GUIDANCE ON THE QUILTER PLC SHARE DISTRIBUTION, THE EXCHANGE OF OLD MUTUAL PLC SHARES FOR OLD MUTUAL LIMITED SHARES AND THE UNBUNDLING BY OLD MUTUAL LIMITED OF ITS MAJORITY SHAREHOLDING IN NEDBANK.

This summary is a general guide of tax considerations associated with the Quilter plc share distribution and the exchange of the Old Mutual plc shares for Old Mutual Limited shares in South Africa, the United Kingdom, Malawi, Namibia and Zimbabwe; and the unbundling by Old Mutual Limited of its majority shareholding in Nedbank shares in South Africa, Malawi, Namibia, the United Kingdom, Zimbabwe, the United States and Sweden. For jurisdictions that are not addressed in this summary, guidance and/or advice should be sought from revenue authorities or advisors in the respective jurisdictions.

This summary does not constitute tax advice and must not be relied upon as such. Shareholders should consult their own independent tax advisers, bearing in mind their particular circumstances, regarding their participation in these corporate ***actions.***

In the following summary, where not otherwise specified, references to "Nedbank" are to Nedbank Group Limited, to "Old Mutual" are to Old Mutual Limited.

1. South African Taxation

The following is a general guide for South African tax resident shareholders of Old Mutual Limited:

- who held their Old Mutual plc shares on capital account for tax purposes;
- who hold their Quilter plc and Old Mutual Limited shares on capital account for tax purposes;
- who received Quilter plc shares pursuant to the demerger transaction; and
- whose Old Mutual plc shares were exchanged for Old Mutual Limited shares.

In this section, we address considerations regarding:

- determining the base cost adjustment to the Old Mutual plc shares as a result of the Quilter plc distribution;
- determining the value of the Quilter plc share distribution and the base cost established for the Quilter plc shares received; and

- the tax consequences of the exchange of the Old Mutual plc shares for Old Mutual Limited shares and the base cost of the new Old Mutual Limited shares received.
- Refer to Annexure A for an illustrative example on the calculation of the Old Mutual Limited share base cost for South Africa

1.2 South African tax implications for the receipt of Quilter plc shares pursuant to the demerger transaction

The receipt of Quilter plc shares constitutes a foreign return of capital for South African income tax purposes. The value of the foreign return of capital is equal to the market value of the Quilter plc shares on the date of the distribution.

The South African Capital Gains Tax rules require, where a foreign return of capital is received or accrued on or after 1 April 2012, that the base cost of the shares held (in this case, the Old Mutual plc shares) be reduced by the market value of the asset received (being 1 Quilter plc share for every 3 Old Mutual plc shares held).

1.3 Market value of the Quilter plc shares received for South African tax purposes

In determining the value of the foreign return of capital, the legislation requires the use of the market value of the asset received by the shareholders on the date of the distribution; this could therefore range from the opening price to the closing price of the Quilter plc shares on that date.

The distribution occurred on Monday 25th June 2018, an hour before the Quilter plc shares were admitted to the JSE as listed shares. The JSE opening price, prior to any trading in the Quilter plc shares, was ZAR 25.88 per share on that day.

South African tax resident shareholders could therefore consider this price as a market value of the Quilter plc shares on the distribution date.

1.4 Calculation principles

Capital Gains Tax was introduced into South African tax legislation on 1 October 2001. As a result, assets acquired before or on/after 1 October 2001 ("the valuation date") have different tax consequences.

1.4.1 Shares acquired on or after 1 October 2001

The base cost of the Old Mutual plc shares, held at the time of the Quilter plc share distribution, must be reduced by the market value of the Quilter plc shares received.

Shareholders were entitled to 1 Quilter plc share for every 3 Old Mutual plc shares owned at the time. Therefore, if the market value of the Quilter plc share was R25.88, the amount by which the base cost of every Old Mutual plc share should be reduced is calculated by dividing this value by 3 i.e. R25.88/3 = R8.626.

However, please note the following with regards to the Old Mutual plc's base cost per share:

- Where the Old Mutual plc share's base cost (before the reduction above) was lower than R8.626, the difference will be subject to tax as a capital gain and consequently 40% of that gain should be included in an individual's taxable income and 80% of that gain should be included in a corporate or trust's taxable income.
- *2012 Share consolidation:* Old Mutual plc had a share consolidation in 2012; shares were consolidated in the ratio of 8/7. Where applicable, the Old Mutual plc base cost per share would therefore first have to be adjusted accordingly, by multiplying it by that ratio (before the reduction above is applied).

1.4.2 Shares acquired before 1 October 2001 ("pre-valuation date assets")

If an Old Mutual plc share was acquired before 1 October 2001, the Old Mutual plc share will be a "pre-valuation date asset" and the base cost of the Old Mutual plc share will first have to be re-determined, *before* the base cost reduction as described for shares acquired after 1 October 2001 can be applied.

a) <u>Re-determining the base cost of the Old Mutual plc shares</u>

In re-determining the base cost of the Old Mutual plc shares, the shareholder must be treated as:

i) having disposed of the Old Mutual plc share immediately *prior* to the foreign return of capital (the Quilter plc share distribution) for an amount equal to the market value (described below) of the Old Mutual plc share at that time; and

ii) having immediately reacquired that Old Mutual plc share at a cost equal to that market value:

- o less any capital gain; or
- o increased by any capital loss

determined as part of the disposal described in i).

Step i) *The deemed disposal of the Old Mutual plc shares*

In performing this deemed disposal calculation described in i) above, the market value and base cost of the Old Mutual plc shares are determined as follows:

- The **market value** of the Old Mutual plc shares to be used in the calculation of the deemed disposal, is equal to the sum of:
  - the ruling price of that share at the close of business on the last business day before the accrual of the foreign return of capital (the ruling price of the Old Mutual plc shares on Friday, 22 June 2018 was R37.83 per share), and

- the foreign return of capital (being one third of the Quilter plc share price, i.e. R8.626 per share).

- The rules for determining the **base cost** of a pre-valuation date asset are complex. Other than for identical assets[1] where the weighted average cost method is applied, shareholders must apply the rules prescribed by paragraphs 25 – 30 of the Eighth Schedule[2] to the South African Income Tax Act (No 58 of 1962), as applicable.
  - we do however consider it likely that the valuation date value and base cost of the Old Mutual plc shares, for shareholders who received their Old Mutual plc shares for no consideration as part of de-mutualisation in 1999, would be the valuation date market value of R13.626. Please however note that Old Mutual plc had a share consolidation in 2012 and Old Mutual plc shares were then consolidated in the ratio of 8/7; the valuation date market value and/or base cost per share would have to be adjusted accordingly by multiplying it by that ratio.
  - For further information, please visit the website of the South African Revenue Service at www.sars.gov.za

Step ii) *the re-acquisition of the Old Mutual plc shares*

Following the deemed disposal calculation, shareholders will be deemed to have reacquired their Old Mutual plc shares at the market value (described above) reduced by any capital gain or increased by any capital loss determined as part of the deemed disposal calculation. This result will be the new base cost of the Old Mutual plc shares held.

[1] A group of similar assets which –

a) if any one were disposed of, would realize the same amount regardless of which one was disposed of; and
b) are not able to be individually distinguished apart from any distinguishing numbers that they may bear.

[2] The Eighth Schedule to the South African Income Tax Act prescribes rules for the taxation of capital gains and losses.

b) Base cost reduction

Once the new base cost of the Old Mutual plc shares prior to the Quilter plc share demerger has been re-determined (described above) this base cost must be reduced by the market value of the Quilter plc shares received.

Accepting a Quilter plc market value per share of R25.88, the base cost of each Old Mutual plc share would have to be reduced by R8.626, being 1/3rd of the Quilter plc share price.

Where the Old Mutual plc share's base cost (before the reduction above) was lower than R8.626, the difference will be subject to tax as a capital gain and consequently 40% of that gain should be included in an individual's taxable income and 80% of that gain should be included in a corporate or trust's taxable income.

Following the base cost reductions as a result of the Quilter plc share distribution, for all Old Mutual plc shares (acquired before, on or after 1 October 2001) shareholders would have:

- Established a base cost for their Quilter plc shares received, equal to the market value per share on the date of the Quilter plc share distribution (e.g. R25.88 per share); and
- Re-established a reduced base cost for each of their Old Mutual plc shares held after the Quilter plc share distribution.

1.5 **Exchange of the Old Mutual Plc shares for Old Mutual Limited shares**

Where the market value of the Old Mutual plc share exceeds its base cost, the exchange of the Old Mutual plc shares for Old Mutual Limited shares will constitute an "asset-for-share" transaction in terms of section 42 of the South African Income Tax Act no 58 of 1962. In this instance, the shareholder will be deemed to have:

- disposed of their Old Mutual plc share at its base cost, thereby triggering no capital gain or loss; and

- acquired the Old Mutual Limited shares at cost equal to that of the Old Mutual plc share (being the reduced base cost following the Quilter plc share distribution calculated above).

Where the market value of the Old Mutual plc shares does not exceed their base cost, this will constitute an ordinary disposal for shareholders. The market value of the Old Mutual Limited shares received will constitute the proceeds on disposal of the Old Mutual plc shares. The base cost to be used in this calculation is the reduced base cost of the Old Mutual plc shares following the Quilter plc share distribution as calculated above.

1.6 **Unbundling of Nedbank shares**

The Old Mutual Limited Board has specifically resolved to distribute the unbundled Nedbank shares as a return of capital (paid out of “contributed tax capital” (“CTC”)). The distribution of the Nedbank shares on the Nedbank unbundling should therefore qualify as an “unbundling transaction” for purposes of section 46(1) of the South African Income Tax Act, 58 of 1962 (as amended) (“Income Tax Act”) and should not be treated as a taxable event for Old Mutual shareholders who are resident in South Africa. Consequently, the receipt of the unbundled Nedbank shares by South African tax resident Old Mutual shareholders should qualify for tax relief and should not constitute a “return of capital” or a “dividend” for South African tax purposes only. Dividends tax should therefore not apply. Consequently, the receipt of the unbundled Nedbank shares by Old Mutual shareholders who are non-resident of South Africa should still, however, be treated as a “return of capital” under general South African tax principles.

Old Mutual shareholders should be required to allocate a portion of the expenditure attributable to the Old Mutual shares held by them to the unbundled Nedbank shares received pursuant to the Nedbank unbundling. The expenditure with respect to Old Mutual shareholders’ Old Mutual shares must be apportioned in accordance with an apportionment ratio described in more detail in the immediate paragraph below.

The proportionate amount of the expenditure to be allocated to the unbundled Nedbank shares must be determined in accordance with the ratio that the market value of the unbundled Nedbank shares, as at the end of the day of that distribution, bears to the sum of the market value, as at that date, of the Old Mutual shares and of the unbundled Nedbank shares (the “Apportionment Ratio”). The Apportionment Ratio is based on the closing share price per Old Mutual share and the closing share price per unbundled Nedbank share on LDT+1 (as defined in the JSE Listings Requirements), being Wednesday, 10 October 2018.

In instances where Old Mutual shareholders hold their Old Mutual shares as trading stock, the expenditure used should be the amount originally taken into account by the Old Mutual shareholder in respect of those Old Mutual shares held prior to the Nedbank unbundling as contemplated in section 11(a), section 22(1) and section 22(2) of the Income Tax Act. The expenditure to be allocated to the unbundled Nedbank shares should be determined by applying the Apportionment Ratio. Old Mutual shareholders should be deemed to have incurred the expenditure allocated to the unbundled Nedbank shares on the date on which the expenditure was incurred in respect of the Old Mutual shares.

Old Mutual shareholders holding their Old Mutual shares as capital assets should be deemed to have acquired a proportional number of unbundled Nedbank shares as capital assets. The expenditure incurred in respect of the Old Mutual shares in terms of paragraph 20 of the Eighth Schedule to the Income Tax Act and the market value of those Old Mutual shares should similarly be apportioned between the unbundled Nedbank shares and the Old Mutual shares by applying the Apportionment Ratio. The portion of the expenditure allocated to the unbundled Nedbank shares should reduce the base cost of the Old Mutual shares held. Old Mutual shareholders should be deemed to have incurred the expenditure allocated to the unbundled Nedbank shares on the same date on which the expenditure was incurred in respect of the Old Mutual shares.

As an illustrative example, assume that an Old Mutual shareholder currently holds 100 Old Mutual shares and receives 3.21176 unbundled Nedbank shares pursuant to the Nedbank unbundling. The Old Mutual shareholder's expenditure for 100 Old Mutual shares is assumed to be R1,637.00. The market value per Old Mutual share post the Nedbank unbundling is R21.55 per share and that the market value of the unbundled Nedbank shares post the Nedbank unbundling is R248.59 per share. The Apportionment Ratio would then be calculated as follows:

Apportionment Ratio = (A / (A + B))

Where:

A = the market value of the unbundled Nedbank shares at the close of the day after the Nedbank unbundling (R798.41141, being 3.21176 x R248.59 per share);
B = the market value of the Old Mutual shares at the close of the day after the Nedbank unbundling (R2,155.00, being 100 x R21.55 per share);

= (R798.41 / (R798.41 + R2,155));
= 27.033%

The deemed expenditure to be attributed to the unbundled Nedbank shares (3.21176 unbundled Nedbank shares) would be calculated as 27.033% x R1,637, being R442.54, equating to deemed expenditure of R137.79 per Nedbank share.

The deemed expenditure to be attributed in turn to the Old Mutual shares (100 Old Mutual shares) would be R1,637.00 – R442.54, being R1,194.46, equating to deemed expenditure of R11.94 per Old Mutual share.

2. United Kingdom ("UK") Taxation

The following is a general guide for UK tax resident shareholders of Old Mutual Limited:

- who held their Old Mutual plc shares on capital account for tax purposes;
- who hold their Quilter plc and Old Mutual Limited shares on capital account for tax purposes;
- who received Quilter plc shares pursuant to the demerger transaction; and
- whose Old Mutual plc shares were exchanged for Old Mutual Limited shares received.

2.1 **UK taxation implications for the receipt of Quilter plc shares pursuant to the demerger transaction**

UK tax resident shareholders will need to apportion the base cost of their Old Mutual plc shares, held prior to the demerger transaction, between their post-demerger Old Mutual Limited shares and their Quilter plc shares, in accordance with sections 130 and 272 of the Taxation of Chargeable Gains Act 1992. These sections require the apportionment to be carried out with reference to the market value of the relevant share on the first day they were listed on the LSE, being £1.52 on 25 June 2018 in respect of the Quilter plc share[3], and £1.58 on 26 June 2018 in respect of the Old Mutual Limited share[4].

2.2 **Calculation principles**

Shareholders were entitled to receive 1 Quilter plc share and 3 Old Mutual Limited shares for every 3 Old Mutual plc shares held. Accordingly, the base cost of every 3 Old Mutual plc shares held should be apportioned between the 1 Quilter plc share and 3 Old Mutual Limited shares as follows:

$$\text{1 Quilter plc share} = \frac{£1.52}{£1.52 + (3 \times £1.58)} = 0.242812 \times \text{base cost}$$

$$\text{3 Old Mutual Limited shares} = \frac{(3 \times £1.58)}{£1.52 + (3 \times £1.58)} = 0.757188 \times \text{base cost}$$

[3] https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/GB00BDCXV269GBGBXSTMM.html

[4] https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/ZAE000255360GBGBXSSMU.html

In other words, 24.2812% of the base cost of every 3 Old Mutual plc shares held, pre-demerger, should be apportioned to the 1 Quilter plc share received and 75.7188% of the base cost of every 3 Old Mutual plc shares held, pre-demerger, should be apportioned to the 3 Old Mutual Limited shares received for UK tax purposes.

Please note the following corporate actions that may affect the Old Mutual plc shares' base cost (prior to the apportionment being applied above):

- *1999 Demutualisation*: The acquisition cost of any shares acquired on demutualisation will be zero.
- *2012 Share Consolidation*: The total cost of the shares held at the time of the 2012 share consolidation would be unaffected; however, the average cost of the Old Mutual plc share at that time should be multiplied by 8/7.

2.3 **Unbundling of Nedbank shares**

Save where expressly indicated, the comments below apply only to Old Mutual shareholders resident and, in the case of an individual, domiciled or deemed domiciled for tax purposes in the United Kingdom and to whom "split year" treatment does not apply, who hold Old Mutual shares as an investment and who are the absolute beneficial owners thereof. Certain categories of Old Mutual shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefiting from certain reliefs or exemptions, those connected with Old Mutual or the Group and those for whom the Old Mutual shares are employment-related securities may be subject to special rules and this summary does not apply to such Old Mutual shareholders.

The receipt of unbundled Nedbank shares and any Cash Proceeds pursuant to the Nedbank unbundling will be a taxable event for Old Mutual shareholders who are resident in the United Kingdom for United Kingdom tax purposes. HM Revenue and Customs have indicated that the Nedbank unbundling should constitute a capital distribution (part disposal) for United Kingdom tax purposes, and that they would accept the value of the capital distribution as being the aggregate of the unbundled Nedbank shares at £12.326 per share plus the amount of any Cash Proceeds received. (This valuation of Nedbank shares is based on the closing market price on 15 October 2018.)

Accordingly, shareholders who are resident in the United Kingdom should be treated as making a part disposal of their Old Mutual shares which may, depending on the shareholder's individual circumstances (including the availability of exemptions, reliefs or allowable losses), give rise to a liability to United Kingdom capital gains tax or corporation tax on chargeable gains (as applicable).

In calculating the chargeable gain (or allowable loss) on the part disposal, a proportion of the shareholder's allowable cost in his Old Mutual shares will be taken into account, equal to the proportion which the value of the capital distribution represents of the aggregate of (i) the market value of the shareholder's Old Mutual shares immediately after the unbundling (HMRC have indicated that they would accept a value of £1.184 per Old Mutual share, based on the closing market price on 15 October 2018) plus (ii) the value of the capital distribution, in other words:

Nedbank shares received x £12.236 + Cash Proceeds received

Nedbank shares received x £12.236 + Cash Proceeds received + Old Mutual shares x £1.184

Ignoring the amount of Cash Proceeds received this fraction should be 25.0535%.

However, if the value of the capital distribution is small in comparison with the value of the shareholder's Old Mutual shares, the shareholder should not be treated as making a part disposal and, instead, an amount equal to the value of the capital distribution will be deducted from the shareholder's base cost in his Old Mutual shares. Under current HMRC practice, where the value of the capital distribution received by a shareholder is £3,000 or less, such value will generally be treated as small for these purposes.

The initial base cost of shares received in Nedbank is equal to the market value of their unbundled Nedbank shares. As noted HMRC have indicated that they will accept a value of £12.236 per Nedbank share.

3. Malawian Taxation

The following is a general guide for Malawian tax resident shareholders of Old Mutual Limited:

- who held their Old Mutual plc shares on capital account for tax purposes;
- who hold their Quilter plc and Old Mutual Limited shares on capital account for tax purposes;
- who received Quilter plc shares pursuant to the demerger transaction; and
- whose Old Mutual plc shares were exchanged for Old Mutual Limited shares received.

3.1 **Malawian tax implications for the receipt of Quilter plc shares pursuant to the demerger transaction.**

In Malawi, any receipt of cash or asset is taxable as "income" in the hands of a Malawian resident. Therefore, the receipt of the Quilter plc shares will be regarded as "income" in the Malawian shareholders' hands.

Where income received is regarded as capital in nature, the taxpayer will need to identify a "tax basis" which may be offset against that taxable income. Malawian tax resident shareholders will therefore establish a tax basis for the Quilter plc shares received.

3.2 **Capital gains on the Quilter plc shares for Malawian tax purposes**

Capital gains are calculated as the difference between the "amount realised" and the tax basis of the asset.

Where there are no sale proceeds, the open market value of the asset disposed of is the "amount realised", while the tax basis will be the cost of the shares, adjusted for inflation/consumer price indices applicable from the date of acquisition to the date of disposal.

3.3 **Calculation principles**

Since the Malawian tax resident shareholders will not incur any costs or make any contributions for the receipt of the Quilter plc shares, there will likely be no tax basis for the Quilter plc shares received, and hence the full open market value of the Quilter plc shares received will be taxable.

That market value will also form the tax basis of the Quilter plc shares received, for purposes of determining any capital gain or loss arising on the ultimate disposal of those Quilter plc shares in future by the Malawi tax resident shareholders.

3.4 **Exchange of the Old Mutual Plc shares for Old Mutual Limited shares**

Malawian tax resident shareholders will be regarded as having disposed of their Old Mutual plc shares and would be subject to tax on the gains. The "tax basis" in the shares is the amount those Malawian shareholders originally paid for the Old Mutual plc shares. The disposal of the Old Mutual plc shares will likely be for nil proceeds, hence a capital loss is triggered. The capital loss could then only be offset against potential other unrelated gains that may arise. Capital losses on assets not qualifying for capital allowances can be offset only against current or future capital gains (including gains arising from the Quilter Plc shares received mentioned above).

The Old Mutual Limited shares issued in Malawi will be treated as a taxable receipt in the hands of the Malawian tax resident shareholder. That income will likely be of a capital nature. As the Malawian tax resident will not incur any costs in order to obtain the Old Mutual Limited shares, the tax basis thereof will be nil.

Accordingly, the market value of the Old Mutual Limited shares so received will be taxable in the hands of the Malawian tax resident shareholders as a capital gain, which may be offset against any capital losses incurred in the same tax year, including the capital loss which may arise on the disposal of the Old Mutual plc shares as noted above.

The market value of the Old Mutual Limited shares will form the tax basis for Malawian tax resident shareholders, for purposes of determining any capital gain or capital loss arising on the ultimate disposal of those Old Mutual Limited shares in future by the Malawian tax resident shareholders.

3.4 **Unbundling of Nedbank shares**

This section summarises the Malawi income tax treatment for an Old Mutual Shareholder that is a Malawi resident company or a non-Malawi resident company with a Malawi permanent establishment that holds its Old Mutual shares as capital assets and not as trading stock.

As the unbundled Nedbank shares will be distributed by Old Mutual from its CTC, the Nedbank unbundling should, for Malawian tax purposes, not be treated as an in specie dividend distribution and will accordingly not be subject to withholding tax in Malawi.

In Malawi, any receipt of cash or asset is taxable as “income” in the hands of a Malawian resident. Therefore the receipt of the unbundled Nedbank shares will be regarded as “income” in the Malawian shareholders’ hands.

Where income received is regarded as capital in nature, the taxpayer will need to identify a “tax basis” which may be offset against that taxable income. Malawian tax resident shareholders will therefore establish a tax basis for the unbundled Nedbank shares received.

As regards to tax on capital gains, this is calculated as the difference between the “amount realised” and the tax basis of the asset. Where there are no sale proceeds, the open market value of the asset disposed of is the “amount realised”, while the tax basis will be the cost of the shares, adjusted for consumer prices indices applicable from the date of acquisition to the date of disposal.

Since the Malawian shareholders will not incur any costs or make any contributions for the receipt of the unbundled Nedbank shares, there will likely be no tax basis in the unbundled Nedbank shares received, and hence the full market value of the unbundled Nedbank shares received will be taxable.

That market value will also form the tax basis of the unbundled Nedbank shares, for purposes of determining any capital gain or loss arising on the ultimate disposal of those shares in future by the Malawian shareholders.

4. Namibian Taxation

The following is a general guide for Namibian tax resident shareholders of Old Mutual Limited:

- who held their Old Mutual plc shares on capital account for tax purposes;
- who hold their Quilter plc and Old Mutual Limited shares on capital account for tax purposes;
- who received Quilter plc shares pursuant to the demerger transaction; and
- whose Old Mutual plc shares were exchanged for Old Mutual Limited shares received.

4.1 **Namibian tax implications for the receipt of the Quilter plc shares pursuant to the demerger transaction**

The distribution of the Quilter plc shares to Namibian shareholders will be regarded as a capital distribution.

Namibia does not impose capital gains tax on residents. Accordingly, the distribution of the Quilter plc shares should not be taxable in the hands of the Namibian tax resident shareholder. Subsequent dealings in the Quilter plc shares need to be considered in light of the shareholder's intention and the surrounding circumstances to determine the tax treatment.

4.2 **Exchange of the Old Mutual Plc shares for Old Mutual Limited shares**

Namibian tax resident shareholders disposing of Old Mutual plc shares and receiving Old Mutual Limited shares should not be subject to tax in Namibia on the disposal.

Receipt of the Old Mutual Limited shares by a Namibian tax resident shareholder should also not give rise to any Namibian tax consequences.

4.3 **Unbundling of Nedbank shares**

This section summarises the Namibia income tax treatment for an Old Mutual Shareholder that is a Namibia resident company or a non-Namibia resident company with a Namibia permanent establishment and that holds its Old Mutual Shares as capital assets, not as trading stock (for purposes of this section only, a "Namibian Shareholder").

The Nedbank Unbundling should, for Namibian income tax purposes, be treated as an in specie distribution of Unbundled Nedbank Shares by Old Mutual. Such distribution should not be taxable in the hands of the Namibian Shareholders

5. Zimbabwean Taxation

The following is a general guide for Zimbabwean tax resident shareholders of Old Mutual Limited:

- who held their Old Mutual plc shares on capital account for tax purposes;
- who hold their Quilter plc and Old Mutual Limited shares on capital account for tax purposes;
- who received Quilter plc shares pursuant to the demerger transaction; and
- whose Old Mutual plc shares were exchanged for Old Mutual Limited shares received.

5.1 **Zimbabwean tax implications for the receipt of the Quilter plc shares pursuant to the demerger transaction.**

The receipt of the Quilter plc shares constitutes a foreign dividend distribution for Zimbabwean tax purposes.

Accordingly, Zimbabwean tax resident shareholders will be subject to tax at a rate of 20% on the market value of the Quilter plc shares received. This is a self-assessed tax and not a withholding tax, and accordingly must be accounted for by the shareholders in their annual tax returns.

5.2 **Market value of the Quilter plc shares received for Zimbabwean tax purposes**

The market value of the Quilter plc shares will be determined on the date on which they were distributed to shareholders. This could therefore be a range from the opening price to the closing price on that date.

The market value of the Quilter plc shares will be determined on the date on that the shares were distributed to shareholders; which is the value of the shares on the LSE outlined below.

5.3 **Calculation principles**

The distribution of the Quilter plc shares occurred on Monday 25th June 2018. The LSE opening price on that day, prior to any trading in the shares, was £1.45 per share. Zimbabwean tax resident shareholders could consider this price as a market value of the Quilter plc shares received on the distribution date.

Accordingly, to calculate their tax liability, Zimbabwean tax resident shareholders must undertake the following calculation.

Number of Quilter plc shares received x the market value (i.e. £1.45) = [resultant] x 20% tax rate.

5.4 **Exchange of the Old Mutual Plc shares for Old Mutual Limited shares**

Zimbabwean tax resident shareholders who disposed of their Old Mutual plc shares to Old Mutual Limited in exchange for Old Mutual Limited shares should qualify for tax relief under section 15 of the Zimbabwean Capital Gains Tax Act, Chapter 23:01, as amended.

On this basis, no capital gains tax should be incurred by the Zimbabwean tax resident shareholders. The Zimbabwean tax resident shareholders' base cost for their Old Mutual plc shares should also roll over into the Old Mutual Limited shares they received.

5.5 **Unbundling of Nedbank shares**

This section summarises the Zimbabwe income tax treatment for an Old Mutual Shareholder that is a Zimbabwe resident company or a non-Zimbabwe resident company with a permanent establishment in Zimbabwe or an individual Old Mutual Shareholder that holds Old Mutual Shares as capital assets, not as trading stock. For the purposes of this section, the term "Old Mutual Shareholders" must be construed accordingly.

As the Unbundled Nedbank Shares will be distributed by Old Mutual from its CTC, the Nedbank Unbundling will therefore likely be regarded as a return of capital contribution or initial investment in the Zimbabwean tax-resident Old Mutual Shareholders' hands. Such receipts are likely to be regarded as capital receipts and not dividends.

The source of the capital receipts (being shares in a non-Zimbabwean company) is offshore and not in Zimbabwe and thus no tax should arise in Zimbabwe.

No Zimbabwean taxation should arise on receipt of the Unbundled Nedbank Shares by non-residents, even if they have a permanent establishment in Zimbabwe.

No Zimbabwean stamp duty should be payable by Zimbabwean tax-resident Old Mutual Shareholders in respect of their receipt of Unbundled Nedbank Shares.

6. Certain US Federal Income Tax Considerations for Nedbank unbundling

This section summarises certain United States federal income tax consequences relevant to Old Mutual shareholders receiving unbundled Nedbank shares (or Cash Proceeds) pursuant to the Nedbank unbundling that are US Holders (as defined below) that hold their Old Mutual shares as capital assets. The discussion does not cover all aspects of United States federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on the receipt of unbundled Nedbank shares (or Cash Proceeds) by particular investors (including consequences under the alternative minimum tax or net investment income tax) and does not address state, local, non-United States or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the shares (by vote or value) of Old Mutual, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under United States federal income tax laws (such as financial institutions, insurance companies, entities and arrangements treated as partnerships for United States federal income tax purposes or holders of interests in such entities, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, holders who acquired their Old Mutual shares upon the exercise of employee stock options or otherwise as compensation, holders that have held their Old Mutual shares as part of straddles, hedging transactions or conversion transactions for United States federal income tax purposes, persons that have ceased to be United States citizens or lawful permanent residents of the United States, investors holding the Old Mutual shares in connection with a trade or business conducted outside the United States, or investors whose functional currency is not the US dollar).

As used in this section, the term "US Holder" means a beneficial owner of Old Mutual shares that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for United States federal income tax purposes.

The United States federal income tax treatment of a partner in an entity or arrangement treated as a partnership for United States federal income tax purposes that holds Old Mutual shares will depend on the status of the partner and the activities of the partnership. US Holders that are entities or arrangements treated as partnerships for United States federal income tax purposes should consult their tax advisers concerning the United States federal income tax consequences to them and their partners in respect of the Nedbank unbundling.

Except as otherwise noted, this summary assumes that Old Mutual is not currently and was never a passive foreign investment company ("PFIC") for United States federal income tax purposes. If Old Mutual is or has been a PFIC in any taxable year during which a US Holder held its Old Mutual shares, materially adverse consequences could result for such US Holder. If Old Mutual is treated as a PFIC with respect to a US Holder for the year in which the Nedbank unbundling occurs, material adverse tax consequences could arise for such US Holder. US Holders should consult their tax advisers regarding the potential application of the PFIC regime to the Nedbank unbundling.

This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended ("Revenue Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and South Africa (the "Treaty"), all as of the Last Practicable Date and all of which are subject to change at any time, possibly with retrospective effect.

The receipt of unbundled Nedbank shares (or Cash Proceeds) pursuant to the Nedbank unbundling is expected to be a taxable distribution by Old Mutual to US Holders, with the amount realised in the distribution by a US Holder equal to the fair market value of the unbundled Nedbank shares (or Cash Proceeds) distributed to it. The distribution generally would be treated as a dividend to the extent of Old

Mutual's current or accumulated earnings and profits (as determined for United States federal income tax purposes). The amount of the distribution in excess of Old Mutual's current and accumulated earnings and profits generally would be treated as a non-taxable return of capital to the extent of the US Holder's basis in their Old Mutual shares and thereafter as capital gain. However, Old Mutual does not maintain calculations of its earnings and profits for United States federal income tax purposes. US Holders should therefore assume that the entire amount deemed realised pursuant to the Nedbank unbundling would be reported as ordinary dividend income. The distribution would not be eligible for the dividends received deduction generally allowed to corporations. The distribution generally would be taxable to a non-corporate US Holder at the reduced rate normally applicable to long-term capital gains, provided Old Mutual qualifies for the benefits of the Treaty, and certain other requirements are met.

A US Holder would have a tax basis in the unbundled Nedbank shares received equal to their fair market value, determined in US dollars and the US Holder's holding period for the unbundled Nedbank shares would begin on the day of receipt of such unbundled Nedbank shares.

A non-United States corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For this purpose, "passive income" generally includes interest, dividends, royalties, rents and gains from commodities and securities transactions. Exceptions are provided for income derived in the active conduct of an insurance business and income derived in the active conduct of a banking business. A substantial portion of the income and assets of Old Mutual and its subsidiaries, including Nedbank and its subsidiaries, is attributable to passive assets held in connection with insurance and banking businesses conducted by certain of Old Mutual's subsidiaries and Nedbank's subsidiaries. Accordingly, the eligibility of these businesses for such exceptions is central to the determination of the PFIC status of Old Mutual.

Special rules under the PFIC regime generally allow banks to treat their banking business income as non-passive in certain circumstances. To qualify for these rules, a bank must satisfy certain requirements regarding its licensing and activities. Old Mutual believes that its and Nedbank's banking subsidiaries should currently meet these requirements.

It is unclear how to apply the PFIC rules and the active insurance exception to non-United States insurance companies, such as Old Mutual's insurance subsidiaries and Nedbank's insurance subsidiaries, offering products that, while conforming to the regulatory requirements applicable to insurance companies in their respective jurisdictions, do not conform to those applicable to United States insurance companies. Old Mutual believes that its insurance subsidiaries each met the requirements of the active insurance exception for 2016 and 2017. However, the United States Congress recently enacted legislation modifying certain aspects of the active insurance exception rules applicable to taxable years beginning after 31 December 2017. As a consequence, some of Old Mutual's insurance subsidiaries may not meet the requirements of the active insurance exception in 2018 or future years.

Based on its interpretation of the applicable law, the composition of its income, the valuation of its assets and the activities conducted by it and its subsidiaries, Old Mutual does not believe that it was a PFIC in the taxable year ended 31 December 2017 and does not expect to be a PFIC for the current taxable year. No assurance is given that Old Mutual was not a PFIC in any prior year. In addition, because these determinations are factual in nature and subject to change, there can be no assurance that the income and activities of the insurance subsidiaries and banking subsidiaries of Old Mutual and Nedbank have qualified in the past, currently qualify, or will qualify in the future, for the active insurance exception and/or the active banking exception, or that Old Mutual will not be a PFIC for the current year or in the future.

Distributions paid pursuant to the Nedbank unbundling by a United States paying agent or other United States intermediary will be reported to the US Internal Revenue Service and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these distributions if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the receipt of Unbundled Nedbank Shares (or Cash Proceeds), including requirements related to the holding of certain "specified foreign financial assets".

7. Sweden Taxation for Nedbank unbundling

This section summarises certain Swedish income tax considerations in relation to the Nedbank Unbundling for an Old Mutual shareholder that is resident in Sweden for tax purposes.

Special tax consequences that are not described below may apply for certain categories of taxpayers, including investment companies, mutual funds, life insurance companies and shares held by a partnership or as current assets in a business operation. Further, specific tax consequences may be applicable if, and to the extent that, an Old Mutual shareholder realises a capital loss on the shares and to any currency exchange gains or losses. Credit of foreign taxes is not addressed in these paragraphs.

The Nedbank unbundling should, for Swedish income tax purposes, be treated as distribution in kind of Unbundled Nedbank Shares (or Cash Proceeds) by Old Mutual. Such distribution should normally be taxable in the hands of Swedish tax resident Old Mutual shareholders as a regular dividend.

Dividends are normally taxed at a rate of 30% for individuals (capital income) and 22% for legal entities (business income). The rate applicable to business income may be reduced to 21.4% in 2019 and further reduced to 20.6% in 2021. The acquisition cost for the unbundled Nedbank shares received by way of distribution in kind should be equal to the amount taxed as income on receipt of the unbundled Nedbank shares.

We reiterate that this summary does not constitute tax advice and must not be relied upon as such. Shareholders in all jurisdictions should consult their own independent tax advisers or revenue authorities, bearing in mind their particular circumstances, regarding their participation in the Quilter plc share distribution, the exchange of the Old Mutual plc shares to Old Mutual Limited and the unbundling by Old Mutual Limited of its majority shareholding in Nedbank.

Dated: January 2019

Annexure A Base Cost illustrative example – South Africa only

The tables below illustrate the principle of calculating the revised base cost for Old Mutual plc and Old Mutual Limited shareholders as a result of the three corporate actions which took place during the 2018 year.

The below example is general and non-exhaustive and is intended to be used only as a general guide and does not constitute legal or tax advice. If you are in any doubt as to your tax position, you should consult an independent professional adviser immediately.

Shares held or acquired after 1 October 2001

Calculation Principles:

1. Quilter plc

For every 3 Old Mutual plc shares held, 1 Quilter plc share was distributed	
Quilter Share Market Value at 25 June 2018	R25.88
Quilter Base Cost per Old Mutual plc share	R8.63 (R25.88/3)
Base cost of Old Mutual plc Share (assumed)	R25.00
Old Mutual plc Share Revised Base Cost	R16.37

2. Old Mutual Limited listing:

1 Old Mutual plc share exchanged for 1 Old Mutual Limited share	
Old Mutual plc Share Base Cost	R16.37
Old Mutual Limited Share Base Cost	R16.37

3. Nedbank Unbundling

For every 100 Old Mutual Limited shares, 3.21176 Nedbank Group Limited shares were distributed	
Nedbank's closing price at 10 October 2018	R248.59
Old Mutual Limited's closing price at 10 October 2018	R21.55
To determine the base cost of the Unbundled Nedbank Shares and the revised Old Mutual Limited base cost the following formula is applicable:	
Base cost apportionment formula for Unbundled Nedbank shares	3.21176 x Nedbank / ((3.21176 x Nedbank) + (100 x Old Mutual Limited))
Base cost apportionment ratio to Unbundled Nedbank Shares	27.03353%
Base cost of 3.21176 Unbundled Nedbank Shares per 100 Old Mutual Limited shares (27.03353% x (R16.37 x 100))	R442.54 Or R137,79 per unbundled Nedbank share

Old Mutual Limited Revised Base Cost per 100 shares: ((R16.37 x 100) – R442.54)	R 1194.46 or R11.94 per Old Mutual Limited share

Shares held or acquired before 1 October 2001

Calculation Principles:

1. Base cost of shares held on 1 October 2001 determined as follows:

It is likely that the valuation date value and base cost of Old Mutual plc shares for shareholders who received their Old Mutual plc shares for no consideration as part of de-mutualisation in 1999, would be the valuation date market value of R13.626.	R13.626
In 2012 Old Mutual plc had a share consolidation resulting in the ratio of 8/7.	
Revised Base cost as a result of share consolidation (R13.626 x 8/7)	R15.57

2. Quilter unbundling

For every 3 OM Plc shares held 1 Quilter share was distributed	
Quilter Market Value = base cost of 1 Quilter plc share	R25.88
Quilter Base Cost (R25.88/3) per Old Mutual plc share	R8.63
In re-determining the base cost of pre 1 October 2001 Old Mutual plc shares, the shareholder must be treated as: – (i) having disposed of the Old Mutual plc share immediately *prior* to the foreign return of capital (the Quilter plc share distribution) for an amount equal to the market value (described below) of the Old Mutual plc share at that time; and – (ii) having immediately reacquired that Old Mutual plc share at a cost equal to that market value: – less any capital gain; or – increased by any capital loss determined as part of the disposal described in (i).	

The Market Value of the Old Mutual plc shares to be used in the calculation of the deemed disposal, is deemed to be equal to the sum of: – the ruling price of that share on 22 June 2018 (R37.83) and – the foreign return of capital (being 1/3rd of the Quilter plc share price (R25.88, i.e. R8.626 per share).	
Old Mutual plc share deemed market value	R37.83 + R8.63 = R46.46
Capital Gain on Deemed disposal	R46.46 - R15.57 = R30.89
Old Mutual plc share Revised Base Cost	R46.46 - R30.89 = R15.57
Reduced by the market value of the asset received (one-third of a Quilter plc share)	R15.57 – R8.63 = R6.94

3. Old Mutual Limited

1 Old Mutual plc share exchanged for 1 Old Mutual Limited share	
Old Mutual plc Share Base Cost	R6.94
Old Mutual Limited Share Base Cost	R6.94

4. Nedbank Unbundling

For every 100 Old Mutual Limited shares, 3.21176 Nedbank shares was distributed	
Nedbank's closing price at 10 October 2018	R248.59
Old Mutual Limited's closing price at 10 October 2018	R21.55
To determine the base cost of the unbundled Nedbank shares and the revised Old Mutual Limited base cost, the following formula is applicable:	
Base cost apportionment formula for unbundled Nedbank shares	3.21176 x Nedbank / ((3.21176 x Nedbank) + (100 x Old Mutual Limited))
Base cost apportionment ratio to unbundled Nedbank shares	27.03353%
Base Cost of 3.21176 unbundled Nedbank shares per 100 Old Mutual Limited shares (27.03353% x 100 x R6.94)	R187.61 Or R58,41 per unbundled Nedbank share
Old Mutual Limited Revised Base Cost per 100 Old Mutual Limited shares ((R6.94 x 100) - R187.61)	R 506.39 Or R5.06 per Old Mutual Limited share