for Balwin Properties, Oceana Group; and OMNIA Group (Pty) Ltd, Royal Bafokeng Platinum. Chief Executive Officer of Kutana Investment Group.

Key skills and experience: Information technology; listed corporates; remuneration and performance management; sales and distribution; strategy; sustainability

Ordinary Resolution No 1.4: Re-election of Marshall Rapiya as a director

To re-elect Marshall Rapiya who retires by rotation in terms of the Company's MOI, being eligible and offering himself for re-election.

Name: Bahlleli Marshall Rapiya (69)

Appointed: 2011

Qualifications: BAdmin, EMP (INSEAD)

Committee membership: Responsible Business; Risk

Major external positions, directorships or associations: Director of Sea Harvest Group Ltd

Key skills and experience: Finance and audit; risk management; sales and distribution; strategy; sustainability

Full biographies of all the directors standing for re-election can be found on the Company's website at www.oldmutual.com/about/our-leadership/board-of-directors

For purposes of clause 29.7.1 of the Company's MOI, the retiring directors comprise John Lister, Sizeka Magwentshu-Rensburg, Thoko Mokgosi-Mwantembe, Marshall Rapiya and Nosipho Molope, being a third of all the non-executive directors serving on the Board. Nosipho Molope, although eligible, has not offered herself for re-election as a director of the Company and will therefore be resigning from the Board with effect from the conclusion of the AGM. The Board expresses its appreciation to Nosipho for her contribution during her tenure as a director of the Company.

Ordinary Resolution No 2: Election of Audit committee members

To individually elect the following independent non-executive directors (Ordinary Resolutions No 2.1 to 2.5), subject to: the passing of Ordinary Resolution No 1.1 in respect of the applicable director as the members of the Company's Audit committee, until the conclusion of the next AGM of the Company, in accordance with section 94(2) of the Companies Act.

Ordinary Resolution No 2.1: Election of Olufunke Ighodaro as a member of the Audit committee

Name: Funke Ighodaro (58)

Appointed: 2020

Qualifications: BSc (Hons); FCA(ICAEW); CA(SA)

Committee membership: Actuarial; Audit; Corporate Governance and Nominations; Risk

Major external positions, directorships and associations: Deputy Chairperson, Lead Independent and Audit and Risk committee chair of Massmart Holdings Limited; Non-executive director of Telkom SOC Limited.

Key skills and experience: Finance and audit; information technology; listed corporates; remuneration and performance management; risk management; strategy

Ordinary Resolution No 2.2: Election of Itumeleng Kgaboesele as a member of the Audit committee

Name: Itumeleng Kgaboesele (50)

Appointed: 2016

Qualifications: BCom; PDip (Acc); Dip (FMI), CA(SA)

Committee memberships: Actuarial; Audit; Corporate Governance & Nominations; Remuneration

Major external positions, directorships and associations: Chief Executive Officer of Sphere Holdings (Pty) Limited ("Sphere") and represents Sphere on the boards of several of its invest companies including: Babcock Ntuthuko Engineering (Pty) Ltd, BBD Holdings (Pty) Ltd, Pearson South Africa (Pty) Ltd and Consol Holdings (Pty) Ltd

Key skills and experience: Finance and audit; remuneration and performance management; risk management; strategy

Notice of Annual General Meeting (continued)

Ordinary Resolution No 2.3: Election of Jaco Langner as a member of the Audit committee

Name: Jaco Langner (48)

Appointed: 2021

Qualifications: BCom; FASSA; FFA

Committee membership: Actuarial; Audit; Remuneration

Major external positions, directorships and associations: Director of Surion Group; Director of AfricanWay Consulting (Pty) Ltd

Key skills and experience: Actuarial; finance and audit; information technology; listed corporates; remuneration and performance management; risk management; sales and distribution; strategy

Ordinary Resolution No 2.4: Election of John Lister as a member of the Audit committee
Please refer to Ordinary Resolution No 1.1 above.

Ordinary Resolution No 2.5: Election of Nomkhita Nqweni as a member of the Audit committee

Name: Nomkhita Nqweni (47)

Appointed: 2021

Qualifications: BSc; PDip (Inv Mgr); LDP; AMP

Committee memberships: Actuarial; Audit; Responsible Business

Major external positions, directorships and associations: Director of Vodacom Limited; Member of the Advisory committee of Tongaat Property

Key Skills and experience: Finance and audit; listed corporates; remuneration and performance management; strategy, sustainability

Full biographies of all the persons standing for election to the Audit committee can be found on the Company's website at www.oldmutual.com/about/our-leadership/board-of-directors

Ordinary Resolution No 3: Re-appointment and Appointment of auditors

Ordinary Resolution No 3.1: To re-appoint Deloitte & Touche as joint auditors of the Company until the conclusion of the next AGM of the Company.

Ordinary Resolution No 3.2: To appoint Ernst & Young as joint auditors of the Company until the conclusion of the next AGM of the Company.

Ordinary Resolution No 4: Non-binding advisory vote on the remuneration policy and remuneration implementation report

Shareholders are requested to cast separate non-binding advisory votes on the following:

Ordinary Resolution No 4.1: The remuneration policy of the Company, as set out on pages 9 to 24 of the full Remuneration Report which can be found on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

Ordinary Resolution No 4.2: The remuneration implementation report of the Company, as set out on pages 25 to 51 of the full Remuneration Report which can be found on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

In terms of principle 14 of the South African King IV Report on Corporate Governance™ ("King IV"), the Company's remuneration policy and implementation report should be tabled before the shareholders to pass the non-binding advisory vote in the same manner as an Ordinary Resolution at the AGM, however, failure to pass the non-binding advisory vote will not have any legal consequences for existing arrangements.

The minimum percentage of voting rights required for the advisory vote to be passed is more than 50% (fifty percent) of the voting rights exercised by shareholders present at the AGM or represented by proxy and entitled to exercise voting rights.

In the event that at least 25% (twenty-five percent) of the voting rights exercised on the advisory votes are against either the remuneration policy or the implementation report or both, the Board will then commit to implementing the consultation process set out in the remuneration policy read together with King IV.

Ordinary Resolution No 5: General authority in respect of an issue of ordinary shares for cash

To grant to the directors, subject to the provisions of the Companies Act, the Listings Requirements and the Company's MOI (each as presently constituted and as amended from time to time), as applicable, general authority, to allot and issue for cash any of the Company's unissued ordinary shares (including securities convertible into ordinary shares of the Company or a sale of treasury shares) and/or grant options over ordinary shares as and when the Board in its discretion (including as to terms and conditions) may deem fit, without restriction, provided that:

- this general authority shall be valid until the Company's next AGM, or 15 (fifteen) months from the date of passing of this Ordinary Resolution No 5, whichever period is shorter;
- the issue of the ordinary shares will be made to public shareholders only, as defined in the Listings Requirements, and not to related parties;
- the number of ordinary shares issued for cash in terms of this authority shall not exceed 7,981,602 ordinary shares, comprising 0.18% (naught point one eight percent) of the number of the listed ordinary shares (excluding treasury shares) of the Company in issue as at the date of this Notice, provided that:
 - any ordinary shares issued under this authority during the period contemplated above, must be deducted from the number above;
 - in the event of a sub-division or consolidation of issued ordinary shares during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
 - any securities to be issued pursuant to a rights issue (announced, irrevocable or fully underwritten) or any acquisition issue shall not diminish the number of securities that are authorised to be issued in terms of this Ordinary Resolution No 5;
 - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of this Notice, excluding treasury shares; and
 - in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount at which the ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of the Company's ordinary shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Board and the party subscribing for the securities; and then an announcement giving full details of the issue will be published in terms of the Listings Requirements.

Special Resolutions

To consider and, if deemed fit, to pass, with or without modification, the following Special Resolutions.

Percentage support required for Special Resolutions No 1 to 3

Each of the Special Resolutions listed below, proposed to be adopted at this AGM, requires the support of at least 75% (seventy-five percent) of the total number of votes which the shareholders present or represented by proxy at this AGM are entitled to cast, in order to be adopted.

Special Resolution No 1: Approval of the proposed remuneration payable to certain non-executive directors

To authorise the Company, in terms of section 66(9) of the Companies Act, to pay the following annual remuneration to its non-executive directors for their services as directors (as marked in the table below) for the period 1 July 2022 to 30 June 2023 (which amounts are exclusive of VAT, with this authority accordingly permitting the payment of VAT on such amounts in accordance with applicable law).

The proposed remuneration has been determined on a market-related basis, taking into consideration the Company's larger competitors in the Financial Services Sector.

Fees have been listed in ZAR, GBP and USD, as certain amounts are payable to UK resident directors (in GBP) and Rest of Africa resident directors (in USD) (where applicable) and represents a 4% year-on-year increase for the ZAR-based fees and a 2% year-on-year increase for the GBP and USD-based fees respectively with the exception of the Actuarial committee fees where a market alignment increase of 10% is proposed for ZAR, GBP and USD.

Notice of Annual General Meeting (continued)

	Annual fee 2022/2023	Annual fee 2021/2022
Board		
Chairman (note that the Chairman received a single, all-inclusive fee)	5,249,005 ZAR	5,047,120 ZAR
Lead Independent Director	750,836 ZAR 53,803 USD	721,958 ZAR 52,748 USD
Non executive Director	536,311 ZAR 70,039 GBP 38,415 USD	515,684 ZAR 68,666 GBP 37,662 USD
Committee		
Chairperson of the Actuarial committee	334,316 ZAR 20,962 GBP 24,492 USD	303,924 ZAR 19,056 GBP 22,265 USD
Member of the Actuarial committee	181,038 ZAR 10,481 GBP 13,276 USD	164,580 ZAR 9,528 GBP 12,069 USD
Chairperson of the Audit committee	698,345 ZAR 31,836 GBP 49,983 USD	671,486 ZAR 31,212 GBP 49,003 USD
Member of the Audit committee	280,708 ZAR 15,918 GBP 20,163 USD	269,911 ZAR 15,606 GBP 19,768 USD
Chairperson of the Corporate Governance and Nomination committee	262,450 ZAR 21,224 GBP 18,783 USD	252,356 ZAR 20,808 GBP 18,415 USD
Member of the Corporate Governance and Nomination committee	136,931 ZAR 10,612 GBP 9,870 USD	131,664 ZAR 10,404 GBP 9,676 USD
Chairperson of the Remuneration committee	413,073 ZAR 21,280 GBP 29,608 USD	397,186 ZAR 20,863 GBP 29,027 USD
Member of the Remuneration committee	187,139 ZAR 10,641 GBP 13,477 USD	179,941 ZAR 10,432 GBP 13,213 USD
Chairperson of the Responsible Business (including Social and Ethics) committee	413,073 ZAR 21,280 GBP 29,608 USD	397,186 ZAR 20,863 GBP 29,027 USD
Member of the Responsible Business (including Social and Ethics) committee	187,139 ZAR 10,641 GBP 13,477 USD	179,941 ZAR 10,432 GBP 13,213 USD
Chairperson of the Risk committee	504,360 ZAR 31,836 GBP 36,081 USD	484,962 ZAR 31,212 GBP 35,374 USD
Member of the Risk committee	237,347 ZAR 15,918 GBP 16,979 USD	228,218 ZAR 15,606 GBP 16,646 USD
Chairperson of the Technology and Platforms committee	316,081 ZAR 19,437 GBP 22,710 USD	303,924 ZAR 19,056 GBP 22,265 USD
Member of the Technology and Platforms committee	171,163 ZAR 9,719 GBP 12,310 USD	164,580 ZAR 9,528 GBP 12,069 USD
Fee per meeting less than three hours in duration, for ad hoc meetings (including fees paid to the Related Party committee)	17,116 ZAR 2,252 GBP 1,273 USD	16,458 ZAR 2,208 GBP 1,248 USD
Fee per meeting in excess of three hours in duration, for ad hoc meetings (including fees paid to the Related Party committee)	28,527 ZAR 3,754 GBP 2,122 USD	27,430 ZAR 3,680 GBP 2,081 USD

	Annual fee 2022/2023	Annual fee 2021/2022
Travel/inconvenience premium		
Travel/inconvenience premium for international directors	ZAR (not applicable) GBP & USD (30% of total fee)	ZAR (not applicable) GBP & USD (30% of total fee)

Special Resolution No 2: General authority to acquire the Company's own ordinary shares

To grant the Company and its subsidiaries a general authority in terms of the Listings Requirements to repurchase or purchase (collectively "repurchase"), as the case may be, ordinary shares issued by the Company (but not exceeding 3.5% (three point five percent) of the Company's total issued ordinary shares in any one financial year), from any person, on such terms and conditions and in such number as the directors of the Company or directors of the subsidiary (as the case may be) may from time to time determine, subject to compliance with the applicable provisions of the Company's MOI, the Companies Act and the Listings Requirements (as regards repurchases effected on the JSE) or the listing rules applicable on any other exchange on which the Company's ordinary shares are listed (as regards repurchase effected on such exchanges, and only to the extent applicable) (each as presently constituted and as amended from time to time).

The aggregate of such repurchases by subsidiaries of the Company may not result in subsidiaries, in aggregate, holding more than 10% (ten percent) of the Company's issued ordinary share capital.

As regards any repurchase of the Company's ordinary shares to be effected on the JSE, it is noted that:

- such repurchase shall be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);
- such general authority for the repurchase has been given by the Company's MOI;
- such general authority for the repurchase shall be valid only until the next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this Special Resolution No 2, whichever occurs first;
- such repurchase may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the listed ordinary shares of the Company on the JSE for the 5 (five) business days immediately preceding the date on which the acquisition is effected;
- when the Company and/or its subsidiaries has cumulatively repurchased 3% (three percent) of the initial number (the number of ordinary shares in issue at the time that this general authority is granted) of ordinary shares of the Company, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, an announcement must be made containing the details required in terms of the Listings Requirements in respect of such repurchases;
- no general repurchase of ordinary shares of the Company shall be effected during a prohibited period as contemplated in the Listings Requirements unless the Company or its subsidiaries have in place a repurchase programme where the date and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE in writing as required, prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's ordinary shares independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- at any point in time, the Company only appoints one agent to effect any repurchase on its behalf; and
- the Board shall have authorised the repurchase, the Company and its relevant subsidiaries shall have passed the solvency and liquidity test in terms of section 4 of the Companies Act, and since the solvency and liquidity test was conducted, no material changes to the financial position of the Company and its subsidiaries shall have occurred.

For the purpose of considering Special Resolution No 2 and in compliance with paragraph 11.26 of the Listings Requirements, the following information has been included in the AFS of the Company, at the places indicated:

- major shareholders, refer to page 183;
- share capital of the Company, refer to page 5, and further;
- material changes, refer below; and
- directors' responsibility statement, refer below.

Notice of Annual General Meeting (continued)

The directors of the Company confirm that the method by which the Company and any of its subsidiaries intent to repurchase its securities and the date on which such repurchase will take place, has not yet been determined; no repurchase will be implemented in terms of this authority unless, after each such repurchase:

- the Company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of such repurchase;
- the consolidated assets of the Company and the group, fairly valued in accordance with the accounting policies used in the latest AFS, will exceed their consolidated liabilities for a period of 12 (twelve) months after the date of such repurchase;
- the share capital and reserves of the Company and group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of such repurchase; and
- the working capital of the Company and group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of such repurchase and the directors have passed a resolution authorising the repurchase, resolving that the Company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act and, since that test was applied, there have been no material changes to the financial position of the group.

Material changes

There have been no material changes in the financial or the trading position of the Company and its subsidiaries since the end of the financial period for which the AFS have been published to the date of this Notice.

Directors' responsibility statement

The directors, whose names are given on page 6 of the AFS collectively and individually accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that in relation to Special Resolution No 2 in particular, all information required by the Listings Requirements is contained herein.

Special Resolution No 3: Financial assistance to subsidiaries and other related and inter-related entities and to directors, prescribed officers and other persons participating in share or other employee incentive schemes

To authorise the Board, to the extent required by the Companies Act and subject to compliance with the requirements of the Company's MOI and the Companies Act, each as presently constituted and as amended from time to time, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/ or to any member of such subsidiary or related or inter-related company or entity, for any purpose or in connection with any matter, including, but not limited to, the subscription for any option, or any securities issued or to be issued by the Company or a related or inter-related company or entity, or for the purchase of any securities of the Company or a related or inter-related company or entity; and/or
- any of the present or future directors or prescribed officers of the Company or of a related or inter-related company or entity (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is a participant in any of the companies or its group share or other employee incentive schemes, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company or entity, or for the purchase of any securities of the Company or a related or inter-related company or entity, where such financial assistance is provided in terms of any such scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Companies Act, such authority to endure until the AGM of the Company following this AGM.

General notes

Electronic participation

In light of the ongoing nature of the COVID-19 pandemic in South Africa, the Board has determined that it is necessary, prudent and preferable that the AGM be held by electronic participation only, and not by way of a physical meeting. Shareholders are therefore encouraged to participate in the AGM electronically and to make use of proxy voting, as outlined in this Notice.

Shareholders or their proxies may participate in the AGM by way of electronic communication, as permitted by the JSE and in accordance with the provisions of the Companies Act and the Company's MOI. TMS will assist shareholders with the requirements for electronic participation in, and/or voting at, the AGM. Shareholders who wish to participate in and/or vote at the AGM by way of electronic communication are required to contact TMS on proxy@tmsmeetings.co.za or alternatively contact them on +27 11 520 7950/1/2 as soon as possible, but in any event, for administration purposes, no later than 09:00 SA time on Wednesday, 25 May 2022. Shareholders participating in this manner may still appoint a proxy to vote on their behalf at the AGM. Access by means of electronic communication will be at the expense of the individual shareholder.

None of the JSE, the Company or TMS can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any shareholder from participating in and/or voting at the AGM.

For shareholders on the South African register:

If you would like to submit your proxy instructions via the internet, you may do so by visiting <https://oldmutualagm/jseinvestorservices.co.za>. For security reasons, you will need your shareholder reference number and postcode/country code which are provided on your Forms of Proxy. Electronic proxies must, for administrative ease, be received no later than 09:00 SA time on Wednesday, 25 May 2022 but in any event before the time appointed for the relevant meeting.

For shareholders on the United Kingdom register:

If you would like to submit your proxy instructions via the internet, you may do so through Equiniti's website at www.sharevote.co.uk, where full instructions on the procedure are given. The applicable Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic appointment system. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than that provided or if received after 08:00 UK time on Wednesday, 25 May 2022.

If you are a CREST member, and as an alternative to completing a hardcopy or electronic instruction, you may vote by utilising the CREST electronic proxy appointment service. To be valid, a proxy appointment or instruction made using the CREST service must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Company's Agent, Equiniti, (CREST participant ID RA 19) by 08:00 a.m. (UK time) on Tuesday, 24 May 2022 (or 72 hours preceding the date and time for any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) for which the Company's Agent is able to retrieve the message.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 08:00 UK time on Tuesday, 24 May 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Proxies

A shareholder entitled to attend, participate in and vote at the AGM is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of registered shareholders of the Company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own-name" dematerialised form.

Securities depository participant

Shareholders who have dematerialised their ordinary shares through a central securities depository participant ("CSDP") or broker other than with "own-name" registration and who wish to electronically attend and/or participate in the AGM, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend and/or participate in the AGM in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of their custody agreement entered into between them and the CSDP or broker.

Unless you advise your CSDP or broker, in terms of your custody agreement, by the cut-off time stipulated therein, that you wish to attend and/or participate in the AGM or send a proxy to represent you, your CSDP or broker will assume that you do not wish to attend and/or participate in the AGM or send a proxy.

The Company does not accept any responsibility for any failure by the relevant CSDP to adhere to requests from shareholders.

Notice of Annual General Meeting (continued)

Voting

The Chairman is of the view that all resolutions (including any non-binding advisory votes) to be voted on at the AGM should be put to a vote on a poll, rather than being determined simply on a show of hands, in accordance with best practice and to reflect more accurately the views of all shareholders. It is noted that, on a poll, any person who is present at the AGM, whether as a shareholder or represented by a proxy, would have the number of votes determined in accordance with the voting rights associated with the shares held by that shareholder. However, on a show of hands, every person present and entitled to exercise voting rights would be entitled to one vote irrespective of the number of voting rights that person would otherwise be entitled to exercise. Thus, in accordance with clause 25.2.2 of the Company's MOI, the Chairman has determined that voting be conducted by poll.

Voting at the AGM will be undertaken electronically. TMS will assist shareholders with the requirements for electronic participation in, and/or voting at, the AGM. The transfer secretaries will identify each shareholder's individual shareholding so that the number of votes that each shareholder has at a meeting will be linked to the number of votes which each shareholder will be able to exercise at the AGM.

Lodgement of forms of proxy

For administrative purposes, it is requested that forms of proxy be lodged with the Company's transfer secretaries, JSE Investor Services Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001, South Africa via email at investorenquiries@jseinvestorservices.co.za, or posted to the Company's transfer secretaries at PO Box 10462, Johannesburg, 2000, South Africa, so as to be received by them 09:00 SA time on Wednesday, 25 May 2022 before the commencement of the meeting for administrative purposes. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, participate in and vote at the AGM.

Kindly ensure that TMS is copied when submitting all completed proxy forms and/or letters of representation to JSE Investor Services Proprietary Limited. For all other purposes, including submitting relevant information to TMS, please use the following contact details:

The Meeting Specialist Proprietary Limited JSE Building One Exchange Square 2 Cwen Lane Sandown South Africa 2196	Attention: Michael Wenner, Farhana Adam or Izzy van Schoor Tel: +27 11 520-7950/1/2 michael.wenner@tmsmeetings.co.za farhana.adam@tmsmeetings.co.za izzy.vanschoor@tmsmeetings.co.za proxy@tmsmeetings.co.za
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Contact details for our Share Registrars are listed below:

South Africa

JSE Investor Services Proprietary Limited
13th Floor, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 (PO Box 10462, Johannesburg, 2000)
Email: investorenquiries@jseinvestorservices.co.za

Malawi

National Bank of Malawi plc Legal Department
NBM Towers, 7 Henderson Street, Blantyre, Malawi (PO Box 945, Blantyre, Malawi)
Email: legal@natbankmw.com

Namibia

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue Windhoek, Namibia (PO Box 2401, Windhoek, Namibia)
Email: ts@nsx.com.na

United Kingdom

Equiniti Limited
Aspect House, Spencer Road, Lancing, BN99 6DA
Website: www.shareview.co.uk

Zimbabwe

Corpserve Registrars (Pvt) Ltd 2nd Floor, ZB Centre
Cnr 1st and Kwame Nkrumah Avenue, Harare, Zimbabwe (PO Box 2208, Harare, Zimbabwe)
Email: corpserve@escrowgroup.org

Registrars' telephone contact details

South Africa	Local: 086 140 0110 or 086 154 6566 International: +27 (0)11 029 0253
Malawi	+265 182 0622 or +265 182 0054
Namibia	+264 61 227 647
United Kingdom	Local: 0371 384 2878 International: +44 (0)121 415 0833
Zimbabwe	+263 242 751 559 or +263 242 751 561

Lines are open Mondays to Fridays from 09:00 a.m. to 05:00 p.m. (local time) for the registrars in the United Kingdom and from 08:00 a.m. to 04:30 p.m. (local time) for all other registrars, except on public holidays.

By order of the Board

Elsabé Kirsten

Company Secretary
Pinelands, Cape Town
26 April 2022

Explanatory notes relating to the business to be conducted at the AGM

The notes in this Part of the Notice explain the resolutions to be proposed at the AGM.

Ordinary Resolutions

Ordinary Resolution No 1 – Re-election of directors retiring by rotation

Clause 29.7.1 of the Company's MOI provides that following the first annual general meeting of the Company following the listing of its ordinary shares on the JSE, all the elected directors shall retire from office and at each subsequent annual general meeting, one-third of all the non-executive directors (or if their number is not three or a multiple of three), the number nearest to one-third (but not less than one-third) shall retire from office. Clause 29.7.2 provides that, among others, the directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. The Corporate Governance & Nominations Committee ("NomCom") has reviewed the composition of the Board and determined the third of the directors who should retire in the upcoming AGM, as those directors referenced in Ordinary Resolution No 1, having regard to, amongst others, the directors who have been longest in office, counting from their initial dates of appointment of directorship in the Company's group. Taking into consideration the composition of the Board, and the required skills mix and diversity considerations in order to ensure its collective effectiveness, optimal functioning and sustainability, the NomCom recommended the re-election of the directors referenced in Ordinary Resolutions No 1.1 to 1.4.

In terms of clause 29.5 of the Company's MOI, the Board has the power to appoint directors: (i) to fill a casual vacancy (being a vacancy on the Board which does not amount to the number of directors being less than the minimum number of directors prescribed in terms of the MOI); or (ii) as an addition to the Board (as contemplated in section 66(4)(a) of the Companies Act); provided that, such appointment must be confirmed by the shareholders at the next AGM (in accordance with clause 29.2 of the MOI) and the approval of the Prudential Authority being obtained in terms of the Insurance Act No 18 of 2017 ("Insurance Act").

Accordingly, the Board recommends to shareholders the re-election of the directors referenced in Ordinary Resolutions No 1.1 to 1.4 by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

Ordinary Resolution No 2 – Election of Audit committee members

In terms of section 94(2) of the Companies Act, the Audit committee must be elected by the shareholders at each AGM.

In terms of the Companies Regulations, 2011, promulgated pursuant to the Companies Act, at least one third of the members of the Company's Audit committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs, or human resource management.

NomCom, at a meeting held on 10 March 2022, satisfied itself that the proposed members of the Audit committee comply with the requirements of the Companies Act, the Prudential Standards issued in terms of the Financial Sector Regulation Act, 9 of 2017 ("FSR Act") and the King IV in that they:

- are suitably qualified and experienced to be members of the Audit committee;
- collectively possess skills and the relevant experience which are appropriate to the Company's size and circumstances, as well as its industry;
- have an understanding of International Financial Reporting Standards, and other financial and sustainability reporting standards, regulations; and
- guidelines applicable to the Company.

Notice of Annual General Meeting (continued)

The report from the Audit committee can be found on pages 8 to 12 of the AFS which is available on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>. The Audit committee Terms of Reference is available on the Company's website at the following address: <https://www.oldmutual.com/about/governance/board-committees>.

Ordinary Resolution No 3 – Re-appointment and Appointment of Auditors

In accordance with section 90(1) of the Companies Act, Deloitte & Touche is proposed to be re-appointed as the joint external auditor of the Company, as nominated by the Company's Audit committee, until the conclusion of the Company's next AGM. It is to be noted that Mr Gerdus Dixon from Deloitte & Touche is the designated individual audit partner who will jointly undertake the Company's audit until the conclusion of the Company's next AGM.

In accordance with section 90(1) of the Companies Act, Ernst & Young is proposed to be appointed as the joint external auditor of the Company, as nominated by the Company's Audit committee, until the conclusion of the Company's next AGM. It is to be noted that Mr Malcolm Rapson from Ernst & Young is the designated individual audit partner who will jointly undertake the Company's audit until the conclusion of the Company's next AGM.

The Audit committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of section 90(2) and 90(3) of the Companies Act, and section 22 of the Listings Requirements, and the Board considered and accepted the findings of the Audit committee in this regard.

The Board is satisfied that the proposed external auditors, who will undertake the audit of the Company for the financial year ending 31 December 2022, comply with the relevant provisions of the Companies Act and the Prudential Standards issued in terms of the FSR Act, and are duly accredited by the JSE.

Ordinary Resolution No 4 – Non-binding advisory vote on the approval of the remuneration policy and remuneration implementation report

Shareholders are reminded that in terms of King IV read with the Listings Requirements, the passing of Ordinary Resolution No 4 is by way of non-binding advisory votes. Should 25% (twenty-five percent) or more of the votes exercised on these resolutions be cast against either or both of these resolutions, the Company undertakes to engage with shareholders as to the reasons therefore and take appropriate action to address issues raised as envisaged in King IV and the Listings Requirements.

Ordinary Resolution No 5 – general authority in respect of an issue of ordinary shares for cash

This resolution is required to wind down what was formally known as the Old Mutual plc Group of Companies, and will be utilised to sell 7,981,602 ordinary shares in the issued share capital of the Company (comprising 0.18% (nought point one eight percent) of the Company's total issued ordinary shares), currently held by the Old Mutual plc Employee Share Trust. This trust has fulfilled its obligation to Old Mutual plc employees and the Group would like to utilise the remaining assets effectively. As the shares held by the Old Mutual plc Employee Share Trust constitute treasury shares (as defined in the Listings Requirements), in accordance with paragraph 5.75 read together with paragraph 5.52 of the Listings Requirements, the sale of shares in the market is classified as a "general issue for cash" for which the Company requires shareholder approval.

Special resolutions

Resolutions 1 to 3 below will be proposed as Special Resolutions. This means that, for each of those resolutions to be passed, at least 75% (seventy-five percent) of the votes cast must be in favour of the resolution.

Special Resolution No 1 – Proposed remuneration of non-executive directors

Special Resolution No 1 has been proposed to comply with the provisions of the Companies Act. In terms of sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders of the Company and if not prohibited in terms of the Company's MOI. Therefore, Special Resolution No 1 is proposed to approve the payment of and the remuneration payable by the Company to its non-executive directors for their services as directors of the Company in terms of section 66 of the Companies Act. The remuneration payable to the non-executive directors is detailed in the table below the proposed resolution.

The remuneration policy is referred to in the governance report, the status and detail of which is included in the full remuneration supplementary report on pages 9 to 24.

Special Resolution No 2 – General authority to acquire the Company's own ordinary shares

The Board is of the opinion that it would be in the best interests of the Company that Special Resolution No 2 be passed and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase (collectively "repurchase"), as the case may be, the ordinary shares issued by the Company on the exchanges where the Company's ordinary shares are listed, (but, in aggregate, not exceeding 3.5% (three point five percent) of the Company's total issued ordinary shares), should the market conditions and price justify such action. It is noted that, where such repurchase is undertaken on the JSE, then in accordance with the Listings Requirements, such repurchase must be made through the order book of the JSE.

Should the opportunity arise and should the directors deem it to be advantageous to the Company, or any of its subsidiaries, to repurchase ordinary shares, it is considered appropriate that the directors (and relevant

subsidiaries) be authorised to repurchase the Company's ordinary shares.

To the extent that the Board determines to effect a repurchase of ordinary shares pursuant to this authority, it shall procure that the Company complies with the provisions of section 48 read with section 46 of the Companies Act in respect of such transaction (including as regards the application of the solvency and liquidity test as contemplated in section 4 of the Companies Act).

For the purpose of considering Special Resolution No 2 and in compliance with paragraph 11.26 of the Listings Requirements, the following information has been included in the AFS or the Integrated Report, of which this Notice forms part, at the places indicated (i) major shareholders, refer to page 183; (ii) share capital of the Company, refer to page 5; (iii) material changes, please see above; and (iv) directors' responsibility statement, please see above.

The directors intend, should the proposed authority be granted to them under this Special Resolution No 2, to use such authority to, at appropriate times, repurchase ordinary shares on the open market and thereby more efficiently utilise cash on hand.

This authority includes an authority, by special resolution, to repurchase, through the JSE's order book (or the order book of another exchange if the repurchase is effected on such other exchange), as contemplated in section 48(8) of the Companies Act, ordinary shares disposed of by a director or prescribed officer of the Company or a person related to a director or prescribed officer of the Company.

Special Resolution No 3 – Financial assistance to subsidiaries and other related and inter-related entities and to directors, prescribed officers and other persons participating in share or other employee incentive schemes

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or interrelated companies and entities, including, inter alia, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or interrelated companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or interrelated company or for the purchase of any securities of the Company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or general for a category of potential recipients, and the specific recipient falls within that category and the Board must be satisfied that:

- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The Company requires the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with sections 44 and 45 of the Companies Act. In addition, it may be necessary or desirable for the Company to provide financial assistance to related or interrelated companies and entities to subscribe for options or securities or purchase securities. In the circumstances and in order to, inter alia, ensure that the Company's subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the Company, it is necessary to obtain the approval of the shareholders as set out in this Special Resolution No 3.

Old Mutual Limited

Registration No. 2017/235138/06 in South Africa, Malawi (No. 1010831), Namibia (No. F/2017/235138/07), United Kingdom (Sedol No. BDVVPYQ8) and Zimbabwe (No. E/4/2018)

Registered office:

Mutualpark
Jan Smuts Drive
Pinelands, 7405
Cape Town, South Africa

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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Summarised consolidated income statement

For the year ended 31 December 2021

Rm	December 2021	December 2020
Revenue		
Gross insurance premium revenue	83,841	81,571
Outward reinsurance	(11,290)	(9,109)
Net earned premiums	72,551	72,462
Investment return (non-banking)	157,047	56,940
Banking interest and similar income	4,347	4,734
Banking trading, investment and similar income	433	341
Fee and commission income, and income from service activities	11,827	10,409
Other income	1,609	1,647
Total revenue and other income	247,814	146,533
Expenses		
Gross claims and benefits (including change in insurance contract provisions)	(139,245)	(95,412)
Reinsurance recoveries	7,679	13,431
Net claims and benefits incurred	(131,566)	(81,981)
Change in investment contract liabilities	(54,947)	(24,003)
Credit impairment charges	(667)	(2,874)
Finance costs	(543)	(484)
Banking interest payable and similar expenses	(755)	(1,053)
Fee and commission expenses, and other acquisition costs	(10,506)	(9,803)
Change in third party interests in consolidated funds	(11,874)	3,479
Other operating and administrative expenses	(24,896)	(25,049)
Total expenses	(235,754)	(141,768)
Share of gains of associated undertakings and joint ventures after tax	1,385	592
Reversal of impairment/(impairment) of investments in associated undertakings	18	(8,629)
Loss on disposal of subsidiaries	(36)	-
Profit/(loss) before tax	13,427	(3,272)
Income tax expense	(5,964)	(2,076)
Profit/(loss) after tax for the financial year	7,463	(5,348)
Attributable to		
Equity holders of the parent	6,662	(5,097)
Non-controlling interests		
Ordinary shares	801	(251)
Profit/(loss) after tax for the financial year	7,463	(5,348)
Earnings per ordinary share		
Basic earnings/(loss) per ordinary share (cents)	151.3	(116.3)
Diluted earnings/(loss) per ordinary share (cents)	148.9	(116.3)

Summarised consolidated statement of comprehensive income

For the year ended 31 December 2021

Rm	December 2021	December 2020
Profit/(loss) after tax for the financial year	7,463	(5,348)
Other comprehensive income for the financial year		
Items that will not be reclassified to profit or loss		
Gains on property revaluations	817	9
Remeasurement gains on defined benefit plans	22	175
Fair value movements related to credit risk on borrowed funds	(64)	(130)
Share of other comprehensive income from associated undertakings and joint ventures	(40)	57
Shadow accounting	(219)	55
Income tax on items that will not be reclassified to profit or loss	(20)	(63)
	496	103
Items that may be reclassified to profit or loss		
Currency translation differences on translating foreign operations	187	(635)
Exchange differences recycled to profit or loss on disposal of businesses	203	-
Share of other comprehensive income from associated undertakings and joint ventures	(75)	118
	315	(517)
Total other comprehensive income/(loss) for the financial year	811	(414)
Total comprehensive income/(loss) for the financial year	8,274	(5,762)
Attributable to		
Equity holders of the parent	7,411	(5,492)
Non-controlling interests		
Ordinary shares	863	(270)
Total comprehensive income/(loss) for the financial year	8,274	(5,762)

Summarised consolidated supplementary income statement

For the year ended 31 December 2021

Rm	December 2021	December 2020
Mass and Foundation Cluster	2,752	1,265
Personal Finance and Wealth Management	448	525
Old Mutual Investments	1,109	180
Old Mutual Corporate	727	87
Old Mutual Insure	543	(131)
Rest of Africa	(391)	192
Net expenses from central functions	(804)	(455)
Results from Operations	4,384	1,663
Shareholder investment return	2,726	1,612
Finance costs	(543)	(484)
Share of gains of associated undertakings and joint ventures after tax	1,252	917
Adjusted Headline Earnings before tax and non-controlling interests	7,819	3,708
Shareholder tax	(2,088)	(1,188)
Non-controlling interests	(329)	(36)
Adjusted Headline Earnings after tax and non-controlling interests	5,402	2,484
Adjusted weighted average number of ordinary shares (millions)	4,558	4,574
Adjusted Headline Earnings per share (cents)	118.5	54.3
Adjusted diluted weighted average number of ordinary shares (millions) ¹	4,630	4,574
Adjusted Diluted Headline Earnings per share (cents) ¹	116.7	54.3

¹ Adjusted Diluted Headline Earnings per share added to enhance disclosure. Adjusted Diluted earnings/(loss) 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.

Reconciliation of Adjusted Headline Earnings to IFRS profit/(loss) after tax¹

Rm	December 2021	December 2020
Adjusted Headline Earnings after tax and non-controlling interests	5,402	2,484
Investment return on group equity and debt instruments held in policyholder funds	(190)	785
Impact of restructuring	(1,482)	497
Operations in hyperinflationary economies	3,489	1,093
Non-core operations	(10)	229
Headline Earnings	7,209	5,088
Impairment of goodwill and other intangible assets and property, plant and equipment and other Headline Earnings adjustments	(559)	(1,408)
Remeasurement of non-current asset held for sale	4	-
Reversal of impairment/(impairment) of associated undertakings	37	(8,777)
Profit on disposal of property, plant and equipment	7	-
Loss on disposal of subsidiaries and associated undertakings	(36)	-
Profit/(loss) after tax for the financial year attributable to equity holders of the parent	6,662	(5,097)

Summarised consolidated statement of financial position

At 31 December 2021

Rm	At 31 December 2021	At 31 December 2020
Assets		
Goodwill and other intangible assets	6,234	5,925
Mandatory reserve deposits with central banks	195	235
Property, plant and equipment	9,155	8,952
Investment property	38,672	33,606
Deferred tax assets	2,455	2,007
Investments in associated undertakings and joint ventures	908	17,450
Deferred acquisition costs	405	362
Costs of obtaining contracts	1,496	1,528
Loans and advances	18,722	17,798
Investments and securities	899,388	772,037
Reinsurers share of policyholder liabilities	13,372	15,610
Current tax receivable	459	371
Trade, other receivables and other assets	22,802	20,317
Derivative financial instruments	6,391	10,840
Cash and cash equivalents	32,931	33,560
Assets held for sale	269	84
Total assets	1,053,854	940,682
Liabilities		
Life insurance contract liabilities	155,349	145,536
Investment contract liabilities with discretionary participating features	245,483	203,117
Investment contract liabilities	393,787	334,311
Property and Casualty liabilities	11,206	14,455
Third-party interests in consolidated funds	77,308	73,020
Borrowed funds	17,506	17,335
Provisions	1,767	1,760
Contract liabilities	1,272	662
Deferred tax liabilities	6,453	4,293
Current tax payable	499	459
Trade, other payables and other liabilities	63,934	60,213
Amounts owed to bank depositors	5,905	5,044
Derivative financial instruments	8,084	11,154
Total liabilities	988,553	871,359
Net assets	65,301	69,323
Shareholders' equity		
Equity attributable to equity holders of the parent	62,174	66,995
Non-controlling interests		
Ordinary shares	3,127	2,328
Total non-controlling interests	3,127	2,328
Total equity	65,301	69,323

Summarised consolidated statement of cash flows

For the year ended 31 December 2021

Rm	December 2021	December 2020
Cash flows from operating activities		
Profit/(loss) before tax	13,427	(3,272)
Non-cash movements and adjustments to profit before tax	9,978	29,628
Net changes in working capital	1,187	715
Taxation paid	(4,473)	(3,748)
Net cash inflow from operating activities¹	20,119	23,323
Cash flows from investing activities		
Acquisition of financial investments	(14,089)	(13,305)
Acquisition of investment properties	(1,077)	(367)
Proceeds from disposal of investment properties	1	26
Dividends received from associated undertakings	219	879
Acquisition of property, plant and equipment	(874)	(767)
Proceeds from disposal of property, plant and equipment	55	141
Acquisition of intangible assets	(984)	(1,279)
Acquisition of interests in subsidiaries, associated undertakings and joint ventures	(104)	(67)
Net cash outflow from investing activities	(16,853)	(14,739)
Cash flows from financing activities		
Dividends paid to		
Ordinary equity holders of the Company	(2,686)	(3,346)
Non-controlling interests and preferred security interests	(156)	(93)
Interest paid (excluding banking interest paid)	(645)	(607)
Acquisition of treasury shares - ordinary shares ²	(1,047)	(509)
Proceeds from disposal of treasury shares - ordinary shares ²	1,142	1,761
Proceeds from change in participation in subsidiaries	64	-
Lease liabilities repayments	(528)	(460)
Proceeds from issue of subordinated and other debt	3,451	5,648
Subordinated and other debt repaid	(3,443)	(7,016)
Net cash outflow from financing activities	(3,848)	(4,622)
Net cash (outflow)/inflow	(582)	3,962
Effects of exchange rate changes on cash and cash equivalents	(87)	(782)
Cash and cash equivalents at beginning of the year	33,795	30,615
Cash and cash equivalents at end of the year	33,126	33,795
Comprising		
Mandatory reserve deposits with central banks	195	235
Cash and cash equivalents	32,931	33,560
Total	33,126	33,795

¹ Net cash inflow from operating activities includes Interest income from investments and securities of R22,491 million (2020: R24,052 million) and Dividend income from investments and securities of R12,535 million (2020: R11,118 million).

² In 2020, cash flows from treasury shares were disclosed on a net basis. This has been restated and corrected in the current year.

Cash and cash equivalents comprise cash balances and highly liquid short term funds, mandatory reserve deposits held with central banks, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents subject to the consolidation of funds.

Summarised consolidated statement of changes in equity

For the year ended 31 December 2021

		Millions										
		Number of shares issued and fully paid	Share capital	Fair-value reserve	Property revaluation reserve	Share-based payments reserve	Liability credit reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Year ended 31 December 2021												
Rm	Notes											
Shareholders' equity at beginning of the year		4,709	85	10	550	749	(271)	(7,854)	73,726	66,995	2,328	69,323
Profit after tax for the financial year		-	-	-	-	-	-	-	6,662	6,662	801	7,463
Other comprehensive income for the financial year		-	-	-	-	-	-	-	-	-	-	-
Items that will not be reclassified to profit or loss		-	-	-	-	-	-	-	-	-	-	-
Gains on property revaluations		-	-	-	817	-	-	-	-	817	-	817
Remeasurement gains on defined benefit plans		-	-	-	-	-	-	-	22	-	-	22
Fair value movement related to credit risk on borrowed funds		-	-	-	-	-	(64)	-	-	(64)	-	(64)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	(35)	-	-	-	(5)	(40)	-	(40)
Shadow accounting		-	-	-	(219)	-	-	-	-	(219)	-	(219)
Income tax on items that will not be reclassified to profit or loss		-	-	-	(12)	-	-	-	(8)	(20)	-	(20)
Items that may be reclassified to profit or loss		-	-	-	551	-	(64)	-	9	496	-	496
Currency translation differences on translating foreign operations		-	-	-	-	-	-	125	-	125	62	187
Exchange differences reclassified to profit or loss on disposal of businesses		-	-	-	-	-	-	203	-	203	-	203
Share of other comprehensive income from associated undertakings and joint ventures		-	-	(33)	-	-	-	(42)	-	(75)	-	(75)
Income tax on items that may be reclassified subsequently to profit or loss		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the financial year		-	-	(33)	551	-	(64)	286	6,671	7,411	863	8,274
Transactions with the owners of the Company												
Contributions and distributions												
Dividends for the year	C4	-	-	-	-	-	-	-	(13,342)	(13,342)	(156)	(13,498)
Share-based payment reserve movements		-	-	-	-	259	-	-	34	293	-	293
Transfer between reserves		-	-	-	-	(135)	-	-	101	(34)	34	-
Other movements in share capital		-	-	38	-	-	-	-	802	840	(6)	834
Total contributions and distributions		-	-	38	-	124	-	-	(12,405)	(12,243)	(128)	(12,371)
Changes in ownership and capital structure												
Change in participation in subsidiaries		-	-	-	-	-	-	-	11	11	64	75
Total changes in ownership and capital structure		-	-	-	-	-	-	-	11	11	64	75
Total transactions with the owners of the Company		-	-	38	-	124	-	-	(12,394)	(12,232)	(64)	(12,296)
Shareholders' equity at end of the year		4,709	85	15	1,101	873	(335)	(7,568)	68,003	62,174	3,127	65,301
Year ended 31 December 2020												
Millions												
		Number of shares issued and fully paid	Share capital	Fair-value reserve	Property revaluation reserve	Share-based payments reserve	Liability credit reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
Rm	Notes											
Shareholders' equity at beginning of the year		4,709	85	(80)	615	763	(180)	(7,404)	80,964	74,763	3,162	77,925
Profit after tax for the financial year		-	-	-	-	-	-	-	(5,097)	(5,097)	(251)	(5,348)
Other comprehensive income for the financial year		-	-	-	-	-	-	-	-	-	-	-
Items that will not be reclassified to profit or loss		-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on property revaluations		-	-	-	(21)	-	-	-	-	(21)	30	9
Remeasurement losses on defined benefit plans		-	-	-	-	-	-	-	175	175	-	175
Fair value movements related to credit risk on borrowed funds		-	-	-	-	-	(91)	-	(39)	(130)	-	(130)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	-	(5)	-	-	-	62	57	-	57
Shadow accounting		-	-	-	55	-	-	-	-	55	-	55
Income tax on items that will not be reclassified to profit or loss		-	-	-	(13)	-	-	-	(50)	(63)	-	(63)
Items that may be reclassified to profit or loss		-	-	-	16	-	(91)	-	148	73	30	103
Currency translation differences on translating foreign operations		-	-	-	-	-	-	(586)	-	(586)	(49)	(635)
Share of other comprehensive income from associated undertakings and joint ventures		-	-	90	-	-	-	28	-	118	-	118
Total comprehensive loss for the financial year		-	-	90	16	-	(91)	(558)	(4,949)	(5,492)	(270)	(5,762)
Transactions with the owners of the Company												
Contributions and distributions												
Dividends for the year	C4	-	-	-	-	-	-	-	(3,346)	(3,346)	(93)	(3,439)
Share-based payment reserve movements		-	-	-	-	200	-	-	(40)	160	-	160
Transfer between reserves		-	-	-	(81)	(214)	-	108	674	487	(487)	-
Other movements in share capital		-	-	-	-	-	-	-	423	423	16	439
Total contributions and distributions		-	-	-	(81)	(14)	-	108	(2,289)	(2,276)	(564)	(2,840)
Changes in ownership and capital structure												
Change in participation in subsidiaries		-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership and capital structure		-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	(81)	(14)	-	108	(2,289)	(2,276)	(564)	(2,840)
Shareholders' equity at end of the year		4,709	85	10	550	749	(271)	(7,854)	73,726	66,995	2,328	69,323

Notes to Old Mutual Limited Summarised Consolidated Financial Statements

For the year ended 31 December 2021

A: Significant accounting policies

A1: Basis of preparation

1.1 Statement of compliance

Old Mutual Limited (the Company) is a company incorporated in South Africa. The summary consolidated annual financial statements have been extracted from the audited consolidated annual financial statements of the Company and its subsidiaries (the Group) for the year ended 31 December 2021.

The Old Mutual Limited audited consolidated and separate annual financial statements (Consolidated Financial Statements) for the year ended 31 December 2021 are available at <https://www.oldmutual.com/investor-relations/reporting-centre/reports>, at our registered offices and upon request.

The consolidated annual financial statements for the year ended 31 December 2021 have been audited by KPMG Inc and Deloitte & Touche, who expressed an unmodified opinion thereon. The auditors' report does not necessarily report on all information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the issuer's registered office.

The summary consolidated financial statements comprise the summary consolidated statement of financial position at 31 December 2021, summary consolidated income statement, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year ended 31 December 2021 and selected explanatory notes (including the summary consolidated supplementary income statement).

The summary consolidated financial statements and the consolidated financial statements have been prepared under the supervision of Casper Troskie CA(SA) (Group Chief Financial Officer). The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying consolidated annual financial statements.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act, No 71 of 2008 of South Africa. The Listings Requirements require abridged 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 the summary consolidated annual financial statements are in terms of IFRS and are consistent with those applied in the preparation of the 2020 audited consolidated annual financial statements.

All our investor-related reports ranging from financial results to remuneration and responsible business reports can be found here.

1.2 Comparative information

Unless otherwise indicated, comparative information presented at and for the year ended 31 December 2020 within these financial statements has been correctly extracted from the Group's audited consolidated financial statements for the year ended 31 December 2020 (prior year financial statements).

1.3 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 or 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.
Property, plant and equipment	Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. Revaluation surpluses are recognised in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained earnings. Plant and equipment are carried at cost less accumulated depreciation.
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.

Area	Details
Policyholder liabilities: insurance contracts and investment contracts with discretionary participating features	Although not an accounting policy election, the measurement of policyholder liabilities under IFRS 4 Insurance Contracts currently refers to existing local practice. In South Africa, the valuation basis of such policyholder liabilities is made in accordance with the Financial Soundness Valuation basis as set out in actuarial guidance issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104. Under this guidance, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence. For territories outside of South Africa, local actuarial practices and methodologies are applied.
Investments in subsidiaries, associated undertakings and joint ventures	The Group has elected to recognise these investments at cost in the Company financial statements.

1.4 Going concern

COVID-19 continued to have a material impact on South Africa in 2021 and through this the Group focused on driving the recovery in the underlying business. We have seen a significant improvement in most key performance indicators.

As part of preparing the financial results, the Group has performed a detailed going concern assessment. This assessment has relied on the Group's 2022 to 2024 business plan and has considered the profitability and solvency projections over the plan period. This business plan was presented in the context of a challenging local economic environment, with the impacts of COVID-19 continuing to affect our customers through 2021. Even under these conditions, the business plan delivered strong shareholder value creation while maintaining stable capital and solvency positions throughout the cycle. As part of the planning process, a downside scenario has also been modelled that examined a protracted inflation scenario in developed markets and further COVID vaccine challenges being experienced in emerging markets. The results show that the Group remains sufficiently capitalised with appropriate levels of liquidity and no material uncertainty in relation to the going concern has been identified in the base business plan as well as the downside scenario.

Based on the above reviews, no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next 12 months. The directors therefore consider it appropriate for the going concern basis to be adopted in preparing the annual financial statements.

1.5 Foreign currency translation

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 (being the South African Rand), using the period-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 is recognised in profit or loss. The accounting for Zimbabwe as a hyperinflationary economy is excluded from this policy and is explained in note A2(b).

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Income statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Pound sterling	20.3372	21.5601	21.1126	20.0650
US dollar	14.7870	15.9372	16.4597	14.6836
Kenyan shilling	0.1348	0.1409	0.1552	0.1344
Zimbabwe dollar ¹	0.1099	0.1099	0.1335	0.1335

¹ Income statement also translated at closing rate due to hyperinflation accounting being applied.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements

For the year ended 31 December 2021

A: Significant accounting policies

A1: Basis of preparation

1.6 Basis of preparation of Adjusted Headline Earnings

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 one of a range of measures used to assess management performance and performance based remuneration outcomes. In addition, it is used in setting the dividend to be paid to shareholders. Non-IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

Due to 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. It is calculated as headline earnings in accordance with JSE Listings Requirements and SAICA circular 01/2021 adjusted for items that are not considered reflective of the long term economic performance of the Group. AHE is presented to show separately the Results from Operations, which measure the operational performance of the Group from items such as investment return, finance costs and income from associated undertakings. The adjustments from headline earnings to AHE are explained below.

The Group Audit committee regularly reviews the determination of AHE and the use of adjusting items to confirm that it remains an appropriate basis against 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.

The adjustments applied in the determination of AHE are:

(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 includes 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 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. 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) Operations in hyperinflationary economies

Until such time as we are able to access capital by way of dividends from the business in Zimbabwe, we will manage it on a ring fenced basis and exclude its results from AHE. The lack of ability to access capital by way of dividends is exacerbated by the volatility that a hyperinflationary economy and the reporting thereof introduces. This adjustment has been applied from 1 January 2019.

(d) Non-core operations

Represents the elimination of the results of businesses or operations classified as non-core. This adjustment represents the net losses associated with the operations of the 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.

1.7 Basis of preparation of other non IFRS measures

The Group uses AHE in the calculation of various other non IFRS measures which are used by management, alongside IFRS metrics, to assess performance. Non IFRS measures are not defined by IFRS, are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities. The basis of preparation of each is outlined below.

(a) Return on Adjusted Net Asset Value (RoNAV)

RoNAV (expressed as a percentage), is calculated as AHE divided by the average of the opening, mid-year and closing balances of Adjusted IFRS equity. Adjusted IFRS equity is calculated as IFRS equity attributable to operating segments before adjustments related to the consolidation of funds. It excludes equity related to the Residual plc, discontinued operations (if applicable) and operations in hyperinflationary economies. A reconciliation is presented in note C3.

Following the unbundling of 12.2% of the Group's stake in Nedbank in November 2021, and the exclusion from AHE of the distributed stake effective 30 June 2021, for the purposes of the RoNAV calculation, the equity attributable to the distributed stake is recognised for the same proportion of the year that Earnings was recognised in AHE.

RoNAV is used to assess and measure the capital efficiency of the Group and it is one of a range of measures by which management performance and remuneration is assessed. The adjustments made to Adjusted IFRS equity mirror those made in AHE to ensure consistency of the numerator and denominator in the calculation of RoNAV.

(b) AHE per share

AHE per share is calculated as AHE divided by the Adjusted weighted average number of shares. The weighted average number of shares is adjusted to reflect the Group's BEE shares and the shares held in policyholder funds and consolidated investment funds as being in the hands of third parties, consistent with the treatment of the related revenue in AHE. Refer to note C1 for more information.

AHE per share is used alongside IFRS earnings, to assess performance of the Group. It is also used in assessing and setting the dividend to be paid to shareholders.

A2: 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 were the same as those that applied to the consolidated financial statements of Old Mutual Limited for the year ended 31 December 2020. Due to the impact that COVID-19 has had on the economy, additional disclosure on the valuation impacts and sensitivities thereto of the Group's assets and liabilities has been provided in the notes to which they relate.

COVID-19 has continued to have an impact on OM and the change in estimates and judgements has been disclosed in the underlying notes. As such, additional disclosure has been provided in the relevant notes of the assets and liabilities that require estimation and judgement.

Critical accounting judgements

The following sets out the items that require the Group to make critical estimates and judgements in the application of the relevant accounting policy, with additional detail provided below on key accounting judgements applied in the current year.

Critical accounting estimate	Accounting policy reference
Nedbank unbundling and dividend-in-specie	A2(a)
Accounting matters relating to Zimbabwe	A2(b)

(a) Investment in Nedbank

Accounting for the Group's stake in Nedbank at 31 December 2021

Following the unbundling of Nedbank Group Limited (Nedbank) during 2018, the Group retained a strategic shareholder interest that had been accounted for in terms of the equity accounting method and classified as an investment in an associated undertaking.

On 23 June 2021, the Group announced its intention to unbundle 12.2% of its 19.4% stake in Nedbank by way of a distribution in specie. The Group believes that the unbundling is in the best interests of shareholders and allows shareholders to participate directly in the investment cases of both businesses whilst providing a return of capital to shareholders.

Initial accounting treatment of the distributed stake and the retained stake

Based on the facts and circumstances that existed at 23 June 2021, the Directors had formally assessed and concluded that it was appropriate to classify the 12.2% stake being distributed as an asset held for sale and distribution. Due to the proximity of this date and the interim reporting date of 30 June 2021, the effective date of classification as held for sale and distribution was noted as 30 June 2021 and treated as such in the interim financial statements.

The total stake in Nedbank was assessed for impairment and a subsequent remeasurement adjustment was recognised in terms of IFRS 5 for the distributed stake. The Group had recognised a reversal of previously recognised impairments to the value of R108 million for the total stake, as well as a remeasurement loss of R47 million on the distributed stake. The resultant carrying values were R10 591 million for the distributed stake and R6 298 million for the retained stake at 30 June 2021. Accounting guidance also prescribes that upon reclassification, equity accounting is no longer applied to assets classified as held for sale and distribution.

Subsequent accounting treatment of the distributed stake

As the distributed stake had been classified as held for sale and distribution, any increases in fair value less costs to sell can be recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss that has been recognised in accordance with IFRS 5 or previously in accordance with IAS 36. A remeasurement gain of R65 million has been recognised until the date of unbundling, resulting in a pre-unbundling carrying value of R10 656 million.

Furthermore, dividends of R269 million have been received on the distributed stake and recognised in the income statement.

A held for distribution liability of R10 656 million had been raised post the approval from the Prudential Authority and the South African Reserve Bank. The held for distribution liability was discharged by crediting the distributed stake, effectively derecognising the held for sale and distribution investment off the balance sheet.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

A: Significant accounting policies

A2: Critical accounting estimates and judgements

Subsequent accounting treatment of the retained stake

The retained stake continued to be classified as an investment in an associated undertaking until the date of unbundling of the distributed stake.

The equity accounted earnings of Nedbank have been extrapolated from HY 2021, resulting in additional earnings of R261 million on the retained stake for the second half of the year. This takes the equity accounted earnings on the total stake to R1 289 million for the year.

Dividends of R159 million have been received and taken against the carrying amount of the investment in an associated undertaking. The carrying amount of the investment in an associated undertaking was compared to the recoverable amount and an impairment loss of R92 million was recognised, resulting in a carrying value of R6 308 million immediately prior to reclassification.

Following the unbundling of the distributed stake on 8 November, the Group no longer has significant influence in Nedbank and the retained stake was reclassified to investments and securities at fair value through profit or loss. Previous gains taken to other comprehensive income for foreign exchange differences and fair value movements relating to the total stake, have now been reclassified through profit or loss in the income statement.

Part of this investment (5.3%) has been hedged, limiting the exposure to movements in the share price of Nedbank. The market movement of the hedge has been accounted for as part of the Group's shareholder investment return, consistent with the fair value movement of the retained stake post reclassification.

The fair value of the retained stake is R5 919 million at 31 December 2021.

Tax impacts of the distributed stake and the retained stake

The general principle in IAS 12 is that deferred tax is recognised on all taxable temporary differences, with a deferred tax liability recognised on any increase in the carrying value of an investment over its tax base.

IAS 12 provides for certain exceptions on recognition of deferred tax, one of which was applied in the treatment of Nedbank. Given the intention to unbundle the distributed stake, a deferred tax liability was raised. For the distributed stake, the difference between the carrying value under IFRS 5 and the tax base of the investment was a taxable difference in terms of IAS 12, resulting in a tax liability of R731 million at the capital gains tax rate. This amount was reclassified from deferred tax to a current tax liability upon recognition of the held for distribution liability and was settled prior to 31 December 2021.

As the retained stake has been reclassified to investments and securities at fair value through profit or loss, the difference between the fair value and the tax base of the investment results in a taxable temporary difference in terms of IAS 12. Deferred tax has been recognised on this temporary difference at the capital gains tax rate amounting to R429 million at 31 December 2021.

(b) Accounting matters relating to Zimbabwe

Zimbabwe as a hyperinflationary economy

During the year, the Group concluded that Zimbabwe continued to remain a hyperinflationary economy. This decision was made after careful assessment of the relevant factors including the continued high official inflation rates.

The results of our operations with a functional currency of Zimbabwe dollar (ZWL\$) have been prepared in accordance with IAS 29 – 'Financial Reporting in Hyperinflationary Economies'. Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the year in order to account for the effect of loss of purchasing power during the year. Consistent with the prior year, the Group has elected to use the Zimbabwe Consumer Price Index (CPI) of 3,977.5 at 31 December 2021 (2,474.5: 31 December 2020) to restate amounts, as CPI provides an official observable indication of the change in the price of goods and services.

The application of hyperinflation accounting has been applied consistently with the principles outlined in both the 2019 and 2020 financial statements. The impact of applying IAS 29 in the current year resulted in a decrease in net asset value and profit after tax of R94 million.

Application of hyperinflationary accounting

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) announced that the ZWL\$ would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in ZWL\$ with other currencies. For the year ended 31 December 2019, the Group applied this exchange rate in the translation of the financial results and position of the Zimbabwe business.

During the prior year, the RBZ suspended the inter-bank exchange rate system in order to provide for greater certainty in the pricing of goods and services in the Zimbabwe economy. In its place, the RBZ adopted a fixed exchange system at ZWL\$25 to 1 US dollar. In June 2020, the RBZ implemented a formal market-based foreign exchange trading system (auction trading system), which was operational from 23 June 2020. The intention of this system was expected to bring transparency and efficiency in the trading of foreign currency in the economy.

As the auction trading system came into operation in the previous year and the rate derived from this system did not appropriately reflect the rate for immediate delivery of foreign exchange, therefore, in the Group's judgement there is a permanent lack of exchangeability and the Group had estimated an exchange rate that more appropriately reflected observable differences between ZWL\$ and US dollar values. For the purposes of 31 December 2021 reporting, a ZWL\$ to US dollar exchange rate of 145 to 1 (110 to 1: 31 December 2020) has been applied.

The estimated exchange rate has been calculated on a similar basis to the exchange rate used in the prior year. The inputs considered in the estimate include the global relative fuel prices and the weighted average exchange rate calculated on the newly implemented formal market-based foreign exchange trading system. For the current year, management has also considered additional inputs in the determination of the estimated rate. Two further inputs into the estimated rate include the global relative maize prices between Zimbabwe and the US and a CPI adjusted group exchange rate based on the relative inflationary moves between Zimbabwe and the US.

In accordance with the provisions of IAS 21 – 'The Effects of Changes in Foreign Exchange Rates' the results, net assets and cash flows have been translated at the closing exchange rate.

Valuation of assets within Zimbabwe

In light of the economic conditions within Zimbabwe, the valuation of assets requires significant judgement. The Group has exposure to property assets, unlisted and listed investments. Listed investments comprise equity shareholdings in companies listed on the Zimbabwe Stock Exchange (ZSE) and other international stock exchanges whilst the Group's unlisted investment portfolio primarily comprises of private equity investments. All assets have applied valuation principles as outlined within IFRS.

IFRS profits earned within Zimbabwe

During the current year, our operations in Zimbabwe reported pre-tax IFRS profits of R4.1 billion, of which R3.1 billion was driven by an increase in investment returns earned on the Group's shareholder portfolio. Most of these investment returns relate to fair value gains earned on equities traded on the ZSE. The ZSE generated returns of 31.1% during the year, driven by investors seeking safe-haven assets due to continued movements in CPI. We caution users of these financial statements that these returns may reverse in the future.

Sensitivities

The table below illustrates the sensitivity of the condensed income statement and condensed statement of financial position to changes in the general price index:

Condensed income statement for the year ended 31 December 2021

Rm	As reported	+100% (CPI)	+250% (CPI)	+500% (CPI)
Total revenues	18,513	18,606	18,746	18,979
Total expenses	(14,441)	(14,542)	(14,673)	(14,803)
Profit before tax for the financial year	4,072	4,064	4,073	4,175
Income tax expense	(138)	(139)	(141)	(226)
Profit after tax for the financial year	3,934	3,925	3,932	3,949

Condensed statement of financial position at 31 December 2021

Rm	As reported	+100% (CPI)	+250% (CPI)	+500% (CPI)
Total assets	28,141	28,146	28,153	28,165
Total (liabilities)	(23,158)	(23,159)	(23,160)	(23,162)
Net assets	4,983	4,987	4,993	5,003

The following table illustrates the sensitivity of profit and equity attributable to equity holders of the parent to changes in the rate used to translate the financial results and position of the Zimbabwean business. The sensitivities include a depreciation of 50% of the existing rate. In addition, the results have also been stated at the closing parallel and auction rates as at 31 December 2021.

Condensed income statement for the year ended 31 December 2021

Rm	As Reported ZWL\$:0,11 ZAR	ZWL\$:0,05 ZAR	ZWL\$:0,08 ZAR	ZWL\$:0,15 ZAR
Total revenues	18,513	9,257	12,783	24,703
Total expenses	(14,441)	(7,221)	(9,971)	(19,270)
Profit before tax for the financial year	4,072	2,036	2,812	5,433
Income tax expense	(138)	(69)	(95)	(184)
Profit after tax for the financial year	3,934	1,967	2,717	5,249

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

A: Significant accounting policies

A2: Critical accounting estimates and judgements

Condensed statement of financial position at 31 December 2021

Rm	As Reported ZWL\$:0,11 ZAR	ZWL\$:0,05 ZAR	ZWL\$:0,08 ZAR	ZWL\$:0,15 ZAR
Total assets	28,141	14,070	19,430	37,550
Total liabilities	(23,158)	(11,579)	(15,990)	(30,901)
Net assets	4,983	2,491	3,440	6,649

Rm	As Reported ZWL\$:0,11 ZAR	ZWL\$:0,05 ZAR	ZWL\$:0,08 ZAR	ZWL\$:0,15 ZAR
Profit after tax attributable to equity holders of the parent	3,513	1,756	2,425	4,687
Equity attributable to the equity holders of the parent	4,411	2,205	3,046	5,886

The below sensitivity shows the potential impact on the investment values and profit attributable to the equity holders of the parent, should there be significant movements on the ZSE.

For FY 2021, the ZSE recorded a gain of 311% (FY 2020: 1.046%). The return generated on the ZSE is less about company fundamentals and more about the conditions in Zimbabwe where investors are piling money into the stock market as a 'safe haven'. For FY 2021, the Zimbabwe shareholder portfolio generated a return of R3.1bn, with R2.9bn of this being generated from local equities.

Rm	As reported	50% increase	50% decrease	75% decrease
Profit after tax attributable to equity holders of the parent	3,513	5,518	1,507	504
Equity attributable to the equity holders of the parent	4,411	6,416	2,405	1,403
Listed equities (total for both shareholders and policyholders)	13,319	19,979	6,660	3,330

B: Segment information

BI: Basis of segmentation

1.1 Segment presentation

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 year under review. The Group has identified the Chief Operating Decision Maker (CODM) to be the executive management team of Old Mutual Limited. The Group's operating segments have been identified based on the internal management reporting structure which is reflective of the nature of products and services as well as the target customer base. The managing directors of the operating segments form part of the executive team. Therefore, the CODM, being the executive team of Old Mutual Limited, is structured in a way reflective of the internal reporting structure.

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 and 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 and Wealth Management:** Personal Finance is 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 Management is a retail segment targeting high income and high net worth individuals, that provides vertically integrated advice, investment solutions and funds, and other financial solutions.
- **Old Mutual Investments:** Operates across Asset Management through three distinct segments: (i) Listed asset management comprising three affiliate businesses being Futuregrowth, Marriott and Old Mutual Investment Group, (ii) Old Mutual Alternative Investment, an unlisted investment affiliate business, and (iii) 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 non-life insurance products through three operational channels: (i) Retail (including direct: iWYZE), (ii) Speciality and (iii) Credit Guarantee (CGIC).
- **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.

1.2 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.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

B: Segment information

B2: Segmental income statement

Year ended 31 December 2021 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassifications	Total IFRS
Revenue											
Gross insurance premium revenue	12,762	16,657	-	27,829	15,914	9,648	(409)	82,401	-	1,440	83,841
Outward reinsurance	(39)	(1,426)	-	(1,995)	(6,649)	(1,417)	407	(11,119)	-	(171)	(11,290)
Net earned premiums	12,723	15,231	-	25,834	9,265	8,231	(2)	71,282	-	1,269	72,551
Investment return (non-banking)	4,706	56,224	8,108	52,131	96	6,582	(2,145)	125,702	13,709	17,636	157,047
Banking interest and similar income	2,796	-	-	-	-	724	-	3,520	-	827	4,347
Banking trading, investment and similar income	-	-	-	-	-	79	-	79	-	354	433
Fee and commission income, and income from service activities	435	7,384	2,721	398	1,408	1,092	(1,906)	11,532	(668)	963	11,827
Other income	246	365	122	614	4	262	(49)	1,564	92	(47)	1,609
Total revenue and other income	20,906	79,204	10,951	78,977	10,773	16,970	(4,102)	213,679	13,133	21,002	247,814
Expenses											
Net claims and benefits (including change in insurance contract provisions)	(10,574)	(31,458)	-	(66,832)	(6,158)	(12,607)	168	(127,461)	-	(11,784)	(139,245)
Reinsurance recoveries	46	3,655	-	2,605	662	765	(110)	7,623	-	56	7,679
Net claims and benefits incurred	(10,528)	(27,803)	-	(64,227)	(5,496)	(11,842)	58	(119,838)	-	(11,728)	(131,566)
Change in investment contract liabilities	(23)	(37,554)	(7,109)	(8,927)	-	(796)	322	(54,087)	-	(860)	(54,947)
Credit impairment charges	(136)	(136)	-	(91)	-	(106)	-	(469)	-	(198)	(667)
Finance costs	-	-	-	-	-	-	-	-	-	(543)	(543)
Banking interest payable and similar expenses	(428)	(1)	-	-	-	(266)	-	(695)	-	(60)	(755)
Fee and commission expenses, and other acquisition costs	(2,604)	(4,038)	(420)	(844)	(2,626)	(947)	1,559	(9,920)	(277)	(309)	(10,506)
Change in third-party interest in consolidated funds	-	-	-	-	-	-	-	-	(11,874)	-	(11,874)
Other operating and administrative expenses	(4,225)	(7,278)	(2,297)	(3,952)	(2,108)	(3,304)	1,518	(21,646)	(982)	(2,268)	(24,896)
Policyholder tax	(210)	(1,946)	(16)	(209)	-	(100)	(159)	(2,640)	-	2,640	-
Total expenses	(18,154)	(78,756)	(9,842)	(78,250)	(10,230)	(17,361)	3,298	(209,295)	(13,133)	(13,326)	(235,754)
Share of gains of associated undertakings and joint ventures after tax	-	-	-	-	-	-	-	-	-	1,385	1,385
Impairment of investments in associated undertakings	-	-	-	-	-	-	-	-	-	18	18
Loss on disposal of subsidiaries and associates undertakings	-	-	-	-	-	-	-	-	-	(36)	(36)
Results from operations	2,752	448	1,109	727	543	(391)	(804)	4,384	-	9,043	13,427
Shareholder investment return	-	-	-	-	203	795	1,728	2,726	-	(2,726)	-
Finance costs	-	-	-	-	(29)	(90)	(424)	(543)	-	543	-
Income from associated undertakings	-	-	-	-	-	-	1,252	1,252	-	(1,252)	-
Adjusted Headline Earnings before tax and non-controlling interests	2,752	448	1,109	727	717	314	1,752	7,819	-	5,608	13,427
Shareholder tax	(862)	(87)	(292)	(204)	(255)	(148)	(240)	(2,088)	-	(3,876)	(5,964)
Non-controlling interests	(239)	(1)	(22)	-	(101)	34	-	(329)	-	(472)	(801)
Adjusted Headline Earnings	1,651	360	795	523	361	200	1,512	5,402	-	1,260	6,662
Investment return adjustment for Group equity and debt instruments held in policy holder funds	-	-	-	-	-	(93)	(97)	(190)	-	190	-
Impact of restructuring	(288)	-	-	-	-	(9)	(1,185)	(1,482)	-	1,482	-
Operations in hyperinflationary economies	-	-	-	-	-	3,489	-	3,489	-	(3,489)	-
Non-core operations	-	-	-	-	-	-	(10)	(10)	-	10	-
Headline earnings	1,363	360	795	523	361	3,587	220	7,209	-	(547)	6,662
Adjustments											
Remeasurement of non-current asset/disposal group HFS	-	-	-	-	-	-	4	4	-	(4)	-
Reversal of impairment/(impairment) of goodwill and other intangibles assets and property plant and equipment and other Headline Earnings adjustments	-	1	-	-	-	1	(560)	(558)	-	558	-
Profit on disposal of property, plant and equipment	-	-	-	-	-	3	4	7	-	(7)	-
Reversal of impairment of associated undertakings	-	-	1	-	-	-	36	37	-	(37)	-
Profit on disposal of subsidiaries and associated undertakings	-	-	14	-	-	-	(51)	(37)	-	37	-
Profit after tax for the financial year attributable to equity holders of the parent	1,363	361	810	523	361	3,591	(347)	6,662	-	-	6,662
Profit for the financial year attributable to non-controlling interests	243	9	22	38	101	388	-	801	-	-	801
Profit after tax for the financial year	1,606	370	832	561	462	3,979	(347)	7,463	-	-	7,463

Total Inter-segments revenue included in total revenue is as follows: Mass and Foundation Cluster is R1,082 million (2020: R1,085 million), Personal Finance and Wealth Management is R5,395 million (2020: R11,659 million), Old Mutual Investments is R5,568 million (2020: R3,557 million), Old Mutual Corporate is R9,329 million (2020: R11,447 million), Old Mutual Insure is R1 million (2020: R1 million), Rest of Africa is R51 million (2020: R16 million) and Other Group Activities is R12,732 million (2020: R6,392 million).

Segmental income statements are disclosed to match the way the business is managed. This will not align to Disaggregated revenue (D9) as it represents the IFRS 15 view of income.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

B: Segment information

B2: Segmental income statement

Year ended 31 December 2020 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Adjusted Headline Earnings	Consolidation of funds	Adjusting items and reclassifications	Total IFRS
Revenue											
Gross insurance premium revenue	13,061	15,929	-	28,012	14,839	9,165	(103)	80,903	-	668	81,571
Outward reinsurance	(38)	(1,346)	-	(1,105)	(5,398)	(1,157)	102	(8,942)	-	(167)	(9,109)
Net earned premiums	13,023	14,583	-	26,907	9,441	8,008	(1)	71,961	-	501	72,462
Investment return (non-banking)	1,172	27,530	2,272	17,351	231	2,775	(2,553)	48,778	(1,121)	9,283	56,940
Banking interest and similar income	3,489	-	-	-	-	930	-	4,419	-	315	4,734
Banking trading, investment and similar income	-	-	-	-	-	81	-	81	-	260	341
Fee and commission income, and income from service activities	540	6,812	2,069	371	1,013	1,082	(1,917)	9,970	-	439	10,409
Other income	270	375	85	692	1	215	(72)	1,566	39	42	1,647
Total revenue and other income	18,494	49,300	4,426	45,321	10,686	13,091	(4,543)	136,775	(1,082)	10,840	146,533
Expenses											
Net claims and benefits (including change in insurance contract provisions)	(7,874)	(21,030)	-	(38,538)	(14,974)	(8,280)	154	(90,542)	-	(4,870)	(95,412)
Reinsurance recoveries	37	2,317	-	1,521	8,678	934	(93)	13,394	-	37	13,431
Net claims and benefits incurred	(7,837)	(18,713)	-	(37,017)	(6,296)	(7,346)	61	(77,148)	-	(4,833)	(81,981)
Change in investment contract liabilities	15	(17,455)	(2,307)	(2,578)	-	(234)	(74)	(22,633)	-	(1,370)	(24,003)
Credit impairment charges	(1,949)	(199)	-	(373)	-	(319)	(1)	(2,841)	-	(33)	(2,874)
Finance costs	-	-	-	-	-	-	-	-	-	(484)	(484)
Banking interest payable and similar expenses	(612)	-	-	-	-	(347)	-	(959)	-	(94)	(1,053)
Fee and commission expenses, and other acquisition costs	(2,572)	(3,747)	(444)	(745)	(2,499)	(886)	1,488	(9,405)	(241)	(157)	(9,803)
Change in third-party interest in consolidated funds	-	-	-	-	-	-	-	-	3,479	-	3,479
Other operating and administrative expenses	(4,273)	(7,202)	(1,489)	(4,882)	(2,022)	(3,656)	2,575	(20,949)	(2,156)	(1,944)	(25,049)
Policyholder tax	(1)	(1,459)	(6)	361	-	(111)	39	(1,177)	-	1,177	-
Total expenses	(17,229)	(48,775)	(4,246)	(45,234)	(10,817)	(12,899)	4,088	(135,112)	1,082	(7,738)	(141,768)
Share of gains of associated undertakings and joint ventures after tax	-	-	-	-	-	-	-	-	-	592	592
Impairment of investments in associated undertakings	-	-	-	-	-	-	-	-	-	(8,629)	(8,629)
Loss on disposal of subsidiaries and associates undertakings	-	-	-	-	-	-	-	-	-	-	-
Results from operations	1,265	525	180	87	(131)	192	(455)	1,663	-	(4,935)	(3,272)
Shareholder investment return	-	-	-	-	89	311	1,212	1,612	-	(1,612)	-
Finance costs	-	-	-	-	(35)	(118)	(331)	(484)	-	484	-
Income from associated undertakings	-	-	-	-	-	-	917	917	-	(917)	-
Adjusted Headline Earnings before tax and non-controlling interests	1,265	525	180	87	(77)	385	1,343	3,708	-	(6,980)	(3,272)
Shareholder tax	(448)	(154)	(128)	(26)	5	(311)	(126)	(1,188)	-	(888)	(2,076)
Non-controlling interests	(41)	-	(17)	-	1	21	-	(36)	-	287	251
Adjusted Headline Earnings	776	371	35	61	(71)	95	1,217	2,484	-	(7,581)	(5,097)
Investment return adjustment for Group equity and debt instruments held in policy holder funds	(33)	(85)	-	(315)	-	62	1,156	785	-	(785)	-
Impact of restructuring	210	294	-	-	-	(7)	-	497	-	(497)	-
Operations in hyperinflationary economies	-	-	-	-	-	1,093	-	1,093	-	(1,093)	-
Non-core operations	-	-	-	-	-	-	229	229	-	(229)	-
Headline earnings	953	580	35	(254)	(71)	1,243	2,602	5,088	-	(10,185)	(5,097)
Adjustments											
Impairment of goodwill and other intangibles assets and property plant and equipment and other Headline Earnings adjustments	(1,127)	-	-	-	-	-	(281)	(1,408)	-	1,408	-
Impairment of associated undertakings	-	-	(9)	-	-	-	(8,768)	(8,777)	-	8,777	-
(Loss)/profit after tax for the financial year attributable to equity holders of the parent	(174)	580	26	(254)	(71)	1,243	(6,447)	(5,097)	-	-	(5,097)
(Loss)/profit for the financial period attributable to non-controlling interests	(338)	(5)	17	(29)	(1)	105	-	(251)	-	-	(251)
(Loss)/profit after tax for the financial year	(512)	575	43	(283)	(72)	1,348	(6,447)	(5,348)	-	-	(5,348)

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

B: Segment information

B3: Segmental statement of financial position

At 31 December 2021 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Consolidation of funds	Total IFRS
Total assets¹	36,847	412,951	68,049	318,611	16,971	88,693	29,091	82,641	1,053,854
Policyholder liabilities	(16,070)	(381,024)	(58,111)	(288,282)	–	(53,945)	2,813	–	(794,619)
Life insurance contracts liabilities	(141)	(83,787)	(3)	(62,926)	–	(9,305)	813	–	(155,349)
Investment contract liabilities with discretionary participating features	(15,845)	(16,911)	–	(176,462)	–	(36,265)	–	–	(245,483)
Investment contract liabilities	(84)	(280,326)	(58,108)	(48,894)	–	(8,375)	2,000	–	(393,787)
Property and Casualty insurance liabilities	–	–	–	–	(7,630)	(3,576)	–	–	(11,206)
Other liabilities	(17,253)	(28,200)	(5,345)	(29,769)	(5,071)	(14,424)	91	(82,757)	(182,728)
Total liabilities	(33,323)	(409,224)	(63,456)	(318,051)	(12,701)	(71,945)	2,904	(82,757)	(988,553)
Net assets	3,524	3,727	4,593	560	4,270	16,748	31,995	(116)	65,301

At 31 December 2020 Rm	Mass and Foundation Cluster	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities and inter-company eliminations	Consolidation of funds	Total IFRS
Total assets¹	31,455	361,052	59,845	287,336	19,850	65,980	38,884	76,280	940,682
Policyholder liabilities	(13,544)	(328,673)	(50,765)	(253,143)	–	(39,106)	2,267	–	(682,964)
Life insurance contracts liabilities	(195)	(77,893)	(3)	(60,201)	–	(7,758)	514	–	(145,536)
Investment contract liabilities with discretionary participating features	(13,280)	(15,377)	–	(151,384)	–	(23,076)	–	–	(203,117)
Investment contract liabilities	(69)	(235,403)	(50,762)	(41,558)	–	(8,272)	1,753	–	(334,311)
Property and Casualty insurance liabilities	–	–	–	–	(11,202)	(3,253)	–	–	(14,455)
Other liabilities	(14,625)	(28,836)	(5,310)	(33,741)	(4,862)	(12,684)	3,022	(76,904)	(173,940)
Total liabilities	(28,169)	(357,509)	(56,075)	(286,884)	(16,064)	(55,043)	5,289	(76,904)	(871,359)
Net assets	3,286	3,543	3,770	452	3,786	10,937	44,173	(624)	69,323

¹ Total assets held for sale included in total assets is as follows: Mass and Foundation Cluster is R 23 million (2020: R2 million), Personal Finance and Wealth Management is R 46 million (2020: R4 million), Old Mutual Corporate is R200 million (2020: R15 million), Rest of Africa is RNil (2020: R63 million) and Old Mutual Insure is RNil (2020: RNil).

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

C: Other key performance information

C1: Earnings and earnings per share

Year ended 31 December	Source of guidance	Notes	2021 cents	2020 cents
Basic earnings/(loss) per share	IFRS	C1(a)	151.3	(116.3)
Diluted earnings/(loss) per share	IFRS	C1(b)	148.9	(116.3)
Headline earnings per share	JSE Listings Requirements SAICA Circular 01/2021	C1(c)	163.8	116.1
Diluted headline earnings per share	JSE Listings Requirements SAICA Circular 01/2021	C1(c)	161.2	116.1

(a) Basic earnings/(loss) per share

Basic earnings/(loss) 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.

Year ended 31 December Rm	2021	2020
Profit/(loss) for the financial year attributable to equity holders of the parent from operations	6,662	(5,097)

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

Year ended 31 December	2021	2020
Weighted average number of ordinary shares in issue (millions)	4,709	4,709
Shares held in charitable foundations and trusts (millions)	(18)	(19)
Shares held in ESOP and similar trusts (millions)	(133)	(116)
Adjusted weighted average number of ordinary shares (millions)	4,558	4,574
Shares held in policyholder and consolidated investment funds (millions)	(139)	(179)
Shares held in Black Economic Empowerment trusts (millions)	(17)	(14)
Weighted average number of ordinary shares used to calculate basic earnings per share (millions)	4,402	4,381
Basic earnings/(loss) per ordinary share (cents)	151.3	(116.3)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) 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 following table 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:

For the year ended 31 December	Notes	2021	2020
Profit/(Loss) attributable to ordinary equity holders (Rm)		6,662	(5,097)
Weighted average number of ordinary shares (millions)	C1(a)	4,402	4,381
Adjustments for share options held by ESOP and similar trusts (millions) ¹		54	-
Adjustments for shares held in Black Economic Empowerment trusts (millions) ¹		17	-
Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)		4,473	4,381
Diluted earnings/(loss) per ordinary share (cents)		148.9	(116.3)

¹ The impact of these trusts on weighted average number of shares were excluded in the prior year as their inclusion would have an antidilutive effect. This is only applicable in periods when a loss attributable to ordinary equity holders is recorded.

(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 01/2021 '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 JSE required measure of earnings in South Africa. The following table reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

Year ended 31 December Rm	Notes	2021		2020	
		Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Profit/(loss) attributable to ordinary equity holders			6,662		(5,097)
Adjustments:					
Impairments of goodwill, intangible assets and property, plant and equipment		648	559	1,796	1,395
Reversal of impairment/(impairment) of investment in associated undertakings		(18)	(37)	8,777	8,777
Remeasurement of non-current asset held for sale		(18)	(4)	-	-
(Profit)/loss on disposal of property and equipment		(7)	(7)	17	13
Loss on disposal of subsidiaries, associated undertakings and joint ventures		36	36	-	-
Total adjustments		641	547	10,590	10,185
Headline Earnings			7,209		5,088
Weighted average number of ordinary shares (millions)	C1(a)		4,402		4,381
Diluted weighted average number of ordinary shares (millions)	C1(b)		4,473		4,381
Headline Earnings per share (cents)			163.8		116.1
Diluted Headline Earnings per share (cents) ¹			161.2		116.1

¹ Diluted Headline Earnings per share has been calculated using the same weighted average number of ordinary shares used to calculate diluted loss per share, in accordance with the South African Institute of Chartered Accountants' circular 01/2021 'Headline Earnings'.

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.

Year ended 31 December Rand	2021	2020
Net asset value per share	13.9	14.7
Net tangible asset value per share	12.5	13.5

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

C: Other key performance information

C3: Return on Net Asset Value (RoNAV)

The basis of preparation of RoNAV is described in note A1.7.

Year ended 31 December Rbn or %	2021	2020
Total RoNAV (%)	9.0%	3.8%
Average Adjusted IFRS Equity (Rbn) ¹	59.8	65.2
Closing Adjusted IFRS Equity (Rbn)	55.8	64.2

¹ Following the unbundling of 12.2% of the Group's stake in Nedbank in November 2021, and the exclusion from AHE of the distributed stake effective 30 June 2021, for the purposes of the RoNAV calculation, the equity attributable to the distributed stake is recognised for the same proportion of the year that Earnings was recognised in AHE.

Reconciliation of equity attributable to the holders of the parent to closing adjusted IFRS equity

Rbn	Notes	2021	2020
Equity attributable to the holders of the parent		62.2	67.0
Equity in respect of associated undertakings ¹		-	(15.8)
Equity in respect of operations in hyperinflationary economies		(4.4)	(0.7)
Equity in respect of non-core operations		(2.1)	(2.7)
Consolidation adjustments		0.1	0.6
Equity attributable to operating segments		55.8	48.4
Equity attributable to the Group's stake in Nedbank	A2	-	15.8
Closing Adjusted IFRS equity		55.8	64.2

¹ Following the unbundling of 12.2% of the Group's stake in Nedbank in November 2021, and the exclusion from AHE of the distributed stake effective 30 June 2021, for the purposes of the RoNAV calculation, the equity attributable to the distributed stake is recognised for the same proportion of the year that Earnings was recognised in AHE.

C4: Dividends

Year ended 31 December Rm	Ordinary dividend payment date	2021	2020
2019 Final dividend paid - 75.00c per share	4 May 2020	-	3,346
2020 Final dividend paid - 35.00c per share	24 May 2021	1,565	-
2021 Interim dividend paid - 25.00c per share	11 October 2021	1,121	-
2021 Dividend in specie (refer to note A2(a))	08 November 2021	10,656	-
Dividend payments to ordinary equity holders for the year		13,342	3,346

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.

During the prior year, the Board deemed it appropriate to hold the interim dividend for the six months ended 30 June 2020. Dividends has since resumed.

A final dividend of 51 cents (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the directors and will be paid on 23 May 2022 to shareholders on all registers.

D: Other consolidated income statement notes

Accounting policies

The Group provides financial services, such as insurance, asset management and banking & lending services to our customers. Fees and commission from asset management and banking & lending services are accounted for as revenue from contracts with customers, while revenue from insurance contracts is accounted for in accordance with the accounting policies for gross insurance premium revenue (G2). Investment returns (fair value gains or losses, interest income and dividend income) earned on behalf of shareholders and customers are recognised in accordance with the accounting policies for financial instruments (note E).

Basic revenue recognition principle

The Group recognises revenue from contracts with customers based on the amount expected to be received from customers when the performance obligations agreed to by the Group have been satisfied. Performance obligations are satisfied through the transfer of the promised services to the customer. The Group transfers the promised service over time or at a point in time depending on the nature of the promised services. In the majority of instances, the performance obligations are satisfied as the Group renders the agreed financial services to our customers over time.

Banking and lending

The Group provides banking and lending services to retail and corporate customers. These services include, but are not limited to account management, transaction support, provision of overdraft facilities and issuing of loans. Revenue from account management and provision of overdraft facilities are recognised over time as the Group renders these services. Revenue derived from specific transactions are recognised when the transaction takes place. Loan origination fees are included in the yield on the loan provided and are recognised as part of interest income through the effective interest method.

Fee and commission income on lending activities relates primarily to administration fees. These fees are recognised as revenue over time as the Group administers the loan accounts for our clients. In the lending business the administration fee income is realised through loan installment collection process.

The Group also earns fee and commission income from transactions performed by our clients. The fee and commission income is recognised on the date of the transaction. The fee and commission income from particular transactions are realised through a reduction in the amount due to depositors. The amount of the fee is agreed to with our clients.

Asset management

Revenue from asset management consists of asset management fees, performance fees and administration fees. Fees are recognised as revenue over time as the Group provides the services. When the Group receives up-front payments for services to be rendered in the future, the payments are accounted for as contract liabilities.

If the amount of the fee can be reliably estimated, the Group recognises revenue over time as the services are rendered. If the fee cannot be reliably estimated, the recognition of fees is delayed until significant uncertainty regarding the Group's entitlement to the fee and the measurement of the fee have been resolved.

Fee and commission income is earned through providing asset management and related investment administration services to our clients.

Fee and commission income is primarily based on funds-under-management, investment commitment values or amounts drawn from investors. Fee and commission income is generally recognised over time, on a monthly basis, as the services are rendered. Fee and commission income earned from collective investment schemes is recognised over time, on a daily basis, as the services are rendered.

Fee and commission income is generally realised during the first work week of the month succeeding the period of service. In some instances, fee and commission income is realised between 30 and 45 days in arrears or as agreed with our clients. Fee and commission income is realised through a reduction from our clients' investments portfolios or through a separate invoice and collection process.

In some instances, an initial fee is charged to the clients when entering into an investment agreement with the Group. The initial fee is collected as a reduction from the initial amount invested with the Group or through a separate payment made by the client. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over periods between five and 10 years as the services are rendered.

The Group earns transaction fees from assisting clients with specific transactions on their portfolios. These fees are recognised when the transaction has been completed and are realised through a reduction in the client portfolio.

The Group earns a performance fee if certain performance thresholds and other criteria are met. The performance fee is deducted from the portfolio or is invoiced separately as per the terms of the contract. The rate that the fee and commission income is charged at is agreed with our clients in investment mandates.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

D: Other consolidated income statement notes

Contract assets and contract liabilities

A contract asset exists if the Group has recognised revenue, but the amount expected to be received is not yet due from the customer. Contract assets are measured at the amount of revenue recognised. A contract liability exists if the Group has received or is entitled to consideration in advance of the Group satisfying the performance obligation. The contract liability represents the obligation to provide the agreed services to the customer. The contract liability is recognised as revenue as the Group satisfies the related performance obligation to the customer.

Costs incurred in acquiring investment management service contracts

Incremental costs that are directly attributable to securing an investment management service contract are recognised as assets if the costs can be identified separately, measured reliably and it is probable that the costs will be recovered.

Costs of obtaining contracts are those costs that the Group incurs in acquiring investment management service contracts and are amortised as the related revenue is recognised.

D1: Income tax expense

Current tax

Included within the tax charge are charges relating to:

- Normal income tax
- Taxes payable on behalf of policyholders
- Withholding tax borne by the group

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Taxation provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, where on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be set off. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profits.

Significant accounting estimate and judgements – uncertain tax positions

The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which the Group operates. All interpretations by management, are made with reference to the specific facts and circumstances of the transaction and in the context of relevant legislation, practice and directives.

Business and tax law complexity may result in the Group entering into transactions that expose the Group to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The Revenue Authorities in the various jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group.

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 Group is satisfied that adequate provisions have been made to cater for the resolution of uncertain tax matters and that the resources required to fund such potential settlements, where necessary, are sufficient. Due to the level of estimation required in determining tax provisions amounts ultimately payable may differ from the provision recognised.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group records and evaluates tax positions in terms of IFRIC 23 – Uncertainty over Income Tax Treatments, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 12 – Income Taxes, which sets out how to account for the tax position, when there is uncertainty over income tax treatments. Uncertain tax positions are based on the most likely outcome of the liability based on a probability weighted average approach. Where applicable, the impact of IFRIC 23 on the respective legal entities in the Group has been considered and adequate amounts provided.

(a) Analysis of total income tax expense

The total income tax expense for the year comprises:

Rm	2021	2020
Current tax		
South Africa	3,697	2,041
Overseas tax		
Rest of Africa	374	456
Rest of the world	–	(64)
Withholding taxes	295	(7)
Adjustments to current tax in respect of prior years	31	9
Total current tax	4,397	2,435
Deferred tax		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,695	(445)
Write-down of deferred tax assets	15	1
Adjustments to deferred tax in respect of prior years	(143)	85
Total deferred tax	1,567	(359)
Total income tax expense	5,964	2,076
Attributable to		
Shareholder funds	3,314	907
Policyholder funds	2,650	1,169
Total income tax expense	5,964	2,076

For South African entities that are in a tax paying position, tax has been provided at 28% (2020: 28%). The Group uses the South African tax rate in respect of its tax rate reconciliation as Old Mutual Limited is domiciled in South Africa and the most significant operations are in South Africa.

(b) Reconciliation of total income tax expense

The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from operations from the different tax jurisdictions had been taxed at the South African standard corporation tax rate. The difference in the effective rate of the operations is explained below:

Year ended 31 December	Note	2021	2020
Rm			
Profit/(loss) before tax		13,427	(3,272)
Tax at South African standard rate of 28.0% (2020: 28.0%)		3,759	(916)
Different tax rate or basis on foreign operations		(74)	(60)
Untaxed and low taxed income ¹		(2,055)	(1,903)
Disallowable expenses ²		880	4,148
Adjustments to current tax in respect of prior years		(36)	46
Net movement on deferred tax assets not recognised		274	53
Adjustments to deferred tax in respect of prior years		(2)	72
Withholding taxes ³		66	(209)
Income tax attributable to policyholder returns		1,908	845
Tax impact of Nedbank unbundling	A2(a)	1,250	–
Other		(6)	–
		5,964	2,076

¹ Includes exempt income, capital gains taxed at lower than the corporate tax rate and untaxed share of joint venture and associated profits.

² Disallowable expenses includes impairments R Nil (2020: R3,212 million) with the balance mainly relating to expenses incurred in the production of non-taxable income and are therefore non-deductible for tax purposes.

³ The withholding tax included in the 'Reconciliation of total income tax expense' includes the shareholder tax component only.

(c) Income tax relating to components of other comprehensive income

The total income tax expense relating to items recognised in other comprehensive income for the year comprises of the following:

Year ended 31 December	2021	2020
Rm		
Measurement gains on defined benefit plans	8	50
Property revaluation reserve	12	13
Income tax on items that will not be reclassified subsequently to profit or loss	20	63

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

D: Other consolidated income statement notes

D2: Investment return (non-banking)

This note analyses the investment return from the non-banking activities of the Group.

Rm	2021	2020
Interest and similar income		
Loans and advances	25	15
Investments and securities	22,491	24,052
Cash and cash equivalents	854	1,076
Total interest and similar income	23,370	25,143
Dividend income from investments and securities	12,535	11,118
Net fair value gains recognised in profit or loss	115,236	17,294
Rental income from investment properties	3,597	3,023
Net fair value gains on the revaluation of investment property	2,285	116
Net foreign currency gains	24	246
Total amounts recognised in profit or loss	157,047	56,940
Total interest income for assets measured at amortised cost (effective interest rate)	9	5
The fair value gains shown above are analysed according to their IFRS 9 categorisations as follows:		
Designated and mandatorily at fair value through profit or loss	115,236	17,294

D3: Banking interest and similar income

This note analyses the interest earned on loans and advances from the banking activities of the Group's businesses.

Rm	2021	2020
Loans and advances	4,235	4,668
Mortgage loans	624	193
Bills and acceptances	13	27
Overdrafts	59	30
Term loans and other ¹	3,539	4,418
Investments and securities	112	66
Government and government-guaranteed securities	94	54
Other debt securities, preference shares and debentures	18	12
Total interest and similar income	4,347	4,734
Total interest income for assets not at fair value through profit or loss	3,432	3,679

¹ Term loans and other includes commercial mortgages, deposits placed under repurchase agreements, preference shares and debentures and unsecured and other loans.

D4: Fee and commission income, and income from service activities

This note analyses the fees and commission, earned by the Group, from negotiating, or participating in the negotiation of a transaction for third-parties, transaction and performance fees earned and administration fees.

Year ended 31 December	2021	2020
Rm		
Fee and commission income	11,051	9,952
Transaction and performance fees	798	446
Administration fees ¹	(22)	11
	11,827	10,409

¹ The primary reason for this amount being negative is due to an uptick in Fixed Bond sales and the introduction of the CNQS Reinsurance Programme.

D5: Finance costs

Finance costs include interest payable, and gains and losses on revaluation of borrowed funds and on those derivative instruments which are used as economic hedges.

Rm	Note	2021	2020
Interest on borrowed funds		534	607
Subordinated debt		534	607
Fair value gains and losses		9	(123)
Borrowed funds		(177)	38
Derivative instruments used as economic hedges		186	(161)
Total finance costs excluding banking activities		543	484
Finance costs from banking activities	D6	489	693
Total finance costs on debt instruments		1,032	1,177
The fair value gains/ (losses) shown above are analysed according to their IFRS 9 categorisations as follows:			
Designated and mandatorily at fair value through profit or loss		9	(123)

D6: Banking interest payable and similar expenses

This note analyses the interest and similar expenses related to financial liabilities measured at amortised cost in the Group's banking activities.

Year ended 31 December	Notes	2021	2020
Rm			
Amounts owed to bank depositors			
Deposits and loan accounts		243	343
Current and savings accounts		8	5
Negotiable certificates of deposit		15	12
Long-term debt instruments	D5	489	693
Total interest payable and similar expenses		755	1,053

D7: Fee and commission expenses, and other acquisition costs

Fee and commission expense and other acquisition costs include the following presented in the income statement which are classified as expenses.

Fee and Commission Expense

Fees and commission expense are those expenses which correspond to any economic benefit, other than clearing and execution services, that an asset manager receives in connection with the Collective Investment Scheme's (CIS) payment of commissions on transactions that involve the CIS's portfolio securities. Fee and commissions are typically obtained from, or through, the executing brokerage whereby these costs are also incurred from obtaining sales from third party agents. These are expensed when sales obtained through agents materialise, a commission will be a percentage of a premium paid where fees include referrals of clients to the Group.

Deferred Acquisition Costs (DAC)

Incremental costs of obtaining investment contracts with investment management services are capitalised to a DAC asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC is amortised to the income statement over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year depending on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from fee income.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

D: Other consolidated income statement notes

D7: Fee and commission expenses, and other acquisition costs

Other acquisition costs

Relate to those costs associated with new business in the Group. These costs are essentially incurred and recorded as not deferred.

Year ended 31 December Rm		2021	2020
Fee and commission expenses		7,651	6,775
Change in deferred acquisition costs		31	167
Other acquisition costs		2,824	2,861
		10,506	9,803

D8 Other operating and administrative expenses

This note gives further detail on the items included within other operating and administrative expenses.

Year ended 31 December Rm	Notes	2021	2020
Staff costs	D8(a)	10,763	9,873
Depreciation	H2	960	988
Computer, software and processing costs		2,306	1,885
Amortisation of other intangible assets and internally developed software	H1(e)	471	274
Impairment of goodwill and other intangible assets	H1(e)	204	1,503
Operating lease rentals – banking (Short term and low value assets)		13	3
Operating lease rentals – non-banking (Short term and low value assets)		129	129
Auditors' remuneration – fees for audit service		188	166
Auditors' remuneration – fees for non-audit service		15	2
Other		9,847	10,226
		24,896	25,049

a) Staff costs

Year ended 31 December Rm	Notes	2021	2021
Wages and salaries		7,819	7,603
Social security costs		37	30
Retirement obligations			
Defined contribution plans		213	241
Defined benefit plans	J1(d)	25	24
Other retirement benefits	J1(d)	136	162
Bonus and incentive remuneration		1,437	907
Share-based payments			
Cash settled	J2(d)	(12)	1
Equity settled	J2(d)	414	379
Other		694	526
		10,763	9,873

D9: Revenue from contracts with customers

IFRS 15 Revenue

Fee and commission income

The fees and commission income are earned from negotiating of a transaction from third parties, transaction and performance fees earned and the movement in deferred origination fee.

The judgements used in deferred origination fees, include the period over which the origination fee is deferred.

Non-IFRS 15 Revenue

Insurance

Premium income is recognised in accordance with IFRS 4. Short term insurance premiums received in respect of monthly contracts are recognised as revenue when due. Premiums are shown before the deduction of commission, less the fuel cash back rewards described below and exclude value added tax.

Actuarial assumptions used in the calculation of insurance premiums include, but are not limited to:

- Discount rates;
- Estimates of future cashflows to fulfil insurance contracts;
- Mortality – Life risk, savings and participating contracts;
- Persistency – Life risk, savings and participating contracts;
- Methods used to measure the risk adjustment for non-financial risks.

Banking

This consists of interest and similar income that is recognised under IFRS 9. This includes interest income from:

- Mortgage loans;
- Bills and acceptance;
- Overdrafts;
- Term loans and others;
- Government and government-guaranteed securities;
- Other debt securities, preference shares and debentures

There are no material financial assets that are measured in other foreign currency. There are in addition, assumptions around ECL calculations. This consists of interest income derived from amortised cost which are measured using the effective interest rate technique. This includes estimates and judgements around credit risk, the risk of default and the time value of money.

Investment return (non-banking)

This consists of interest and similar income that is recognised under IFRS 9. This includes interest income from Loans and advances, Investment and securities and Cash and cash equivalents. Also included are estimates and judgements around credit risk, the risk of default and the time value of money. There are no judgements made around dividend receivable as they only become receivable when declared. There are no material financial assets that are measured in other foreign currency.

Contract assets and contract liabilities

A contract asset exists if the Group has recognised revenue, but the amount expected to be received is not yet due from the customer. Contract assets are measured at the amount of revenue recognised. A contract liability (deferred revenue liability) exists if the Group has received or is entitled to consideration in advance of the Group satisfying the performance obligation. The contract liability represents the obligation to provide the agreed services to the customer. The contract liability is recognised as revenue as the Group satisfies the related performance obligations to the customer.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

D: Other consolidated income statement notes

D9: Revenue from contracts with customers

(a) Revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary segment and type of revenue. The Group believes it best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group does not apply significant judgements to determine the costs incurred to obtain or fulfil contracts with customers. Revenue from contracts with customers are assessed if they contain contract assets.

Year ended 31 December 2021 Rm	Mass and Foundation	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total
Revenue from contracts with customers									
Fee and commission income	435	7,327	2,652	398	1,419	1,328	(1,839)	(668)	11,052
Transaction and performance fees	-	69	69	-	-	727	(65)	-	800
Change in contract liabilities	-	(12)	-	-	(11)	-	-	-	(23)
Fee and commission income, and income from service activities	435	7,384	2,721	398	1,408	2,055	(1,904)	(668)	11,829
Non-IFRS 15 revenue									
Banking	2,796	-	-	-	-	1,985	-	-	4,781
Insurance	12,723	15,231	-	25,834	9,265	9,498	(2)	-	72,549
Investment return and other	4,986	56,658	8,232	53,050	419	22,590	(1,081)	13,801	158,655
Total revenue from other activities	20,505	71,889	8,232	78,884	9,684	34,073	(1,083)	13,801	235,985
Total revenue	20,940	79,273	10,953	79,282	11,092	36,128	(2,987)	13,133	247,814

Year ended 31 December 2020	Mass and Foundation	Personal Finance and Wealth Management	Old Mutual Investments	Old Mutual Corporate	Old Mutual Insure	Rest of Africa	Other Group Activities	Consolidation of funds	Total
Revenue from contracts with customers									
Fee and commission income									
Transaction and performance fees	540	6,750	2,008	367	1,004	1,144	(1,861)	-	9,952
Change in deferred revenue	-	58	61	4	-	379	(56)	-	446
Fee and commission income, and income from service activities	-	4	-	-	9	(2)	-	-	11
Non-IFRS 15 revenue									
Banking	540	6,812	2,069	371	1,013	1,521	(1,917)	-	10,409
Insurance	3,489	-	-	-	-	1,586	-	-	5,075
Investment return and other	13,023	14,583	-	26,907	9,441	8,509	(1)	-	72,462
Total revenue from other activities	1,405	27,811	2,352	17,692	187	10,331	(109)	(1,082)	58,587
Total revenue	17,917	42,394	2,352	44,599	9,628	20,426	(110)	(1,082)	136,124
	18,457	49,206	4,421	44,970	10,641	21,947	(2,027)	(1,082)	146,533

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

D: Other consolidated income statement notes

D9: Revenue from contracts with customers

(b) Costs of obtaining contracts

Costs of obtaining contracts relate to costs that the Group incurs to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts.

The following table analyses the movements in deferred acquisition costs relating to investment and asset management contracts.

Year ended 31 December Rm	Investment contracts	Asset management	Total
Balance at 1 January 2020	1,342	277	1,619
New business	174	6	180
Amortisation	(310)	(35)	(345)
Foreign exchange and other movements	74	-	74
Balance at 31 December 2020	1,280	248	1,528
New business	270	7	277
Amortisation	(290)	(33)	(323)
Foreign exchange and other movements	14	-	14
Balance at 31 December 2021	1,274	222	1,496

Based on the maturity profile of the above assets, R319 million (2020: R431 million) is expected to be earned within 12 months from the reporting date. R1,177 million (2020: R1,097 million) is non-current.

E: Financial assets and liabilities

Accounting policy

Classification and measurement of financial assets and financial liabilities

Initial recognition of financial assets

Financial instruments are measured at initial recognition at fair value net of directly attributable transaction costs, unless the financial instrument is classified as fair value through profit or loss. For instruments classified at fair value through profit or loss attributable transaction costs are immediately expensed.

At initial recognition, the Group considers the appropriate classification as:

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

The classification of financial assets 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 flows characteristics test is performed.

Equity instruments held for trading or not designated as at FVTOCI and derivative assets are mandatorily categorised as financial assets at FVTPL or not designated as at FVTOCI. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 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 FVTOCI 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.

On initial recognition of an equity instrument that is not held for trading, the instrument may be irrevocably designated at FVTOCI. 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 FVTOCI 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 FVTOCI 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.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

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 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 impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVTOCI	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. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
- The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Initial recognition of financial liabilities

Financial liabilities not measured at FVTPL on initial recognition are measured at fair value less 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.

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. On derecognition of the financial liability, the amount included in other comprehensive income is reclassified to retained earnings. The balance of the fair value movement is recorded in profit or loss.

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.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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 FVTOCI.

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 on financial assets that are not credit-impaired at the reporting date 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. ECLs on financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

For presentation on the statement of financial position, the ECL allowances are deducted from the gross carrying amount of the assets as disclosed. ECLs are presented separately in the consolidated income statement.

The analysis of financial assets and liabilities of the Group's businesses into their categories as defined in IFRS 9 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.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

E1: Categories of financial instruments

The analysis of financial assets and liabilities 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.

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

At 31 December 2021 Rm	Mandatorily fair value through profit or loss		Designated fair value through profit or loss		Amortised cost	Non-financial other assets and liabilities
	Total					
Assets						
Mandatory reserve deposits with central banks	195	-	-	-	195	-
Investments in associated undertakings and joint ventures	908	-	-	-	-	908
Reinsurers' share of policyholder liabilities	13,372	-	3,744	-	-	9,628
Loans and advances	18,722	-	-	-	18,722	-
Investments and securities	899,388	726,871	166,390	-	6,127	-
Trade, other receivables and other assets	22,802	-	-	-	10,930	11,872
Derivative financial instruments	6,391	6,391	-	-	-	-
Cash and cash equivalents	32,931	-	-	-	32,931	-
Total assets that include financial instruments	994,709	733,262	170,134	-	68,905	22,408
Assets held for sale	269	-	-	-	-	269
Total other non-financial assets	58,876	-	-	-	-	58,876
Total assets	1,053,854	733,262	170,134	-	68,905	81,553
Liabilities						
Life insurance contract liabilities	155,349	-	-	-	-	155,349
Investment contract liabilities with discretionary participating features	245,483	-	-	-	-	245,483
Investment contract liabilities	393,787	-	392,567	1,220	-	-
Third-party interest in consolidated funds	77,308	-	77,308	-	-	-
Borrowed funds	17,506	-	8,474	9,032	-	-
Trade, other payables and other liabilities	63,934	-	9,917	36,015	-	18,002
Amounts owed to bank depositors	5,905	-	-	5,905	-	-
Derivative financial instruments	8,084	8,084	-	-	-	-
Total liabilities that include financial instruments	967,356	8,084	488,266	52,172	-	418,834
Total other non-financial liabilities	21,197	-	-	-	-	21,197
Total liabilities	988,553	8,084	488,266	52,172	-	440,031

At 31 December 2020 Rm	Total	Mandatorily fair value through profit or loss	Designated fair value through profit or loss	Amortised cost	Non-financial other assets and liabilities
Assets					
Mandatory reserve deposits with central banks	235	-	-	235	-
Investments in associated undertakings and joint ventures	17,450	-	-	-	17,450
Reinsurers' share of policyholder liabilities	15,610	-	3,422	-	12,188
Loans and advances	17,798	-	-	17,798	-
Investments and securities	772,037	541,756	226,100	4,181	-
Trade, other receivables and other assets	20,317	-	-	9,459	10,858
Derivative financial instruments	10,840	10,840	-	-	-
Cash and cash equivalents	33,560	-	-	33,560	-
Total assets that include financial instruments	887,847	552,596	229,522	65,233	40,496
Assets held for sale and distribution	84	-	-	-	84
Total other non-financial assets	52,751	-	-	-	52,751
Total assets	940,682	552,596	229,522	65,233	93,331
Liabilities					
Life insurance contract liabilities	145,536	-	-	-	145,536
Investment contract liabilities with discretionary participating features	203,117	-	-	-	203,117
Investment contract liabilities	334,311	-	332,634	1,677	-
Third-party interest in consolidated funds	73,020	-	73,020	-	-
Borrowed funds	17,335	-	7,085	10,250	-
Trade, other payables and other liabilities	60,213	-	11,525	35,750	12,938
Amounts owed to bank depositors	5,044	-	-	5,044	-
Derivative financial instruments	11,154	11,154	-	-	-
Total liabilities that include financial instruments	849,730	11,154	424,264	52,721	361,591
Liabilities held for sale and distribution	-	-	-	-	-
Total other non-financial liabilities	21,629	-	-	-	21,629
Total liabilities	871,359	11,154	424,264	52,721	383,220

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

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 using the discounted cash flows or any other relevant technique.

Investment contract liabilities

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

Third-party interest in consolidation of funds

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

Amounts owed to bank depositors

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

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

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

All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

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

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

Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

E2: 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 that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification. The most material financial asset measured at fair value relates to Investments and securities. The Group has exposure to listed and unlisted investments, with a large portion of these investments backing policyholder liabilities.

At 31 December 2021 Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,744	3,744	-	-
Investments and securities	893,261	441,185	406,650	45,426
Derivative financial instruments – assets	6,391	-	6,391	-
Total financial assets measured at fair value	903,396	444,929	413,041	45,426
Financial liabilities measured at fair value				
Investment contract liabilities	392,567	191,616	200,951	-
Third-party interests in consolidated funds	77,308	-	77,308	-
Borrowed funds	8,474	-	8,474	-
Other liabilities	9,917	-	9,917	-
Derivative financial instruments – liabilities	8,084	-	8,084	-
Total financial liabilities measured at fair value	496,350	191,616	304,734	-
At 31 December 2020 Rm	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Reinsurers' share of policyholder liabilities	3,422	3,422	-	-
Investments and securities	767,856	435,562	295,177	37,117
Derivative financial instruments – assets	10,840	-	10,840	-
Total financial assets measured at fair value	782,118	438,984	306,017	37,117
Financial liabilities measured at fair value				
Investment contract liabilities	332,634	168,207	164,427	-
Third-party interests in consolidated funds	73,020	-	73,020	-
Borrowed funds	7,085	-	7,085	-
Other liabilities	11,525	-	11,525	-
Derivative financial instruments – liabilities	11,154	-	11,154	-
Total financial liabilities measured at fair value	435,418	168,207	267,211	-

(b) Level 3 fair value hierarchy disclosure

The table below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the period:

Year ended 31 December Rm	2021	2020
Level 3 financial assets – Investments and securities		
At beginning of the year	37,117	38,430
Total net fair value gains/(losses) recognised in profit or loss	875	(5,156)
Purchases	8,316	9,148
Sales	2	(2,485)
Transfers in	574	3,360
Transfers out	(172)	(41)
Net movement on consolidated investment funds ¹	(4,571)	(5,651)
Foreign exchange and other	3,285	(488)
Total Level 3 financial assets	45,426	37,117
Unrealised fair value (losses)/gains recognised in profit or loss	1,758	(3,130)

¹ Net movement on consolidated investment funds represents the impact of (i) consolidating new investment funds during the year, (ii) deconsolidating investment funds during the year and (iii) movement in Level 3 investment funds that continued to be consolidated during the year.

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. During the year listed debt securities to the value of R9,221 million (2020: R1,452 million) were transferred from Level 1 to Level 2 as these securities were not actively traded on their primary exchange during the reporting period.

Similarly, the Group deems a transfer to have occurred between Level 2 and Level 1 when an instrument becomes actively traded on the primary market. During the period listed bonds to the value of R362 million (2020: R2,870 million) were transferred from Level 2 to Level 1 as these securities were actively traded on their primary exchange during the reporting period. Pooled investments to the value of R452 million (2020: R132 million) were also transferred from Level 2 to Level 1 to better reflect the valuation technique used to value these investments.

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. At 31 December 2021, Level 3 assets comprised unlisted private company shares, unlisted debt securities and unlisted pooled investments mainly held by policyholder funds for which the majority of the investment risk is borne by policyholders.

For all reporting periods, the Group did not have any Level 3 financial liabilities.

Level 2 investment and securities

Level 2 assets comprise mainly of pooled investments that are not listed on an exchange, but are valued using market observable prices. Pooled investments represent the Group's holdings of shares or units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles which are not consolidated.

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.

Other assets classified as level 2 include unlisted corporate debt, floating rate notes, money market instruments, listed debt securities that were not actively traded during the period and cash balances that are treated as short term funds. The level 2 instruments are valued based on discounted projected cash flows, relative yields, or cost basis with reference to market related inputs. Main inputs used for level 2 valuations include bond curves and interbank swap interest rate curves.

Included within Level 2 investments and securities is unlisted corporate debt. Initially lagging the equity markets, credit spreads widened in the second quarter of the financial year. Although there was some narrowing of these spreads during the second half of the year, the pressure on business operations of some counterparties brought on by the onset of the second wave and general economic decline result in negative mark to market movements in the credit portfolio.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

E2: Disclosure of financial assets and liabilities measured at fair value

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

(i) Level 2 investment and securities

Level 2 assets comprise mainly of pooled investments that are not listed on an exchange, but are valued using market observable prices. Pooled investments represent the Group's holdings of shares or units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles which are not consolidated.

Other assets classified as level 2 include unlisted corporate debt, floating rate notes, money market instruments, listed debt securities that were not actively traded during the period and cash balances that are treated as short term funds. The level 2 instruments are valued based on discounted projected cash flows, relative yields, or cost basis with reference to market related inputs. Main inputs used for level 2 valuations include bond curves, interbank swap interest rate curves and the forecast consumer price index.

Included within Level 2 investments and securities is unlisted corporate debt. Initially lagging the equity markets, credit spreads widened in the second quarter of the financial year. Although there was some narrowing of these spreads during the second half of the year, the pressure on business operations of some counterparties brought on by the onset of the second wave and general economic decline result in negative mark to market movements in the credit portfolio.

(ii) Level 3 investment and securities

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.

The economic uncertainty created by COVID-19 has had an impact on valuation inputs for assets that rely on either unobservable forward looking assumptions or comparable market transactions. The following table sets out information on significant unobservable inputs used in measuring financial instruments classified as Level 3.

Valuation technique	Significant unobservable input	Range of unobservable inputs
Discounted cash flow (DCF)	Risk adjusted discount rate:	
	– Equity risk premium	0.25% – 20.0%
	– Liquidity discount rate	5.0% – 40.0%
	– Nominal risk free rate	5.0% – 30.0%
	– Credit spreads	1.11% – 13.65%
	– Dividend growth rate	5.0% – 20.0%
	– Internal rate of return	16.0% – 40.0%
	– Preference dividend accrual rate	7.0% – 7.25%
	– Marketability discount	5.0% – 30.0%
Price earnings (PE) multiple/ embedded value	PE ratio/multiple	3.0 – 15.0 times
Sum of parts	PE ratio and DCF	See PE ratio and DCF

All the business segments have performed an analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. As all the changes in assumptions are unique to each instrument, the disclosure of the range of changes in the assumptions would not provide the reader of the financial statements with any additional useful information as this is general information and does not relate to a specific instrument.

There has been no change to the nature of the key unobservable inputs to Level 3 financial instruments and the inter-relationships therein from those disclosed in the financial statements for the year ended 31 December 2020. For the purposes of the sensitivity analysis, the most significant unobservable input used to value level 3 investments and securities has been increased/decreased by 10%. Although the variability of economic indicators may have been more severe during the current period than this, the use of this increment will afford the user the opportunity to assess the impact under multiple economic scenarios.

Rm	At 31 December 2021	At 31 December 2020		At 31 December 2021	At 31 December 2020
Types of financial instruments	Fair values		Valuation techniques used	Significant unobservable input	Fair value measurement sensitivity to unobservable inputs
Assets					
Investments and securities	45,426	37,117	Discounted cash flows (DCF) Market comparable companies approach Adjusted net asset values	Equity risk premium Liquidity discount rate Nominal risk free rate Credit spreads Dividend growth rate Preference dividend accrual rate Marketability Discount PE Ratio/ Multiple	Favourable: 2,819 Unfavourable: 2,743 Favourable: 2,315 Unfavourable: 2,257

The table below shows the sensitivity of the fair value of investments and securities per type of instrument at 31 December 2021 to changes in unobservable inputs to a reasonable alternative:

Rm	At 31 December 2021		Sensitivities	
Types of financial instruments	Fair values	Most significant unobservable input	Favourable impact	Unfavourable impact
Debt securities, preference shares and debentures	18,983	Discount rate Credit spreads	1,196	1,170
Equity securities	19,244	Price earnings ratio/multiple Marketability discount rate	1,264	1,215
Pooled investments	7,199	Net asset value of underlying investments	359	358
Total	45,426		2,819	2,743

Fair value gains of R12 million (2020: Fair value losses R5.156 million) were recognised on Level 3 assets during the year. The gain is attributable to the conservative approach followed in performing the valuations due to the high levels of uncertainty in respect of the economic outlook and due to the function of lower comparable multiples. In addition, the Group has investment exposure to industries directly impacted by the lockdown, including the tourism industry.

The economic uncertainty created by COVID-19 has had an impact on valuation inputs for assets that rely on either unobservable forward looking assumptions or comparable market transactions.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

E4: Fair value hierarchy for assets and liabilities not measured at fair value

The Group has satisfied the criteria for designation of financial instruments as fair value through profit or loss in terms of the accounting policies as described in note E1. Fair value movements on financial assets designated at fair value through profit or loss is recognised in investment return (non-banking and banking interest and similar income) in the consolidated income statement.

Where the business model of a portfolio met the definition of amortised cost or FVTOCI, the Group elected to designate the portfolio at fair value through profit or loss. This was done to eliminate a mismatch between the valuation of the investment assets and the valuation of the policyholder liability. The policyholder liability is valued at fair value through profit or loss and hence the assets backing the policyholder liability should also be as fair value through profit or loss.

Designation of instruments as fair value through profit or loss, is consistent with the Group's documented risk management strategy and investment mandates. The fair value of the instruments is managed and reviewed on a regular basis by the risk and investment functions of the Group. The risk of the portfolio is measured and monitored on a fair-value basis.

Certain borrowed funds that would otherwise be categorised as financial liabilities at amortised cost under IFRS 9, have been designated as fair value through profit or loss. This was done to eliminate a mismatch between the valuation of the investment assets and the valuation of the policyholder liability. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below:

Rm	Financial liabilities where the change in credit risk is recognised in OCI			
	Fair value	Current financial year	Cumulative ¹	Contractual maturity amount
Borrowed funds at 31 December 2021	8,474	64	337	8,250
Borrowed funds at 31 December 2020	7,085	130	271	6,750

¹ The Group released RNil (2020: R39 million) of the liability credit reserve directly to retained earnings on the repayment of the RNil (2020: R2,250 million) unsecured subordinated debt.

The fair values of other categories of financial liabilities designated as fair value through profit or loss do not change significantly in respect of credit risk.

The change in fair value due to credit risk of financial liabilities designated at fair value through profit or loss has been determined as the difference between fair values determined using a liability curve (adjusted for credit) and a risk-free liability curve. This difference is cross-checked to market-related data on credit spreads, where available. The basis for not using credit default swaps to determine the change in fair value due to credit risk is the unavailability of reliable market priced instruments.

E5: Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value, principally investments and securities, loans and advances, certain borrowed funds and other financial assets and financial liabilities that are measured at amortised cost. The calculation of the fair value of these financial instruments represents the Group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date.

The Group's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer of the financial liability in an involuntary liquidation or distressed sale. More information on financial assets measured at amortised cost can be found in note F1.5. The fair value of these assets approximates its carrying value, except for loans and advances for which the fair value is set out below.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table.

Rm	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowed funds at 31 December 2021	9,032	-	9,032	-	9,032
Borrowed funds at 31 December 2020	10,250	-	10,250	-	10,250

Investments and securities

For investments that are carried at amortised cost in terms of IFRS 9, the fair value has been determined based either on available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

Loans and advances

Loans and advances are carried at amortised cost in terms of IFRS 9. The loans and advances principally comprise variable rate financial assets and are classified as Level 3. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rates change.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

Borrowed funds

For borrowed funds that are carried at amortised cost in terms of IFRS 9, the fair value is determined using either available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

E: Financial assets and liabilities

E6: Master netting or similar agreements

The Group offsets financial assets and liabilities in the consolidated statement of financial position when it has a legal enforceable right to do so and intends to settle on a net basis simultaneously. Certain master netting agreements do not provide the Group with the current legally enforceable right to offset the instruments.

The majority of these transactions are governed by the principles of International Swaps and Derivatives Association or similar type of agreements. These agreements aim to protect the parties in the event of default.

At 31 December 2021 Rm	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event ¹	Position not available to be offset
Financial assets					
Derivative financial instruments - assets	6,391	-	6,391	(5,900)	491
Cash and cash equivalents	32,931	-	32,931	-	32,931
Financial liabilities					
Trade, other payables and other liabilities	63,934	-	63,934	-	63,934
Derivative financial instruments - liabilities	8,084	-	8,084	(5,900)	2,184

At 31 December 2020 Rm	Gross amount of financial instrument	Amounts offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts that may be netted off on the occurrence of a future event ¹	Position not available to be offset
Financial assets					
Derivative financial instruments assets	10,840	-	10,840	(9,653)	1,187
Cash and cash equivalents	33,560	-	33,560	-	33,560
Financial liabilities					
Trade, other payables and other liabilities	60,213	-	60,213	-	60,213
Derivative financial instruments - liabilities	11,154	-	11,154	(9,653)	1,501

¹ This represents the amounts that could be offset in the event of default and includes collateral received/pledged at the reporting date. These arrangements are typically governed by master netting and collateral arrangements.

Cash and bond collateral amounts not offset against derivative assets and liabilities in the statement of financial position are R368 million (2020: R514 million).

F: Financial Risk and Capital Management

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts, customer deposits and borrowings), reinsurance assets and insurance liabilities. The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and banking operations. The most important components of financial risk are credit risk, market risk (arising from changes in equity, bond prices, interest and foreign exchange rates) and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk Committee (BRC), which is responsible for developing and monitoring the Group's risk management policies through the Group Risk Control Function. The BRC reports regularly to the Board of Directors on its activities.

The Group's risk preferences and appetite limits are set out in the Risk Strategy document which describes specific risk preferences and metrics. This Risk Strategy is reviewed, at a minimum, annually by the Old Mutual Limited Board and subsidiary risk preferences and appetite limits may need to be adjusted accordingly.

The Group manages asset and liability mismatches within a Market Risk Management framework together with a Liquidity Risk Management framework, both approved by the Group Asset and Liability Committee (ALCO). The aim of the frameworks is to ensure the identification of the applicable financial risks across the Group and provide guidance on the management (including mitigation) of the risks in line with the Group Risk Strategy.

The principal mitigation technique with regards to market risk (and asset/liability mismatches) for insurance contracts where shareholders bear the market risk is to match appropriate assets with the liabilities arising from these insurance contracts. Investment contracts (i.e. unit-linked and with-profit products) where policyholders require the market risk exposure are managed within a set mandate considering the risk profile of the relevant customer base. The shareholder investment portfolio is managed within a set mandate considering the Group Risk Strategy and the market risk exposure resulting from the chosen investments.

For insurance contracts defined as non-profit (i.e. benefits not linked to underlying asset performance) and those with embedded derivatives (i.e. benefits consist of upside participation and downside protection) the resultant market, credit and liquidity risk exposures are borne by the shareholder. The liabilities are translated into financial risk metrics and appropriate hedging strategies (which include derivative instruments) ensure that these exposures are managed within appetite. The notes below explain how the financial risks are managed using the categories utilised in the Market Risk framework. Note G2 explains in more detail how insurance risk is managed.

F1 Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation to repay cash or deliver another financial asset. Losses incurred due to credit risk include actual losses from defaults, declines in the market value of the Group's assets due to credit rating downgrades and/or spread widening, or impairments and write-downs.

The Group has material exposure through its insurance businesses where credit risk arises predominantly through the management of credit assets backing non-profit contracts (mostly annuity products), but also through direct credit exposure through invested shareholder capital in assets such as fixed income securities, investment properties and retail lending.

The valuation of investment credit securities and associated credit spreads are driven by a variety of factors including general market conditions such as macro-economic environment, supply and demand dynamics of investment credit, market liquidity as well as counterparty-specific information. Listed credit instruments are recorded at its market value as reflected on the exchange. The valuation policy for unlisted credit assets outlines the consideration given to general spread direction in the market and a hierarchy of inputs to be used in valuations including latest traded prices of similar assets and adjusted for instrument level specifics.

The Group is also exposed to concentration risk, which is the risk of default by counterparties or in investments in which it has taken large positions, or which are highly correlated. The Group maintains limits on the values of transactions with single counterparties or investments in specific sectors.

The Group is also exposed to credit risk which results indirectly from activities undertaken in the normal course of business such as premium payments, outsourcing contracts, reinsurance, exposure from material suppliers, lending of securities and lending to consumers.

1.1 Credit risk governance

Credit risk is monitored through the Old Mutual Limited Management Credit Risk Committee (MCRC), a subcommittee of the Old Mutual Limited Balance Sheet Committee (BSC), to enable the Group Executive Committee (Exco) to discharge their obligations in terms of the Group's aggregated credit risk appetites, exposures and risk management.

The scope and authority of the Committee extends to all activities of the Group in which credit or counterparty credit risks are present. This includes credit risk arising through banking and insurance activities, encompassing both institutional and retail credit. The Committee relies on the work and reporting of the credit committees in the various credit-related businesses across the Group and assists the Exco to set and monitor credit policy and credit risk in the Group.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

1.2 Credit risk management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

The key objective of the Group's Level 1 credit policy is to establish and define the overall framework for the consistent and unified governance, oversight, identification, measurement, monitoring, reporting and management of credit risk and counterparty credit risk across Old Mutual. The Level 1 credit policy sets out the high-level principles which must be applied in this regard. Boards of subsidiaries engaging in business activities that take on credit or counterparty credit risk, in any form (in non-profit funds, asset-based fees, surplus assets, banking and lending, investment guarantee reserves or debtors) regardless of whether it is for the shareholders or policyholders, are required to adopt this policy and ensure all the applicable requirements are implemented and complied with unless it is expressly agreed otherwise.

The Group's Level 2 credit policies and frameworks apply to all businesses taking on credit risk and counterparty credit risk. Level 2 credit policies and frameworks are split into two distinct portfolios: investment credit risk and banking credit risk. The Level 2 credit risk policies and frameworks set out detailed requirements which must be applied in investment management, banking and lending business units. In addition, these Level 2 policies set out the roles and responsibilities for governance committees, business units, functions and individuals involved in credit risk management processes throughout the Group for the business units and functions within the scope of the policy.

The Level 3 credit policies in the business units set out the detailed requirements for each business unit in alignment with the relevant Level 2 credit policy.

The Group manages its credit risk by having a comprehensive risk strategy for all risk types including credit risk, sound investment processes across single assets, single counterparties and aggregate credit portfolio, and comprehensive limit frameworks in place. The risk strategy includes a risk-return framework which sets the overall risk appetite and the risk appetite for specific risk types including credit risk.

Limit frameworks implemented places limits, where applicable, on single facilities, counterparties or groups of counterparties, industry segments, maturity bands and products and are based on both regulatory and economic risk considerations.

The Group ensures comprehensive mandates for the management of credit portfolios relating to insurance businesses are in place, including frameworks, policies and procedures to ensure the appropriate oversight of credit risk. The robust framework ensures a process for identifying, measuring, analysing, monitoring and reporting on risks, including a rigorous model risk governance framework and an independent group model validation capability. Credit risk management follows a rigorous operating model including governance committees, as well as group and business unit roles focused on the management and oversight of credit risk in accordance with Old Mutual Limited's Three Lines of Defence Model. The Group implements formalised and strict escalation processes relating to credit governance and the application, testing and monitoring of risk mitigation actions.

Each investment credit asset acquired follows a strict credit approval process, supported by a credit analysis considering both qualitative and quantitative aspects taking into account the risk return profile. This includes, inter alia, financial and industry analysis and risk assessments coupled with Environmental, Social and Governance analysis. Where applicable, external public credit ratings are considered and the credit quality of exposures are reviewed at least on an annual basis.

Risk monitoring ensures that the risk management approaches in place are effective. The Group employs an active risk monitoring approach both at Group Level and Business Unit (BU) level based on the stated risk appetite and corresponding limits set to manage credit risk. The Group monitors credit risk at a portfolio level (aggregated over the BUs) whilst BUs monitor credit risk on, inter alia, individual deal, mandate, fund, product, customer segment, regional, counterparty, economic sector category levels, whichever is applicable, as well as on a BU Portfolio level. Credit risk exposures are monitored and assessed using appropriate metrics, including trend analysis and communicated to the relevant governance and management committees. Credit risk is monitored against early warning thresholds and exposures are monitored against limits.

The ongoing monitoring and a proactive view of emerging risks are integrated in the granting of new credit. The credit risk appetite and limits are accordingly adjusted to manage the portfolio in view of actual and potential changes in macroeconomic conditions. Portfolio management actions exist in the investment credit asset environment to reduce the exposure to certain counterparties or industries based on this outlook.

Collateral is mainly used in the investment credit portfolios to mitigate the amount of credit risk taken. This is part of the process to ensure OMLACSA has appropriate legal protection in the event of default. Stricter loan covenant or higher levels or better quality collateral are required based on the counterparty and industry outlook.

Within the expected credit loss (ECL) process, the provision is monitored as part of the ongoing management of the underlying credit portfolio. This includes monitoring of the actual credit experience

to the expected levels of the following components: default rates, recovery rates and movements between the different ECL stages. The impact of any changes in the ECL parameters is calculated and reported at business unit level. These impacts, together with all other credit risk metrics are reported at the management risk credit committee (a subcommittee of the board) on a quarterly basis as part of a forward looking approach to manage credit risk given emerging risks, opportunities and the defined risk appetite. The financial impact of the ECL provision on each business unit is included in the monthly finance reporting process.

1.3 Internal credit risk ratings

The Group uses internal credit risk ratings that reflect its assessment of the probability of default of individual counterparties in the investment businesses.

The assessment of credit risk across the Group relies on internally developed rating models to categorise exposures according to their probability of default and loss given default. The rating models comprises 28 rating categories (OM1 to OM28). These ratings are determined by incorporating both qualitative and quantitative information that builds on information from established rating agencies like Standard & Poors and Moody's, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

At initial recognition, each risk exposure is allocated to the credit rating based on the available information about the counterparty. All exposures are subsequently monitored through general and tailored procedures. The data used to monitor these exposures include, but are not limited to, credit information from external rating agencies, changes in business and economic conditions, payment record and aging, customer behaviour, affordability metrics, utilisation of credit limits, probability of default or any other applicable quantitative and qualitative factors.

1.4 Concentrations of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group monitors concentrations of credit risk by geographic location. The Group manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets. The following table analyses the concentrations of potential credit risk by class of financial asset at 31 December 2021.

At 31 December 2021 Rm	South Africa	Rest of Africa	Other	Total
Mandatory reserve deposits with central banks	–	195	–	195
Loans and advances	10,704	8,018	–	18,722
Unsecured loans	10,403	3,805	–	14,208
Other secured loans	75	3,387	–	3,462
Home loans	–	189	–	189
Other loans and advances	226	637	–	863
Investments and securities	756,811	59,522	83,055	899,388
Government and government guaranteed securities	103,466	12,405	–	115,871
Preference shares, other debt securities and debentures	100,279	2,166	–	102,445
Short-term funds and securities treated as investments	54,904	7,331	–	62,235
Other investments and securities	498,162	37,620	83,055	618,837
Reinsurance share of policyholder liabilities	8,075	1,553	3,744	13,372
Trade, other receivables and other assets	19,924	2,495	383	22,802
Cash and cash equivalents	26,573	3,801	2,557	32,931
Derivative financial instruments – assets	6,391	–	–	6,391

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

1.4 Concentrations of credit risk

At 31 December 2020 Rm	South Africa	Rest of Africa	Other	Total
Mandatory reserve deposits with central banks	-	235	-	235
Loans and advances	12,096	5,702	-	17,798
Unsecured loans	11,826	4,094	-	15,920
Other secured loans	176	697	-	873
Home loans	-	911	-	911
Other loans and advances	94	-	-	94
Investments and securities	662,369	43,736	65,932	772,037
Government and government guaranteed securities	108,517	9,737	-	118,254
Preference shares, other debt securities and debentures	88,951	2,876	98	91,925
Short-term funds and securities treated as investments	58,023	6,143	-	64,166
Other investments and securities	406,878	24,980	65,834	497,692
Reinsurance share of policyholder liabilities	10,545	1,643	3,422	15,610
Trade, other receivables and other assets	18,315	1,468	534	20,317
Cash and cash equivalents	26,632	3,731	3,197	33,560
Derivative financial instruments – assets	10,840	-	-	10,840

1.5 Exposure to credit risk: Financial assets at amortised cost and debt instruments at fair value through profit or loss

The Group holds collateral and other credit enhancements against certain of its credit exposures.

The following table sets out the maximum exposure to credit risk on financial assets within the scope of IFRS 9 impairment model, debt instruments measured at fair value through profit or loss outside of the scope of IFRS 9 impairment model:

At 31 December 2021 Rm	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Mandatory reserve deposits with central banks	195	195	-
Reinsurers' share of policyholder liabilities	13,372	-	13,372
Loans and advances	18,722	18,722	-
Investments and securities	899,388	6,127	893,261
Government and government-guaranteed securities	115,871	-	115,871
Other debt securities, preference shares and debentures	102,445	6,127	96,318
Short-term funds and securities treated as investments	62,235	-	62,235
Other	618,837	-	618,837
Trade, other receivables and other assets	22,802	10,930	11,872
Derivative financial instruments – assets	6,391	-	6,391
Cash and cash equivalents	32,931	32,931	-

At 31 December 2020 Rm	Total financial assets	Within IFRS 9 ECL allowance scope	Outside of IFRS 9 ECL allowance scope
Mandatory reserve deposits with central banks	235	235	-
Reinsurers' share of policyholder liabilities	15,610	-	15,610
Loans and advances	17,798	17,798	-
Investments and securities	772,037	4,181	767,856
Government and government-guaranteed securities	118,254	-	118,254
Other debt securities, preference shares and debentures	91,925	4,181	87,744
Short-term funds and securities treated as investments	64,166	-	64,166
Other	497,692	-	497,692
Trade, other receivables and other assets	20,317	9,459	10,858
Derivative financial instruments – assets	10,840	-	10,840
Cash and cash equivalents	33,560	33,560	-

1.6 Collateral

(a) Loans and advances

Collateral is held as security against certain loans and advances detailed above, with this principally consisting of cash, properties and letters of credit.

(i) Financial collateral

The Group takes financial collateral to support exposures in its banking and securities lending activities of its listed equities and bonds. Collateral held includes cash and debt securities. Cash collateral is included as part of cash equivalents. These transactions are entered into under terms and conditions that are standard industry practice for securities borrowing and lending activities. The fair value of collateral accepted as security for securities lending arrangements amount to R1,348 million (2020: R1,332 million). For both reporting periods, the Group has not provided any cash collateral for security borrowing arrangements.

The Group has placed government securities amounting to R16,962 million (2020: R21,131 million) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but do not qualify for derecognition under IFRS 9. The associated (recorded within trade, other payables and other liabilities in the Consolidated Statement of Financial Position) liabilities amounted to R 16.085 million (2020: R20,309 million).

(ii) Non-financial collateral

The Group takes other non-monetary collateral to recover outstanding lending exposures in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgage over property (both residential and commercial), and liens over business assets (including, but not limited to plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower. Where the Group is exposed to syndicated lending, the collateral offered by the borrower is secured by security special purpose vehicles.

Should a counterparty be unable to settle its obligations, the Group can take possession of collateral as full or part settlement of such amounts in lieu of recovery or restructuring plan. In general, the Group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

(b) Other collateral

Securities held in respect of unlisted debt securities linked to real estate include first covering mortgages over the underlying properties, cession of rights, title and interest to lease agreements and cession of listed unit linked debentures. Securities held on loans extended in other industry sectors include cession of shares, debentures, bank accounts and rights to cash balances, accounts receivable and tangible and intangible assets held by the borrower.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

1.7 Analysis of financial assets held at amortised cost

At 31 December 2021 Rm	Gross carrying amount	Allowance for ECL	Net amount	Allowance for ECL		
				Stage 1	Stage 2	Stage 3
Mandatory reserve deposits with central banks	195	-	195	-	-	-
Loans and advances	23,817	(5,095)	18,722	(683)	(350)	(4,062)
Investments and securities	6,137	(10)	6,127	(10)	-	-
Trade, other receivables and other assets	11,407	(477)	10,930	-	(477)	-
Cash and cash equivalents	32,931	-	32,931	-	-	-
	74,487	(5,582)	68,905	(693)	(827)	(4,062)

At 31 December 2020 Rm	Gross carrying amount	Allowance for ECL	Net amount	Allowance for ECL		
				Stage 1	Stage 2	Stage 3
Mandatory reserve deposits with central banks	235	-	235	-	-	-
Loans and advances	22,701	(4,903)	17,798	(686)	(446)	(3,771)
Investments and securities	4,193	(12)	4,181	(12)	-	-
Trade, other receivables and other assets	9,949	(490)	9,459	-	(490)	-
Cash and cash equivalents	33,560	-	33,560	-	-	-
	70,638	(5,405)	65,233	(698)	(936)	(3,771)

The simplified approach for trade receivables has been applied, resulting in measuring the loss allowance at an amount equal to lifetime expected credit losses. The allowances have been displayed under stage 2 as allowances within this stage are also calculated on a lifetime expected credit loss basis

1.8 Credit quality analysis

The following tables set out information about the credit quality of financial assets at amortised cost. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

Loans and advances at amortised cost at 31 December Rm	2021	2020
Stage 1 - Sub Investment grade (BB and lower)	14,750	12,434
Stage 2 - Sub Investment grade (BB and lower)	1,190	1,887
Stage 3 - Sub Investment grade (BB and lower)	1,600	2,296
Not in ECL scope - Investment grade (AAA to BBB)	1,182	1,181
Total	18,722	17,798

Based on the maturity profile of loans and advances, R5,731 million (2020: R5,965 million) is receivable no more than 12 months after the reporting date and R12,991 million (2020: R11,832 million) is receivable more than 12 months after the reporting date.

Investments and securities at amortised cost at 31 December 2021 Rm	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower) and other ungraded investments	Total
Stage 1	-	6,127	6,127
Total	-	6,127	6,127

Investments and securities at amortised cost at 31 December 2020 Rm	Investment grade (AAA to BBB)	Sub-Investment grade (BB and lower) and other ungraded investments	Total
Stage 1	-	4,181	4,181
Total	-	4,181	4,181

1.9 Impairment of financial assets

(a) Overview

During the current financial year, the Group recognised expected credit loss of R667 million (2020: R2,874 million).

(b) Calculation of ECL

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 ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD).

ECL reflects the Group's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Group also considers observable market information about the credit risk of the particular financial instrument or similar financial instruments. The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- **Stage 1:** At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.
- **Stage 2:** A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- **Stage 3:** A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

The ECL loss allowances are measured on either of the following bases:

- **Stage 1:** ECLs that result from possible default events within the 12 months after the reporting date; and
- **Stage 2 and Stage 3:** ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on future cash flows. Where such evidence exists, the exposure is assessed on an individual basis. In some instances, financial assets are grouped into categories in accordance with the term of the financial instrument or the percentage of expected payments that were received. Financial assets are also grouped according to the status of the financial asset. The Group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets at amortised cost. Depending on the relevant information available, PDs are based on historic default rate curves or linked to ratings assigned to counterparties which is set using hybrid models which comprise both conventional statistical models and expert judgement.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

1.9 Impairment of financial assets

LGDs are derived from a default recovery time series model that takes recency of payments into account or through internally developed statistical models. The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability-weighted macroeconomic scenarios.

EADs are determined with reference to expected amortisation schedules, historical payment patterns and taking into account credit conversion factors as applicable for undrawn or revolving facilities. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

(c) Significant increase in credit risk and default

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers quantitative and qualitative information based on the Group's historical experience, credit assessment and including forward-looking information. The Group's assessment of a significant increase in credit risk from initial recognition consists of a primary and secondary risk driver as follows:

- The primary risk driver aligns to the quantitative credit risk assessments performed, such as the behaviour score, credit rating, probability of default or arrears aging of a financial instrument.
- The secondary risk assessment considers a broad range of qualitative risk factors based on a forward-looking view such as economic and sector outlooks. The secondary risk assessment can be performed on a portfolio basis as opposed to a quantitative assessment at a financial instrument level.

These primary and secondary risk drivers are included by the Group as part of the ongoing credit risk management. When making a quantitative assessment, the Group uses the change in the probability of default occurring over the expected life of the financial instrument. This requires a measurement of the probability of default at initial recognition and at the reporting date. A rebuttable assumption is that the credit risk since initial recognition has increased significantly if a financial instrument is 30 days past due on any payments or is one payment in arrears. It is not anticipated that this assumption will be rebutted. Financial assets at amortised cost can be transferred back to stage 1 or 2 within the ECL model if specific criteria have been met. A financial asset is in default when the financial asset is credit-impaired or if the Basel definition of default is met. Where applicable, the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, is applied.

(d) Forward-looking information

- Forward-looking information includes, but is not limited to macroeconomic conditions expected in the future. Forward looking information used in the ECL calculation reflects the nature and characteristics of the credit risk exposures. Forward-looking information models considers a set of macroeconomic factors and estimates the relationship between these factors and the key parameters used in calculating the ECL. The Group made use of cross-correlation functions, transfer function models, dynamic regression models and co-integration analyses to identify the impact of forward-looking information on the measurement of ECL balances. Forward-looking factors have been considered taking into account risk factors used in risk assessments, stress testing, budgeting as well as strategy and pricing decisions. Relevant factors include factors intrinsic to the entity and its business or derived from external conditions. The Group considers a range of scenarios over a time period of three years. A probability is assigned to the outcome of each scenario and the weighted average outcomes is considered to be the ECL balance. Forward-looking assessments are considered on an individual or collective basis. When correlations do not exist and, where applicable, management applies expert judgement to determine an overlay provision to incorporate best estimates of the impact of forward-looking information. Any overlay provision is based on available information and qualitative risk factors within a governed process. Estimates regarding credit risk parameters and the impact of forward-looking information used in the calculation of the ECL loss amount are reviewed at each reporting date and updated if necessary.
- The outbreak of the COVID-19 coronavirus pandemic has led the Group to reconsider the quantitative model output for the forward-looking impairment. Management has applied judgement in determining the forward-looking impairment by reviewing the macro economic scenarios including GDP forecasts and the impact on PDs, LGDs, and stage distribution.

Data used in modelling is provided from a combination of third party sources (reputable rating agencies) and internal data (e.g. client payment behavioral data). The comparative tables below show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations per region.

Year ended 31 December South Africa	2021	2020
Repo rate	4.00%	3.50%
Consumer Price Inflation	5.09%	3.08%
Household debt to disposable income	77.1%	75.7%
Consumption expenditure to GDP	62.25%	60.3%
New Vehicle Sales	93.96%	78.3%
Nominal Effective Exchange Rate	0.86%	1.16%
Unemployment Rate	34.9%	30.6%

Year ended 31 December Rest of Africa (Weighted average)*	2021	2020
Repo rate	6.87%	7.10%
Consumer Price Inflation	5.04%	4.76%
Gross domestic product (GDP)	5.90%	4.24%
Household debt to disposable income	1,353	1,155

(e) Write-off policy

The Group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. No bad debt written off is subject to enforcement activity.

The following are examples of what could result in the write-off of a financial asset at amortised cost:

- legal prescription;
- settlement campaigns, collection efforts and legal processes do not result in the settlement of balances outstanding;
- receipt of payments from insurers;
- financial assets have been in arrears for a significant amount of time with no qualifying payments being received in recent months.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

(f) Critical accounting estimates and judgements – ECL allowances for loans and advances

In determining the ECL allowances for loans and advances, the following significant judgements and estimates were considered:

- In the absence of sufficient depth of data and the sophistication of credit risk management systems and protocols, management applies expert judgement within a governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.
- Due to differences in availability of data and maturity of credit risk management across the Group, different approaches are used to determine the key parameters.
- Judgement was applied in identifying the qualitative and quantitative triggers and thresholds used to identify significant increases in credit risk since initial recognition of the financial assets. Depending on the availability of reasonable and supportable information without undue cost or effort, significant increases in credit risk is identified through, amongst others, increases in behaviour scores, arrears aging and portfolio assessments.
- In some instances the 12-month PDs are calculated by a behaviour scoring model that takes into account internal and external information, where available. The 'behaviour PDs' are linked to empirical default rates. A specific change in the behaviour score (and associated PD) indicates that the credit risk has increased significantly since initial recognition. Identifying the specific change in the PD that would trigger a significant increase in credit risk includes a degree of judgement. The behaviour scorecard is monitored and is recalibrated if necessary. Translating 12-months PDs into lifetime PDs requires management judgement and is based on the timing of defaults observed historically. In low default commercial and corporate portfolios PDs are calculated using a combination of internal ratings, default experience and PD floors based on sovereign credit ratings for the jurisdiction.
- Various arrears aging thresholds are also used to determine whether a significant increase in credit risk took place since initial recognition. Judgement is applied to determine the appropriate arrears threshold for different financial assets. The Group also makes use of the rebuttable presumption that a significant increase in credit risk has taken place when a financial asset is 30 days past due or one payment in arrears.
- The Group applies judgement in identifying default and credit-impaired financial assets. In making this judgement, the Group considers the arrears category where the balance has been allocated to, whether the balance is in legal review, debt review or under administration or expert judgement. Financial asset are credit impaired when one or more events with a detrimental impact on the expected cash flows have taken place.
- A key judgement in determining the LGDs is the time period that the cash flows must be estimated for. The time period is estimated based on historical data that can be volatile. When the cash flows are too volatile the time period is capped to limit volatility. LGDs are influenced by estimates of the amounts to be recovered from the realisation of collateral and the estimated costs to realise the collateral.
- The Group has applied judgement in selecting the following macroeconomic factors: CPI inflation, the repo rate, unemployment rate and the household debt-to-income ratio. Management applied judgement in determining the number of scenarios to be used, the probability assigned to each scenario and the time period used to estimate the impact of forward-looking information of the ECL losses. By nature, the estimation of the values of macroeconomic factors in the near future is judgemental and subject to uncertainty.
- In the absence of a reliable correlation between macroeconomic factors and ECL losses, the Group applied expert judgement to decide whether a management overlay provision should be included in the measurement of ECL losses. After considering available information and qualitative risk factors within a governed process, the Group concluded that a management overlay provision will not be included in the measurement of ECL losses.

(g) Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances at amortised cost, and how significant changes in the gross carrying amount contributed to changes in the loss allowance:

Loans and advances at amortised cost at 31 December 2021 Rm	Total allowance for ECL	Stage 1	Stage 2	Stage 3
Balance at beginning of the year	(4,903)	(686)	(446)	(3,771)
Originations	(578)	(550)	(15)	(13)
Interest accruals	(603)	(126)	(95)	(382)
Repayments	506	427	355	(276)
Transfer to stage 1 ¹	45	(61)	65	41
Transfer to stage 2 ¹	(159)	131	(389)	99
Transfer to stage 3 ¹	(946)	173	191	(1,310)
Model and risk parameter changes	(84)	(3)	(17)	(64)
Foreign exchange, write offs and other movements	1,627	12	1	1,614
Balance at end of the year	(5,095)	(683)	(350)	(4,062)

¹ Includes Stage 3 write-offs of R987 million.

Loans and advances at amortised cost at 31 December 2020 Rm	Total allowance for ECL	Stage 1	Stage 2	Stage 3
Balance at beginning of the year	(4,223)	(755)	(418)	(3,050)
Originations	(567)	(496)	(28)	(43)
Interest accruals	(715)	(142)	(113)	(460)
Repayments	1,697	439	272	986
Transfer to stage 1 ¹	51	(47)	34	64
Transfer to stage 2 ¹	(246)	133	(426)	47
Transfer to stage 3 ¹	(2,096)	207	263	(2,566)
Model and risk parameter changes	(401)	(49)	(31)	(321)
Foreign exchange, write offs and other movements ¹	1,597	24	1	1,572
Balance at end of the year	(4,903)	(686)	(446)	(3,771)

¹ Includes stage 3 write offs of R1,788 million

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties with whom balances are held.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

F2: Market risk

Market risk is the potential impact of unfavourable changes in foreign exchange rates, interest rates and equity prices on the financial position and financial performance of the Group. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held, which in turn is driven by the nature of the business activities.

The Group has developed risk policies which set out the practices which are used to monitor and manage market risk. These policies are cascaded to business units across the Group. Each of the business units has its own established set of policies, principles and governance processes to monitor and manage market risk within its individual businesses and in accordance with local regulatory requirements.

Market risks on policies where the terms are guaranteed in advance and the investment risk is carried by the shareholders (e.g. guaranteed non-profit annuities) are predominantly matched with suitably dated interest-bearing assets which minimises interest rate risk and ensures adequate asset and liability matching. Residual risk exposures are minimal and within risk appetite and, where applicable, absorbed by discretionary margins (e.g. savings products).

The Asset-Liability Management (ALM) value chain for these products are generally as follows:

- Match interest rate risk with suitable assets- see more detail in Section F2.2 Interest Rate Risk.
- Manage the counterparty credit risk due to derivative trading with banks through suitable collateral- and margin management processes.
- Manage the liquidity risk resulting from the above collateral- and margin management process by holding adequate sources of liquid assets which can serve as collateral (for more details see Section F3 Liquidity Risk).
- In order to generate liquidity, we might enter securitised short-term funding contracts to create cash liquidity from the matching assets - e.g. repurchase agreements (Repos). These transactions require similar collateral processes to derivatives and would create similar collateral- and margin risk as described above (for more details see Section F3 Liquidity Risk).
- Cash raised from the above repo positions, introduce potential liquidity risk and more specifically repo roll risk, we manage this by holding sufficient liquidity to be able to step in and fund short-dated funding gaps where and when applicable (for more details see Section F3 Liquidity Risk).

Market risks on with-profit policies, where investment risk is shared between policyholders and shareholders, are minimised by appropriate bonus declaration practices and having suitable mandates for asset allocation (the stock selection and investment analysis process is supported by well-developed research functions). In addition, shareholder risk is further minimised through dynamically managed hedging strategies based on the risk attached to the various shareholder guarantees. Where residual risk exposures exist (specifically sensitivity to rate and equity volatility) adequate discretionary margins are held to absorb adverse market movements.

Market risk resulting from shareholder investments is managed through set asset allocation mandates in line with the Group Risk strategy. For the South Africa shareholder listed equity portfolio we aim to limit capital losses using a hedged equity strategy. The hedging strategy is executed primarily in the form of zero cost collars where the exposure to losses is limited to 5% - 15% of the investment value whilst underlying equities track the Capped SWIX total return Index. The remaining Nedbank holding is accounted for on a fair value basis post the unbundling and contributes towards the market risk of the shareholder investments going forward. A large portion of this Nedbank holding was hedged using a collar structure, the intention is to exit the remaining unhedged holding on a managed basis.

The principal market risk arising in the Group's banking operations is interest rate risk on the banking book resulting from repricing and/or maturity mismatches between on and off balance sheet components in all banking business. Governance structures are in place to achieve effective independent monitoring and management of market risk.

2.1: Currency translation risk

The Group has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. From a capital perspective, the Group's capital is held where our risks are located and currency translation risk would only be realised if we were to require a transfer of surplus capital between regions during a period of stress. As per the Group Risk Strategy, selective appetite exists for currency translation risk.

The functional currencies of the Group's principal overseas operations are pound sterling, US dollar, Zimbabwean dollar and Kenyan shilling.

In the following tables, the Other category includes the Group's exposure to Euro, Namibian dollar, Malawian kwacha, Nigerian naira and Zimbabwean dollar.

These foreign currency translation tables below have been prepared on the basis that the values of the economic hedging instruments are reflected at their carrying value as opposed to their notional amounts. Translation of foreign operations into rand does not expose the Group to foreign currency translation risk, but does expose the Group to volatility in financial position and performance of the underlying entities. Refer to note A2(b) for information on the translation of the Zimbabwean entities into rand.

At 31 December 2021 Rm	ZAR	GBP	USD	KES	Other	Total
Assets						
Mandatory reserve deposits with central banks	-	1	9	149	36	195
Investments in associated undertakings and joint ventures' undertakings	463	1	429	-	15	908
Reinsurers' share of policyholder liabilities	8,016	3,744	73	281	1,258	13,372
Loans and advances	10,705	-	4	2,364	5,649	18,722
Investments and securities	756,009	19,068	63,841	6,212	54,258	899,388
Trade, other receivables and other assets	19,507	-	466	508	2,321	22,802
Derivative financial instruments - assets	6,134	-	257	-	-	6,391
Cash and cash equivalents	25,828	1,813	1,286	336	3,668	32,931
Total assets that include financial instruments	826,662	24,627	66,365	9,850	67,205	994,709
Assets held for sale and distribution	269	-	-	-	-	269
Total non-financial assets	37,311	24	2,127	2,608	16,806	58,876
Total assets	864,242	24,651	68,492	12,458	84,011	1,053,854
Liabilities						
Long term business insurance policyholder liabilities	653,245	20,925	56,195	2,987	61,267	794,619
Third-party interest in consolidation of funds	77,308	-	-	-	-	77,308
Borrowed funds	14,324	-	242	773	2,167	17,506
Trade, other payables and other liabilities	52,247	1,716	3,664	1,868	4,439	63,934
Amounts owed to bank depositors	(1)	77	28	3,021	2,780	5,905
Derivative financial instruments - liabilities	3,683	280	3,037	-	1,084	8,084
Total liabilities that include financial instruments	800,806	22,998	63,166	8,649	71,737	967,356
Total non-financial liabilities	13,901	118	2,571	1,486	3,121	21,197
Total liabilities	814,707	23,116	65,737	10,135	74,858	988,553

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

F2: Market risk

2.1: Currency translation risk

At 31 December 2020	ZAR	GBP	USD	KES	Other	Total
Rm						
Assets						
Mandatory reserve deposits with central banks	-	-	6	191	38	235
Investments in associated undertakings and joint ventures' undertakings	16,149	834	451	-	16	17,450
Reinsurers' share of policyholder liabilities	10,492	3,422	119	236	1,341	15,610
Loans and advances	12,096	-	4	2,469	3,229	17,798
Investments and securities	666,638	9,998	55,161	5,810	34,430	772,037
Trade, other receivables and other assets	18,211	207	231	315	1,353	20,317
Derivative financial instruments - assets	10,840	-	-	-	-	10,840
Cash and cash equivalents	26,564	2,157	1,288	265	3,286	33,560
Total assets that include financial instruments	760,990	16,618	57,260	9,286	43,693	887,847
Assets held for sale and distribution	21	-	-	-	63	84
Total non-financial assets	36,566	4	985	2,331	12,865	52,751
Total assets	797,577	16,622	58,245	11,617	56,621	940,682
Liabilities						
Long term business insurance policyholder liabilities	574,856	12,982	49,974	2,827	42,325	682,964
Third-party interest in consolidation of funds	73,020	-	-	-	-	73,020
Borrowed funds	14,785	-	108	976	1,466	17,335
Trade, other payables and other liabilities	48,435	2,054	4,163	1,426	4,135	60,213
Amounts owed to bank depositors	-	69	18	3,073	1,884	5,044
Derivative financial instruments - liabilities	11,099	-	-	-	55	11,154
Total liabilities that include financial instruments	722,195	15,105	54,263	8,302	49,865	849,730
Total non-financial liabilities	15,113	93	2,234	1,261	2,928	21,629
Total liabilities	737,308	15,198	56,497	9,563	52,793	871,359

The Group may reduce currency translation risk through the use of currency swaps, currency borrowings and forward foreign exchange contracts.

Sensitivity analysis

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on, profit before tax, and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The method used for deriving sensitivity information and significant variables did not change from the previous year.

Rm	Change in exchange rate	Impact on profit before tax		Impact on equity	
		Strengthening	Weakening	Strengthening	Weakening
At 31 December 2021					
GBP	10%	(153)	153	(153)	153
USD	10%	(276)	276	(276)	276
KES	10%	(232)	232	(232)	232
At 31 December 2020					
GBP	10%	(119)	119	(119)	119
USD	10%	(212)	212	(212)	212
KES	10%	(271)	271	(271)	271

2.2 Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital.

The Group has due regard to the nature of the liabilities and guarantees given to policyholders. Generally, the interest rate risk of such liabilities is managed by investing in fixed interest assets of similar duration.

For guaranteed annuities and protection products (life, funeral, disability and critical illness cover), the interest rate risk is managed by investing in fixed interest assets of varying terms, in order to hedge the liability's exposure to interest rate risk across the yield curve. For protection products this approach was introduced via an optimised hedging strategy which was initiated in 2020 and finalised in 2021. The hedging strategy whereby interest rate risk is managed across the yield curve is now fully embedded in our interest rate risk management operations. The non-unit liabilities held for savings products are also sensitive to interest rates. Interest rate exposures on the aforementioned products are not hedged, and is managed by a discretionary margin which absorbs profit or loss impact from interest rate risk sensitivities, limited to the size of the discretionary margin.

For products with embedded guarantees, investment guarantee reserves (IGRs) are calculated on a market-consistent basis. These IGRs are sensitive to movements in interest rates as well as the implied volatility of interest rates, with a reduction in interest rates and/or an increase in implied interest rate volatility increasing the reserves held. Economic hedging is largely in place to mitigate the impact of interest rate movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not hedged.

Shareholder capital is also exposed to interest rate risk due to fluctuations in the market value of government bonds within the shareholder funds. Interest rate risk also arises due to changes in the fair value of fixed rate debt when interest rates move, which is hedged using swaps.

The table below shows the sensitivity of assets and liabilities to changes in interest rates. The effect of discretionary margins are included in the change in liabilities in line with relevant discretionary margin methodologies. The sensitivities are calculated for guaranteed (non-profit) products and shareholder funds where shareholders bear the market risk, and excludes with-profit and linked funds.

At 31 December 2021	Change in assets	Change in liabilities	Net Impact on profit/(loss) before tax
Rm			
Guaranteed products			
Interest -1%	4,295	4,396	(101)
Interest +1%	(3,615)	(3,705)	90
Shareholder funds			
Interest -1%	164	62	102
Interest +1%	(153)	(60)	(94)

Note: The above table excludes the Group's Zimbabwean operations, refer to note A2(b) for Zimbabwe specific sensitivities. It also excludes the impact of securities held in the ROA segments, the majority of which consists of securities held in Zimbabwe. As Zimbabwe is currently experiencing hyperinflation, a 1% move would have a negligible impact on the value of the securities (refer to Note A2(b)). The remainder of the assets would have an immaterial impact on the sensitivity analysis.

Equity price risk is the risk that fluctuating equity prices will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

2.3 Equity price risk

Where products have embedded guarantees, the shareholder shares in the equity price level should the guarantees 'bite'. The value of these guarantees are reflected in IGRs calculated on a market-consistent basis. IGRs are sensitive to movements in equity prices as well as implied equity volatility, with a reduction in equity prices and/or an increase in implied equity volatility typically increasing the level of the reserves calculated. Economic hedging is in place to largely mitigate the impact of equity price movements. A discretionary margin is also held for the potential ineffectiveness of such hedging strategies and for the movements in implied volatilities which are not hedged.

There is limited exposure to equity price risk in non-profit products as equity securities are generally not regarded as suitable to match such insurance obligations (where the main risk is interest rate risk).

Indirect shareholder exposure to equity price risk exists where fees earned on products (primarily smoothed bonus, with-profit annuities and unit-linked) are based on the underlying portfolio.

Shareholder capital is also exposed to equity price risk due to equity investments forming part of the Strategic Asset Allocation (or SAA) strategy. The exposure of SA shareholder capital investments to adverse movements in equity prices is mitigated to a large degree by the utilisation of equity hedging instruments.

The table below shows the sensitivity of assets and liabilities to changes in equity market levels. The effect of discretionary margins are included in the change in liabilities in line with relevant discretionary margin methodologies. The sensitivities are calculated for guaranteed (non-profit) products and shareholder funds where shareholders bear the market risk, and excludes with-profit and linked funds.

At 31 December 2021 Rm	Change in assets	Change in liabilities	Net Impact on profit/(loss) before tax
Guaranteed products			
Equity -10%	144	248	(104)
Equity +10%	(143)	(248)	105
Shareholder funds			
Equity -10%	(781)	-	(781)
Equity +10%	717	-	717

Note: The above table excludes the Group's Zimbabwean operations, refer to note A2(b) for Zimbabwe specific sensitivities. It also excludes the impact of securities held in the ROA segments, the majority of which consists of securities held in Zimbabwe. As Zimbabwe is currently experiencing hyperinflation, a 10% move would thus disproportionately skew the sensitivity analysis (refer to Note A2(b)). The remainder of the assets would have an immaterial impact on the sensitivity analysis.

F3: Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

Subsidiaries are responsible for managing their own liquidity needs in line with the Group Liquidity Risk Policy. This allows the subsidiaries to withstand severe stress events whilst also taking into account any applicable local regulations. The work is overseen by the local subsidiary Company's Board, which for material subsidiaries includes Group representation. Liquidity is also held centrally to meet the liquidity demands of a listed holding company.

The Group liquidity position is monitored over a forecasted period of 24 months. The Group's liquidity risk appetite is to maintain sufficient liquidity to withstand a 1-in-200 year stress event over a one-year period while meeting the demands of ongoing operations.

The primary sources of liquidity risk are:

- Within the Insurance businesses, where derivative instruments may be used for the purposes of hedging and efficient portfolio management. The largest exposure of this nature relates to annuity and risk product portfolios in OMLACSA. The derivative instruments give rise to collateral calls in a changing interest rate environment. These are managed by performing detailed stress tests and ensuring adequate liquidity exists to cover potential collateral and margin calls.
- Within the Banking and Lending businesses, where wholesale funding is sourced to fund loans to customers. Liquidity risk arises as a result of refinancing risk (the risk that the business cannot raise funding to cover maturing debts) or as a result of financial covenants imposed by the businesses' lenders. Old Mutual Finance does not take retail deposits and a portion of its funding is provided by wholesale lenders, subject to financial covenants. Central African Building Society (CABS) is a regulated building society in Zimbabwe and is subject to local banking regulation. Faulu Microfinance Bank Limited (FAULU) is a regulated deposit-taking micro-lender and is subject to local regulation. Both CABS and FAULU obtain a portion of their funding from wholesale lenders, subject to financial covenants.
- Within the Group's central treasury function, where the key liquidity risks relate to the balance between remittances received from the businesses either by way of operations or through capital items, compared to central costs including debt funding and/or capital or liquidity demands of the businesses.

The above risks are mitigated by a combination of holding ample readily accessible liquidity where the risks lie, whether these arise from shareholder commitments or policyholder liabilities, having access to contingent sources of liquidity such as revolving credit facilities, management processes to monitor lending covenants and suitable management actions to proactively remedy any deterioration in the covenant status or liquidity coverage. In the event of a liquidity risk scenario occurring the actual actions to be taken will be tailored to the specific circumstances.

The contractual maturities of the Group's financial liabilities and insurance contracts are set out in notes G2, G3 and G4.

F4: Capital management

The Group aims to maintain its solvency levels within the target range of 170% – 200%. The target range has been set with reference to the requirements of relevant stakeholders and seeks to ensure we maintain sufficient, but not excessive, financial strength to support stakeholder requirements and retain financial flexibility through the maintenance of sufficient liquidity.

The Prudential Standards prescribed under the Insurance Act seek to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards. In accordance with the Prudential Standards, each insurance company must maintain own funds to cover at a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. The solvency capital requirements (SCR) is the primary capital requirement for South African insurers. The SCR is calibrated to correspond to the amount of own funds that an insurer needs to hold at a confidence level of 99.5% over a one-year period. The SCR can be calculated either using the Standard Formula or an Internal Model.

The required capital for OMLACSA, which is the major component of the Group solvency, is calculated using the Standard Formula. This requires the calculation of capital requirements for each key risk category, namely business risk, market risk, life liability risk, credit, counterparty and concentration risk, operational risk and currency risk. The capital requirements for each risk category are aggregated using a prescribed correlation matrix, which allows for diversification effects between some of the risk categories. Subject to regulatory approval, the Standard Formula allows for certain methodology elections to be made.

The Group solvency capital position must be compliant with regulatory requirements at all times. In addition to the calculated regulatory capital requirement, the Group holds a buffer above these minimum requirements that will allow it to remain compliant after a predefined extreme adverse scenario. The primary sources of capital used by the Group are shareholders equity and qualifying subordinated debt. There are a number of constraints, including the Group's desired credit rating, required liquidity and dividend capacity, which inform the optimal mix of capital sources.

During the year, the Prudential Authority approved Old Mutual Limited's application to use the Accounting Consolidation Method when aggregating SCR for the Group solvency capital calculation, and the application to unbundle the Nedbank equity holding held by Old Mutual Emerging Markets (Pty) Ltd. The Accounting Consolidation Method allows for the diversification of risks between South African licensed insurance entities which has the effect of reducing Group SCR and improving the solvency capital position. This necessitated the change in Group solvency target range from 165% – 195% to 170% – 200% for year-end 2021. Nedbank is treated as an equity investment in the calculation of the Group solvency position. Despite the unbundling of approximately R10.7bn of capital to shareholders, the Group solvency coverage ratio reduced marginally by approximately 3%, the own funds reduction being offset by the associated reduction in SCR. The remaining investment in Nedbank is held by OMLACSA and managed in line with the Group's Financial Management Framework.

The group manages its capital based on the regulatory requirements set out by the Prudential Authority for Insurance Groups with OML as the designated holding company of the group. The group targets an OML solvency coverage ratio of 170% to 200%.

At 31 December 2021 Rm (Unaudited)	Optimal target range	FY 2021	FY 2020 Pro-forma ¹	FY 2020 Re-presented ²	Change (FY 2021) vs Pro-forma FY 2020)
OMLACSA					
Eligible own funds		62,470	62,389	62,389	0.1%
Solvency capital requirement (SCR)		31,084	29,062	29,062	7%
Solvency ratio (%)	175% to 210%	201%	215%	215%	(1400 bps)
Group					
Eligible own funds		91,401	93,319	92,753	(2%)
Solvency capital requirement (SCR)		49,707	47,001	48,920	6%
Solvency ratio (%)	170% to 200%	184%	199%	190%	(1500 bps)

¹ Prior year has been re-presented to include the use of accounting consolidation method.

² Prior year has been re-presented to align to the Prudential Authority (PA) substitution.

At 31 December 2021 the group was strongly capitalised at a ratio of 184%.

For comparability, the December 2020 Group solvency ratio was re-presented to reflect the impact of adopting the Accounting Consolidation Method; this results in an increase from 190% as previously reported to 199%. At 31 December 2021, the unaudited solvency ratio for the Group was 184% (2020: re-presented: 199%). This is calculated as total own funds of R91.4 billion divided by total solvency capital requirement of R49.7 billion.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

F: Financial Risk and Capital Management

F5: Other unaudited information

The capital value used by the Group as the primary performance measurement base is the Group's embedded value. The following table shows the sensitivity of the Group's embedded value to changes in key assumptions. Embedded value is a measure of the value of shareholders' interests in the covered business of the company after sufficient allowance has been made for the aggregate risks in the covered business. It is measured in a way that is consistent with the value that would normally be placed on the cashflows generated by these assets and liabilities in a deep and liquid market. All calculations include the impact on the time-value reserves necessary for policyholder financial options and guarantees.

For each sensitivity illustrated, all other assumptions have been left unchanged except where they are directly affected by the revised conditions. Sensitivity scenarios therefore include consistent changes in cash flows directly affected by the changed assumption(s), for example future bonus participation in changed economic scenarios. For more information on the Group's embedded value, refer to the Additional Disclosures in the Group Annual Results published on 24 March 2022.

This information has not been audited by the Group's auditors.

Rm	Unaudited 2021 EV	Unaudited 2020 EV
Central assumptions	70,315	65,916
Value given changes in:		
Economic assumptions 100bps increase ¹	70,417	65,988
Economic assumptions 100bps decrease ¹	70,088	65,653
Equity/property market value 10% increase ²	72,452	67,400
Equity/property market value 10% decrease ²	68,541	64,420
10bps increase of liquidity spreads ³	70,539	66,099
50bps contraction on corporate bond spreads ⁴	70,315	66,189
25% increase in equity/property implied volatilities ⁵	69,904	65,544
25% increase in swaption implied volatilities ⁶	70,186	65,783
10% decrease in discontinuance rates ⁷	72,159	67,703
10% decrease in maintenance expenses ⁸	72,195	67,632
5% decrease in mortality/morbidity rates ⁹	73,344	68,959
5% decrease in annuitant mortality assumption ¹⁰	69,959	65,614

¹ Economic assumptions 100bps increase/decrease: Increasing/decreasing all pre-tax investment and economic assumptions (projected investment returns and inflation) by 100bps, with credited rates and discount rates changing commensurately.

² Equity/property market value 10% increase/decrease: Equity and property market value increasing/decreasing by 10%, with all profit before tax investment and economic assumptions unchanged.

³ 10bps increase in liquidity spreads: Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities (annuities only), with credited rates and discount rates changing commensurately.

⁴ 50bps contraction on corporate bond spreads.

⁵ 25% increase in equity/property implied volatilities: 25% multiplicative increase in implied volatilities.

⁶ 25% increase in swaption implied volatilities: 25% multiplicative increase in implied volatilities.

⁷ 10% decrease in discontinuance rate.

⁸ 10% decrease in maintenance expenses: Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges.

⁹ 5% decrease in mortality/morbidity rates: Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges.

¹⁰ 5% decrease in annuitant mortality assumption: Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges.

G: Other notes

G1: Post-employment benefits

The Group's post retirement schemes provide for the retirement, medical and disability benefits of employees and have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Actuarial advice confirms that the existing assets are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate. The post-retirement medical aid benefit is no longer offered by the Group and therefore the disclosure relates to winding up of this benefit.

The movement analysis of post-employment benefits presented in note J1(a) includes the information for all of the Group's pension schemes, including movements in plan assets for the year.

Restriction on the ability to access individual pension fund surpluses

The Group has pension fund surpluses and its ability to access the surpluses is regulated by local laws and regulations. In all situations, the Group does not have the unilateral right to access these surpluses as the use of the surplus must be approved by the relevant governing bodies of the pension funds.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

G: Other notes

G1: Post-employment benefits

(a) Liability for defined benefit obligations

Year ended 31 December Rm	Pension plans		Other post-retirement benefit schemes	
	2021	2020	2021	2020
Changes in projected benefit obligation				
Projected defined benefit obligation at beginning of the year	250	226	1,501	1,660
Current service cost	1	2	14	17
Interest cost on benefit obligation	24	22	121	145
Measurement losses arising from experience adjustments	(58)	-	(28)	(196)
Benefits paid	-	-	(63)	(82)
Foreign exchange and other movements	-	-	-	(43)
Projected defined benefit obligation at end of the year	217	250	1,545	1,501
Change in plan assets				
Plan assets at fair value at beginning of the year	250	226	-	-
Actual return on plan assets	(33)	24	-	-
Plan assets at fair value at end of the year	217	250	-	-
Net defined benefit obligation	-	-	(1,545)	(1,501)
Net amount recognised in consolidated statement of financial position	-	-	(1,545)	(1,501)
Disclosed as follows:				
Within trade, other payables and other liabilities	-	-	(1,545)	(1,501)
	-	-	(1,545)	(1,501)

(b) Principal actuarial assumptions

The significant actuarial assumptions and sensitivities of the defined benefit liabilities to changes in those assumptions are set out below:

	Pension plans		Other post-retirement benefit schemes	
	2021	2020	2021	2020
Discount rate used	10.0%	9.9%	10.6%	10.2%
Price inflation	6.1%	4.7%	6.1%	4.7%
Rate of future salary increases	7.1%	5.7%	7.1%	5.7%
Expected return on plan assets	10.0%	9.9%	10.4%	9.7%

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates in line with that adopted for the 92 series of mortality tables prepared by the Continuous Mortality Investigation Bureau of the Institute of Actuaries.

The effect to the Group's obligation of a 1% increase and 1% decrease in the assumed health cost trend rates would be an increase of R198 million and decrease of R166 million (2020: increase of R196 million and decrease of R164 million) respectively.

(c) Plan asset allocation

Plan asset allocation relates to all of the Group's pension schemes is as follows:

	Pension plans	
	2021	2020
Equity securities	62.1%	58.5%
Debt securities	20.7%	23.2%
Property	6.4%	6.7%
Annuities and other	10.8%	11.6%
	100.0%	100.0%

(d) Expense recognised in the income statements

Year ended 31 December Rm	Pension plans		Other post-retirement benefit schemes	
	2021	2020	2021	2020
Current service costs	1	2	14	17
Net interest cost	24	22	122	145
Total (included in staff costs)	25	24	136	162

G2: Share-based payments

(a) Share incentive schemes

The Group incentivises employees through a number of share incentive schemes. These include a short term incentive (STI), Rest of Africa (ROA) phantom incentive, long term incentive (LTI) and broad-based incentive (BBI) schemes. The STI, LTI and BBI schemes are equity-settled and the ROA phantom scheme is cash-settled. More information on the Group's share incentive schemes is available in the Old Mutual Limited Remuneration Report which will be released in April 2022 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

Short term incentive scheme (STI)

These awards are granted under the Employee Share Ownership Plan (ESOP) rules. STI consist of the deferred short term incentive, buy-out/sign on and retention awards.

Deferred short term incentive awards

A portion of the annual short term incentive award, for middle management and above, is mandatorily deferred for a maximum period of 3 years. This deferral is converted to OML forfeitable shares for participants in South Africa and Namibia and phantom shares for participants in Rest of Africa. Awards granted in 2021 and to be granted in 2022 vest in three equal tranches on the first, second and third anniversaries of the award, and have no further financial performance conditions. The awards are subject to malus and clawback conditions.

Buy-out/Sign-on awards

These awards support the recruitment of key and/or critical talent into the organisation subject to stringent policy guidelines. Buy-out awards replace potential loss of income/unvested awards for new joiners, in addition to settling financial obligations that the new joiner may have with their previous employer. Sign-on awards increase the overall competitiveness and attractiveness of an offer, specifically for the recruitment of scarce skills or high potential individuals. These awards are granted in OML forfeitable shares for participants in South Africa and Namibia and phantom shares for participants in Rest of Africa. The awards are subject to malus and clawback conditions.

Retention awards

These awards are granted in special circumstances to retain key talent based on the outcomes of the Group Talent Management Strategy, or scarce and/or critical skills identified as a potential flight risk. The awards typically vests after 3 years. The awards are subject to malus and clawback conditions.

Long term incentive scheme (LTI)

LTI awards are granted under the Long Term Incentive Plan (LTIP) rules. To align long term shareholder and senior management interests, these awards are granted to senior managers and above, on a discretionary basis, subject to a minimum individual performance outcome. Awards granted in 2021 are OML conditional shares for participants in South Africa and Namibia and conditional phantom shares for participants in Rest of Africa. Vesting is subject to company and individual performance targets, and vests in equal tranches on the third, fourth and fifth anniversaries of the award. The awards are subject to malus and clawback conditions.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

G: Other notes

G2: Share-based payments

Broad-based incentive scheme (BBI)

A once-off broad-based share incentive scheme was awarded, in September 2018, to all employees permanently employed at the time of Old Mutual listing on the JSE and still in service on the date of grant. This award was in recognition of each employee's contribution to the smooth transition to listing, and the anticipated future contribution they would make to the Group. In terms of this scheme, 25 254 employees were initially allocated 366 Old Mutual Limited shares each, totalling 8 485 344 shares (at a share price of R29.80). This initial grant was supplemented by a further 128 Old Mutual Limited shares at a share price of R22.00 (3 232 512 shares in total). The total Old Mutual Limited shares allocated were 11 717 856. The awards, granted under the ESOP rules, all vested on the 18 September 2020. After taking into account the lapse of shares linked to leavers, 11 122 496 Old Mutual Limited shares vested at a share price of R10.07. The Broad-based incentive scheme shares were equity-settled.

(b) Forfeitable/Restricted share grants

The following table summarises the fair value of restricted shares granted by the Group during the year:

Instruments granted and purchased during the year		Number granted	Weighted average fair value
Shares in Old Mutual Limited (Johannesburg Stock Exchange)	2021	53,192,717	R9.00
	2020	43,650,087	R11.89

Included in the 2021 awards above are 16,854,364 shares issued on 3 December 2021. These awards were made at the discretion of the Remuneration Committee in order to compensate share scheme participants for the special dividend declaration made by Old Mutual on the 8 November 2021 (refer to Note A2(a)). These awards are linked to previous granted awards and carry the same terms and condition of those original awards. The fair value of the combination of the previous awards and the new awards did not exceed the benefit initially granted to employees and therefore the grant date fair value of these awards was assessed to be zero.

	Number of shares	Weighted average fair value	Number of shares	Weighted average fair value
	2021	R	2020	R
Deferred Short Term Incentive (STI)				
Movements in non-vested shares				
1 January ¹	43,648,346	11.89	30,521,378	19.66
Granted	21,068,937	8.18	23,603,586	11.91
Settled	(7,100,723)	13.40	(7,639,846)	11.34
Lapsed	(2,761,117)	13.10	(2,836,772)	11.89
31 December¹	54,855,443	13.10	43,648,346	11.89
Long Term Incentive Plan Awards (LTI)				
Movements in non-vested shares				
1 January ¹	16,784,732	11.89	11,343,320	19.66
Granted	20,255,757	10.01	9,211,958	11.94
Settled	(1,207,416)	13.80	(1,177,320)	11.27
Lapsed	(2,402,611)	13.10	(2,593,226)	11.89
31 December¹	33,430,462	13.10	16,784,732	11.89
Buy-Out/Sign On Awards (STI)				
Movements in non-vested shares				
1 January ¹	-	11.89	-	-
Granted	2,449,222	12.40	-	-
Lapsed	(95,528)	13.10	-	-
31 December¹	2,353,694	13.10	-	-

	Number of shares	Weighted average fair value	Number of shares	Weighted average fair value
	2021	R	2020	R
Retention awards (STI)				
Movements in non-vested shares				
1 January ¹	24,488,306	11.89	17,415,661	19.66
Granted	9,418,801	7.81	10,834,543	11.79
Settled	(4,358,615)	14.28	(1,808,502)	11.41
Lapsed	(2,237,701)	13.10	(1,953,396)	11.89
31 December¹	27,310,791	13.10	24,488,306	11.89
Broad-Based Awards (BBI)				
Movements in non-vested shares				
1 January ¹	381,536	11.89	7,821,072	19.66
Settled	(375,376)	10.07	(6,638,800)	10.36
Lapsed	-	-	(800,736)	11.89
31 December¹	6,160	13.10	381,536	11.89

1. Share price at reporting date (and not the weighted average fair value)

No adjustment was made in the above weighted average fair value for expected dividends where the holder of the restricted share is entitled to dividends throughout the vesting period.

(c) Deferred short term incentive awards – forecasted

The annual bonus allocation (South Africa and Namibia) gives rise to deferred short term incentive awards. The start of the vesting period of these awards has been determined as 1 January of the year prior to the date of issue, to take into account the element of the award linked to previous performance. The initial fair value is determined by estimating the level of awards to be made in the following year taking into account expected company and individual performance.

The Group anticipates awards under the South African scheme of 19,556,687 restricted shares (2020: 14,330,025). The restricted shares have been valued using an estimated share price of R11.89 (2020: R11.89). A new method was used to calculate the forecast grant which is based on a rand value determined at 1 January using the last reported share price and not adjusted for changes in the share price until the actual awards are made. Comparative for 31 December 2020 would be 8,666,531 shares at R19.66.

(d) Financial impact

Year ended 31 December Rm	2021	2020
Expense arising from equity settled share and share option plans	414	379
Expense arising from cash settled share and share option plans	(12)	1
	402	380
Closing balance of liability for cash settled share awards	13	18

G3: Related parties

(a) Transactions with key management personnel, remuneration and other compensation

The Company's key management personnel include all members of the Board, (both executive and non executive directors) and prescribed officers as defined by the Companies act. In addition, due to the influence on the planning, direction and control over the activities of the Group, all members of the Executive committee will also be included as key management personnel.

The definition of key management personnel also includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may influence, or be influenced by that person in their dealings with the Group. These may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

G: Other notes

G3: Related parties

The Directors' Remuneration disclosure required by the Companies Act are set out in Note L. Disclosures required in terms of King IV™ will be disclosed in the Old Mutual Limited Remuneration Report which will be released in April 2022 and can be accessed on <https://www.oldmutual.com/investor-relations/reporting-centre/reports>. Compensation paid to the Board of directors is aggregated below, together with the aggregate compensation paid to the Executive committee members (Exco), as well as the number of share options and instruments held.

Year ended 31 December Rm	2021		2020	
	Number of personnel	Rm	Number of personnel	Rm
Directors' fees	16	29	15	26
Remuneration	-	109	-	78
Salaries and other benefits	14	85	15	76
Termination benefits	-	-	2	-
Share-based payment expense	13	24	15	2
		138		104

Restricted shares	2021		2020	
	Number of personnel	Number of shares '000s	Number of personnel	Number of shares '000s
Outstanding at beginning of the year	13	8,959	14	7,222
Leavers	1	-	3	(1,994)
New appointments	1	-	2	616
Granted during the year		9,345		4,703
Lapsed during the year		(725)		(275)
Released during the year		(766)		(1,313)
Outstanding at end of the year	13	16,813	13	8,959

Transactions with Key management personnel are made on terms equivalent to those that prevail in arm's length transactions.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence at and for the year ended 31 December 2021 were as follows.

Year ended 31 December	2021		2020	
	Number of personnel	Value Rm	Number of personnel	Value Rm
Current accounts	4	-	8	2
Credit cards	-	-	3	2
Mortgages	-	-	2	7
Investments	7	130	11	112
Property & Casualty contracts				
Total premium paid during the year	4	-	4	-
Claims paid during the year	-	-	-	-
Life insurance products				
Total sum assured/value of investment at end of the year	9	63	10	72
Pensions				
Value of pension plans as at end of the year	9	102	11	122

Various members of key management personnel hold or have at various times during the year held, investments managed by asset management businesses of the Group. These include unit trusts, mutual funds and hedge funds. None of the amounts concerned are material in the context of the funds managed by the Group business concerned, and all of the investments have been made by the individuals concerned either on terms which are the same as those available to external customers generally or, where that is not the case, on the same terms as were available to employees of the business generally.

(b) Transactions and balances with other related parties

Material subsidiaries of the Group are identified in note I1(a) and the Group's material investments in associated undertakings and joint ventures are identified in note I2.

Transactions between the Group and its related parties, other than key management personnel are disclosed below. All these transactions were entered into in the normal course of business.

Year ended 31 December Rm	2021	2020
Outstanding balances with associated undertakings		
Bonds, derivatives and other financial instruments due from Nedbank ¹	-	2,808
Loan due to Nedbank ¹	-	(409)
Deposits owing from Nedbank to Group subsidiaries ¹	-	15,942
Balances owing from Nedbank to Group subsidiaries ¹	-	8,019
Transactions with associated undertakings		
Dividend received from Nedbank	477	687
Interest expense to Nedbank from Group subsidiaries	(1,271)	(701)
Interest income from Nedbank to Group subsidiaries	2,585	2,086
Insurance premiums received from Nedbank	141	147
Claims paid to Nedbank	(88)	(74)
Commission expense paid to Nedbank by Group subsidiaries	(25)	(26)
Management fee expense paid to Nedbank	(169)	(185)
Management fee income from Nedbank	55	58
Fees paid for provision of information technology services to the Group	(123)	(228)
Rent received from Nedbank	14	18

1. The group and Nedbank's related party relationship ceased during the 2021 reporting period (refer note A2(a)), outstanding balances are not disclosed in respect of parties that were not related at the end of the reporting period.

(c) Investments in the Kutana Group of companies

Thoko Mokgosi-Mwantembe, a non-executive director of the Company, is also the Chief Executive Officer and sole equity holder of Kutana Capital (Pty) Ltd (Kutana).

Old Mutual Specialised Finance, provided preference share funding to Luxanio 220 (RF) (Pty) Ltd, a wholly owned subsidiary of Kutana. In light of this investment, the Group continues to review relationships where Kutana has significant influence in the wider structure and have provided additional information in respect of these relationships. No additional funding was provided to Luxanio 220 (RF) (Pty) Ltd during the current period.

The Group, through various of its operating subsidiaries, has provided debt funding as part of a consortium of lenders, to In2Food Group (Pty) Ltd through an entity called Middle Road Packers (Middle Road), an entity in which Kutana has an effective ownership of 35%.

The Group indirectly holds a 31% minority stake in Middle Road alongside Kutana's 35% interest, which was acquired by the Old Mutual Private Equity Fund IV (Fund IV) prior to Thoko Mokgosi-Mwantembe having been appointed as a nonexecutive director of the Company and OMLACSA. Fund IV is a limited liability partnership and the Group holds c.88% of the interest in Fund IV. In line with the nature of this structure and the IFRS 10 assessment, the Group has no influence over the investment decisions of this fund and this fund is not consolidated.

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

G: Other notes

G3: Related parties

The transactions concluded with the Kutana Group of companies and fellow subsidiaries arose in the ordinary course of business and were conducted on the same commercial terms, including interest rates and security, as comparable transactions with third party counterparties. The transactions did not involve more than the normal risk of repayment, nor do they present any other unfavourable features to the Group.

Rm	At 31 December 2021	At 31 December 2020
Debt instruments held		
Preference shareholding - Luxanio 220 (RF) (Pty) Ltd	277	250
Mezzanine debt - In2Food Group (Pty) Ltd	42	37
Term loan A - In2Food Group (Pty) Ltd	25	76
Term loan B - In2Food Group (Pty) Ltd	137	124
Income earned		
Preference dividends accrued - Luxanio 220 (RF) (Pty) Ltd	20	20
Mezzanine debt interest accrued - In2Food Group (Pty) Ltd	-	-
Term loan A interest accrued - In2Food Group (Pty) Ltd	1	1
Term loan B interest accrued - In2Food Group (Pty) Ltd	1	1

G4: 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. Legal expenses incurred in respect of these disputes and legal proceedings are expensed as incurred. 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.

Tax

The Group is committed to conducting its tax affairs in accordance with tax legislation of the jurisdictions in which the Group operates. All interpretations by management, are made with reference to the specific facts and circumstances of the transaction and in the context of relevant legislation, practice and directives. All positions taken are vigorously tested and are defensible.

Business and tax law complexity may result in the Group entering into transactions that expose the Group to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The Revenue Authorities in various jurisdictions in which the Group operates routinely review historic transactions undertaken and tax law interpretations made by the Group.

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 uncertain tax matters and that the resources required to fund such potential settlements, where necessary, 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 is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

Outcome of Zimbabwean Commission Enquiry

On 31 December 2016, the Zimbabwean Government concluded its enquiry 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 enquiry were made public.

Although the Commission believes that policyholders may have been prejudiced, and that government, regulators and the insurance industry played a role in the loss of value, this finding is subject to review by the President and Cabinet. Furthermore, the Commission did not determine a methodology for quantifying or allocating responsibility for this prejudice and recommended that this be the subject of a further independent process to determine criteria for assessing prejudice as well as a basis for compensation which will also take into account the need to maintain stability and confidence in the industry. As such we are not currently able to establish what impact the Commission's findings will have on Old Mutual Zimbabwe.

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. The liability in respect of this arrangement was limited to \$480 million. F&G has since signed a release agreement to agree they will not call on the guarantee in respect of these insurance policies and annuities.

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 position of F&G, a licensed US life insurer.

G5: Commitments

Group's management is confident that future net revenues and existing funding arrangements will be sufficient to cover these commitments.

At 31 December Rm	2021	2020
Investment property	716	425
Intangible assets	190	228

Future potential commitments

Old Mutual Finance (Pty) Ltd put option

The 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 Finance 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 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, whilst Business Doctor became entitled to exercise the option to put the remaining shares to Old Mutual Limited, the option was 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 dependent on various circumstances which are regarded by the Group as collectively and individually immaterial.

Other commitments

OMLACSA 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 R12,746 million at 31 December 2021 (2020: R11,819 million).

Notes to Old Mutual Limited Summarised Consolidated Financial Statements (continued)

For the year ended 31 December 2021

G: Other notes

G6: Cash flow information

Management consider it appropriate for all cash flows relating to Investment portfolios backing policyholder liabilities and supporting regulatory and Group risk adjusted minimum capital levels, other than interest income and dividend income, to be reflected as cash flows from investing activities rather than as cash flows from operating activities.

Cash and cash equivalents comprise cash balances and highly liquid short term funds, mandatory reserve deposits held with central banks, cash held in investment portfolios awaiting reinvestment and cash and cash equivalents subject to the consolidation of funds.

Rm	December 2021	December 2020
Non-cash movements and adjustments to profit before tax		
Amortisation and impairments of contract assets and liabilities	271	260
Amortisation and impairments of intangible assets	673	1,777
Depreciation and Impairments of Property, Plant and Equipment	1,405	1,035
Credit impairment charges	667	2,874
Impairments in associate undertakings	(5)	8,629
Interest on borrowed funds	645	607
Loss on disposal of subsidiaries, associates and strategic investments	36	-
Share of profit of associate undertakings and Joint Ventures	(1,385)	(593)
Fair value gains and losses on investments and securities	(115,236)	(17,580)
Fair value gains and losses on investment property	(2,285)	(116)
Fair value movement on policyholder liabilities	54,947	24,283
Non-fair value movements on policyholder liabilities	57,960	5,530
Fair value gains and losses on debt instruments	9	(123)
Fair value of Share options	402	(376)
Other Non-cash movements	11,874	3,421
Total non-cash movements and adjustments to profit before tax	9,978	29,628
Changes in working capital		
Deferred acquisition costs	(389)	88
Contract liabilities	717	149
Reinsurers' share of long term business policyholder liabilities	(658)	(2,211)
Reinsurers share of general Insurance liabilities	2,895	(5,011)
Deposits held with reinsurers	1	(3)
Other assets and liabilities	497	8,118
General insurance liabilities	(3,249)	5,595
General provisions	(1)	(303)
Retirement obligations and assets	8	177
Amounts owed to depositors	861	136
Effect of exchange rates	340	(124)
Consolidation of funds	165	(5,896)
Total changes in working capital	1,187	715

G7: Events after the reporting date

ONE Financial Services Holdings Propriety Limited

The Group acquired 51% of the share capital of ONE Financial Services Holding Proprietary Limited, a South African short-term insurance service provider, with effect from 3 January 2022. The acquisition forms part of the Group's growth strategy and will enable the Group to strengthen its distribution capabilities and non-insurance revenue streams by broadening the Group's base in the market place. As the initial accounting for this acquisition was not completed at the time that the financial statements were authorised for issue details of the values of assets acquired and liabilities assumed have not been provided.

Unrest in Eastern Europe

Old Mutual has interests in commercial properties in Bucharest, Romania and Sofia, Bulgaria to the value of ZAR 6.3 billion as at 31 December 2021. On 24 February 2022 Russian armed forces invaded Ukraine and since then there has been war in Ukraine. Ukraine's neighbour to the South is Romania and Bulgaria is south of Romania. Neither Romania nor Bulgaria are involved in the conflict, other than indirectly through refugees potentially looking to Romania for refuge. Both are members of the North Atlantic Treaty Organisation which through Article 5 (an attack on one is an attack on all) gives them significant protection. We do not believe that any of the properties are impacted by the set of sanctions set out by many world countries as there are no Russian companies who tenant the buildings. We continue to monitor the situation.

Tax Rate Change

In terms of IAS 12, both current and deferred tax assets and liabilities are to be measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Changes in tax rates should be regarded as substantively enacted from the time that they are announced in terms of the Minister of Finance's Budget Statement. When changes in the tax rates are inextricably linked to other changes in the tax laws, they should be regarded as being substantively enacted when the changes in tax laws have been approved by Parliament and signed into law, by the President.

Effective from the commencement of the OML Group's 2023 year of assessment, the South African corporate income tax rate will be reduced to 27 per cent. This is inextricably linked to the base broadening measures related to limiting the use of assessed losses and interest deduction limitation rules. The base broadening measures were legislated in terms of the Taxation Laws Amendment Act 20 of 2021 and come into operation on the date on which the rate of tax is reduced, after announcement by the Minister of Finance in the annual National Budget. The announcement of the reduction in tax rate by the Minister of Finance in the annual National Budget took place on 23 February 2022. It follows that the tax rate change together with the above mentioned base broadening measures are considered to be substantively enacted on this date.

This is considered to be a non-adjusting event for purposes of IAS 10 on the basis that the rate change was substantially enacted after the end of the 31 December 2021 reporting period. The reduction of the rate of tax will for current tax purposes only have an effect for the 2023 year end. From a deferred tax perspective, due to the timing of the announcement and complexity involved, a reasonable estimate of the effect of the rate change on deferred tax assets and liabilities could not be made at the time of preparation of this annual report. Additional disclosure in this regard will only be considered further for the 31 December 2022 year end.

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